VOLUME 4 - SECTION 2

TABLE OF CONTENTS	FISCAL YEAR ENDED	PAGE

Section 2:

GOVERNMENT ORGANIZATIONS (CONTINUED):

NOTICE TO READER

VOLUME 4 – SECTION 2

Volume 4 – Section 2 contains the audited financial statements for public school divisions. These financial statements have been condensed to reflect only audited financial statements, notes and the schedule of tangible capital assets. The complete audited financial statements for public school divisions include a number of additional schedules that are required for management purposes, which have not been reproduced in this volume. Consequently, they cannot be expected to provide as complete an understanding as provided by the full financial statements, which can be obtained from the respective school division.

MANAGEMENT RESPONSIBILITY REPORT

The accompanying consolidated financial statements of Beautiful Plains School Division are the responsibility of the Division management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants. A summary of the significant accounting policies is described in Note 2 to the consolidated financial statements.

The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. Division management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The Board of Trustees of the Division met with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by MNP LLP independent external auditors appointed by the Board. The accompanying Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Division's consolidated financial statements.

Original Document Signed
Chairperson

Original Document Signed
Secretary-Treasurer

October 17, 2017

Independent Auditors' Report

To the Board of Trustees of Beautiful Plains School Division:

We have audited the accompanying consolidated financial statements of Beautiful Plains School Division, which comprise the consolidated statement of financial position as at June 30, 2017, and the consolidated statements of revenue, expenses and accumulated surplus, change in net debt and cash flow for the year then ended, 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 generally accepted accounting principles established by the Public Sector Accounting Board of the Canadian Institute of Chartered Professional Accountants, 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 Beautiful Plains School Division as at June 30, 2017 and the consolidated results of its operations, consolidated changes in net debt and its consolidated cash flow for the year then ended in accordance with Canadian generally accepted accounting principles established by the Public Sector Accounting Board of the Canadian Institute of Chartered Professional Accountants.

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

MNP LLP

Brandon, Manitoba
October 17, 2017

Chartered Professional Accountants

I hereby certify that the preceding report and the statements and reports referenced herein have been presented to the members of the Board of Beautiful Plains School Division.

Original Document Signed
Chairperson of the Board

Oct. 17/17
Date

MNP

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2017	2016
	Financial Assets		
	Cash and Bank	1,018,306	646,804
	Due from - Provincial Government	906,477	845,571
	- Federal Government	33,974	34,516
	- Municipal Government	3,495,251	3,261,477
	- Other School Divisions	-	-
	- First Nations	-	-
	Accounts Receivable	45,411	24,598
	Accrued Investment Income	-	-
	Portfolio Investments	-	-
		5,499,419	4,812,966
	Liabilities		
	Overdraft	-	-
	Accounts Payable	145,012	163,853
	Accrued Liabilities	1,970,170	1,758,685
*	Employee Future Benefits	54,085	47,396
	Accrued Interest Payable	376,573	405,047
	Due to - Provincial Government	-	-
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
*	Deferred Revenue	935,249	902,445
*	Borrowings from the Provincial Government	15,629,745	15,928,101
	Other Borrowings	-	-
	School Generated Funds Liability	24,991	35,960
		19,135,825	19,241,487
	Net Debt	(13,636,406)	(14,428,521)
	Non-Financial Assets		
*	Net Tangible Capital Assets (TCA Schedule)	20,382,582	20,054,914
	Inventories	-	-
	Prepaid Expenses	316,313	383,800
		20,698,895	20,438,714
*	**Accumulated Surplus**	7,062,489	6,010,193

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes			2017	2016
	Revenue			
	Provincial Government		15,357,031	14,736,848
	Federal Government		-	-
	Municipal Government	- Property Tax	6,729,125	6,300,172
		- Other	-	-
	Other School Divisions		28,600	29,900
	First Nations		-	-
	Private Organizations and Individuals		15,536	19,445
	Other Sources		94,723	86,312
	School Generated Funds		375,865	406,790
	Other Special Purpose Funds		-	-
			22,600,880	21,579,467
	Expenses			
	Regular Instruction		11,963,427	11,322,418
	Student Support Services		2,541,888	2,262,986
	Adult Learning Centres		-	-
	Community Education and Services		22,118	22,298
	Divisional Administration		608,068	666,785
	Instructional and Other Support Services		527,538	372,168
	Transportation of Pupils		1,262,524	1,171,497
	Operations and Maintenance		1,918,328	1,857,773
*	Fiscal	- Interest	810,806	880,908
		- Other	320,720	300,043
	Amortization		1,167,668	1,139,728
	Other Capital Items		8,256	2,752
	School Generated Funds		390,555	392,924
	Other Special Purpose Funds		-	-
			21,541,896	20,392,280
	Current Year Surplus (Deficit) before Non-vested Sick Leave		1,058,984	1,187,187
	Less: Non-vested Sick Leave Expense (Recovery)		6,688	(2,219)
	Net Current Year Surplus (Deficit)		1,052,296	1,189,406
	Opening Accumulated Surplus		6,010,193	4,820,787
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	-
		Other than Tangible Cap. Assets	-	-
		Non-vested sick leave - prior years	-	-
	Opening Accumulated Surplus, as adjusted		6,010,193	4,820,787
	Closing Accumulated Surplus		7,062,489	6,010,193

See accompanying notes to the Financial Statements

* NOTE REQUIRED

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2017

	2017	2016
Net Current Year Surplus (Deficit)	1,052,296	1,189,406
Amortization of Tangible Capital Assets	1,167,668	1,139,728
Acquisition of Tangible Capital Assets	(1,495,336)	(792,523)
(Gain) / Loss on Disposal of Tangible Capital Assets	(500)	-
Proceeds on Disposal of Tangible Capital Assets	500	-
	(327,668)	347,205
Inventories (Increase)/Decrease	-	-
Prepaid Expenses (Increase)/Decrease	67,487	66,077
	67,487	66,077
(Increase)/Decrease in Net Debt	792,115	1,602,688
Net Debt at Beginning of Year	(14,428,521)	(16,031,209)
Adjustments Other than Tangible Cap. Assets	-	-
	(14,428,521)	(16,031,209)
Net Debt at End of Year	(13,636,406)	(14,428,521)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2017

	2017	2016
Operating Transactions		
Net Current Year Surplus (Deficit)	1,052,296	1,189,406
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	1,167,668	1,139,728
(Gain)/Loss on Disposal of Tangible Capital Assets	(500)	-
Employee Future Benefits Increase/(Decrease)	6,689	(2,219)
Due from Other Organizations (Increase)/Decrease	(294,138)	(59,761)
Accounts Receivable & Accrued Income (Increase)/Decrease	(20,813)	(1,504)
Inventories and Prepaid Expenses - (Increase)/Decrease	67,487	66,077
Due to Other Organizations Increase/(Decrease)	-	-
Accounts Payable & Accrued Liabilities Increase/(Decrease)	164,170	(48,510)
Deferred Revenue Increase/(Decrease)	32,804	65,016
School Generated Funds Liability Increase/(Decrease)	(10,969)	(18,109)
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by (Applied to) Operating Transactions	2,164,694	2,330,124
Capital Transactions		
Acquisition of Tangible Capital Assets	(1,495,336)	(792,523)
Proceeds on Disposal of Tangible Capital Assets	500	-
Cash Provided by (Applied to) Capital Transactions	(1,494,836)	(792,523)
Investing Transactions		
Portfolio Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
Financing Transactions		
Borrowings from the Provincial Government Increase/(Decrease)	(298,356)	(1,170,342)
Other Borrowings Increase/(Decrease)	-	-
Cash Provided by (Applied to) Financing Transactions	(298,356)	(1,170,342)
Cash and Bank / Overdraft (Increase)/Decrease	371,502	367,259
Cash and Bank (Overdraft) at Beginning of Year	646,804	279,545
Cash and Bank (Overdraft) at End of Year	1,018,306	646,804

Beautiful Plains School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2017

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	2017 TOTALS	2016 TOTALS
	School	Non-School									
Tangible Capital Asset Cost											
Opening Cost, as previously reported	33,241,621	841,511	2,384,627	141,965	407,058	305,895	221,168	-	369,994	37,913,839	37,121,316
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	33,241,621	841,511	2,384,627	141,965	407,058	305,895	221,168	-	369,994	37,913,839	37,121,316
Add: Additions during the year	1,455,759	-	115,881	-	22,750	-	-	-	(99,054)	1,495,336	792,523
Less: Disposals and write downs	-	-	71,993	-	-	-	-	-	-	71,993	-
Closing Cost	34,697,380	841,511	2,428,515	141,965	429,808	305,895	221,168	-	270,940	39,337,182	37,913,839
Accumulated Amortization											
Opening, as previously reported	14,945,833	385,085	1,927,717	69,499	355,735	175,056		-		17,858,925	16,719,197
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	14,945,833	385,085	1,927,717	69,499	355,735	175,056		-		17,858,925	16,719,197
Add: Current period Amortization	993,909	25,368	88,607	18,326	18,838	22,620		-		1,167,668	1,139,728
Less: Accumulated Amortization on Disposals and Writedowns	-	-	71,993	-	-	-		-		71,993	-
Closing Accumulated Amortization	15,939,742	410,453	1,944,331	87,825	374,573	197,676		-		18,954,600	17,858,925
Net Tangible Capital Asset	18,757,638	431,058	484,184	54,140	55,235	108,219	221,168	-	270,940	20,382,582	20,054,914
Proceeds from Disposal of Capital Assets	-	-	500	-	-	-				500	-

* Includes network infrastructure.

1. Nature of Organization and Economic Dependence

The Beautiful Plains School Division is a public body that provides education services to residents within its geographic location. The division is funded mainly by grants from the Province of Manitoba and a special levy on the property assessment included in the Division's boundaries. The Division is exempt from tax and is a registered charity under the Income Tax Act.

The Division is economically dependent on the Province for the majority of its revenue and capital financing requirements. As well, a significant portion of local property taxation is required to maintain educational services. The Division would not be able to continue operations if either of these sources of funding were lost.

2. Significant Accounting Policies

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles established by PSAB of the Canadian Institute of Chartered Accountants (CICA).

a) Reporting Entity and Consolidation

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the operating fund, capital fund, and special purpose fund of the Division. The Division reporting entity includes school generated and registered charity funds. All inter-fund accounts and transactions are eliminated upon consolidation.

b) Basis of Accounting

Revenues and expenses are reported on the accrual basis of accounting except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable. 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.

c) Fund Accounting

The fund method of accounting is employed by the Division to record financial transactions in separate funds as defined by Financial Reporting and Accounting in Manitoba Education (FRAME) in accordance with the purpose for which the funds have been created.

The Operating Fund is maintained to record all the day to day operating revenues and expenses. The Capital Fund is used to account for the acquisition, amortization, disposal and financing of capital assets. The Special Purpose Fund is used to account for school generated and registered charity funds.

d) School Generated Funds

School generated funds are monies raised by the school, or under the auspices of the school, through extracurricular activities for the sole use of the school that the principal of each school, subject to the rules of the school board, may raise, hold, administer and expend for the purposes of the school.

Only revenue and expenses of school generated funds controlled by the Division are included in the Consolidated Statement of Revenue, Expenses and Accumulated Surplus. To be deemed as controlled, a school must have the unilateral authority to make the decisions as to when, how and on what the funds are to be spent.

Period end cash balances of all school generated funds are included in the Consolidated Statement of Financial Position. The uncontrolled portion of this amount is reflected in the School Generated Funds Liability account. Examples of uncontrolled school generated funds are parent council funds, other parent group funds, student council funds and travel club funds. Revenues and expenses of uncontrolled school generated funds are not included in the consolidated financial statements.

e) Tangible Capital Assets

Tangible capital assets are non-financial assets that are used by the Division to provide services to the public and have an economic life beyond one fiscal year. Tangible capital assets include land, buildings, buses, other vehicles, furniture and equipment, computers, capital leases, leasehold improvements, and assets under construction.

To be classified as tangible capital assets, each asset other than land must individually meet the capitalization threshold for its class as prescribed by FRAME.

Asset Description	**Capitalization Threshold ($)**	**Estimated Useful Life (years)**
Land Improvements	50,000	10
Buildings - bricks, mortar and steel	50,000	40
Buildings – wood frame	50,000	25
School Buses	50,000	10
Vehicles	10,000	5
Equipment	10,000	5
Network Infrastructure	25,000	10
Computer, Hardware, Servers & Peripherals	10,000	4
Computer Software	10,000	4
Furniture & Fixtures	10,000	10
Leasehold Improvements	25,000	Over term of lease

Grouping of assets is not permitted except for computer work stations.

With the exception of land, donated capital assets and capital leases, all tangible capital assets are recorded at historical cost, which includes purchase price, installation costs and other costs incurred to put the asset into service.

Buildings are recorded at historical cost when known. For buildings acquired prior to June 30, 2005 where the actual cost was not known, the replacement value for insurance purposes as at June 30, 2005 was regressed to the date of acquisition using a regression index based on Southam and CanaData construction cost indices.

All land acquired prior to June 30, 2006 has been valued by the Crown Lands and Property Agency.

All tangible capital assets, except for land, capital leases, and assets under construction, are amortized on a straight-line basis over their estimated useful lives as prescribed by FRAME. Land is not amortized. One-half of the annual amortization is charged in the year of acquisition and in the year of disposal if not fully amortized.

Assets under construction are not amortized until the date of substantial completion. Interest on funds used to finance school buildings under construction is capitalized for the periods preceding the date of substantial completion.

f) Employee Future Benefits

The Province of Manitoba pays the employer portion of the Teachers' Retirement Allowances Fund (TRAF), the pension plan for all certified teachers of the Division. The Division does not contribute to TRAF, and no costs relating to this plan are included in the Division's financial statements.

However, the Division provides a defined contribution pension plan to all eligible non teachers in the Division. There is no future liability or benefit to be recorded for this type of pension plan. The Division participates in the MSBA (Manitoba School Boards Association) Pension Plan. The terms and conditions of this pension plan are administered by a provincial committee consisting of school trustees, employee and division management representatives. The Division participates in the plan by virtue of a trust agreement. Participating employees in the plan generally contribute from 5.7% to 7.7% (dependant on age) of earnings to the plan. The Division matches this contribution and remits both contributions monthly.

For non-vesting accumulating sick days, the benefit costs are recognized, if deemed material, based on a projection of expected future utilization of sick time, discounted using net present value techniques.

g) Capital Reserve

Certain amounts, as approved by the Board of Trustees and the Public Schools Finance Board (PSFB), have been set aside in reserve accounts for future capital purposes. These Capital Reserve accounts are internally restricted funds that form part of the Accumulated Surplus presented in the Consolidated Statement of Financial Position. The Division has a reserve for school bus purchases in the amount of $757,718, other vehicle purchases in the amount of $15,000 and a Neepawa and Area Collegiate/Division Office Site reserve in the amount of $705,642.

h) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

i) Financial Instruments

There are no significant terms and conditions related to financial instruments (cash, accounts receivable, investments, bank indebtedness, accounts payable and long-term debt) that may affect the amount, timing and certainty of future cash flows. The Division is exposed to credit risk from the potential non-payment of accounts receivable. However, the majority of the receivables are from local, provincial and federal governments, and therefore, the credit risk is minimal. The carrying amounts of the financial instruments approximate their fair values, unless otherwise noted.

j) Liability for Contaminated Sites

The Division has adopted PS 3260 Liability for Contaminated Sites effective March 31, 2015. No sites have been identified and no liability has been established in Beautiful Plains School Division.

3. Employee Future Benefits

Non-vested accumulated sick leave benefits are measured using net present value techniques on the expected future utilization of excess of sick benefits used over earned per year, to a maximum entitlement. The liability for employee future benefits for accumulated non vested sick leave recorded at June 30, 2017 was increased by $6,688. The total accrual at June 30, 2017 is $54,084.

4. Overdraft

The Division has an operating $3,700,000 line of credit with the Beautiful Plains Credit Union by way of overdraft. (By-Law #277) The Division does not receive any property taxation until November each year thus operates in overdraft for a portion of the year.

5. Deferred Revenue

The deferral method of accounting is used for revenues received that, pursuant to legislation, regulation or agreement, may only be used for specific purposes. These amounts are recognized as revenue in the fiscal year the related expenses are incurred or services performed. The Division has a Scholarship Fund which is included in Other Special Purpose Funds below. The following is a breakdown of the account balance:

	Balance as at June 30, 2016	Additions in the period	Revenue recognized in the period	Balance as at June 30, 2017
Education Property Tax Credits (Fall)	$ 818,233	$ 785,808	$ 818,233	$ 785,808
Charitable Scholarship Fund	84,212	71,964	6,735	149,441
Prov. French Revitalization Grant	-	-	-	-
	$ 902,445	**$ 857,772**	**$ 824,968**	**$ 935,249**

6. School Generated Funds Liability & Revenue/Expense Presentation

School Generated Funds Liability includes the non-controlled portion of school generated funds consolidated in the cash and bank balances in the amount of $24,991.

School generated funds revenue and expenses reported in the Consolidated Statement of Revenue, Expenses and Accumulated Surplus as at June 30, 2017 covers a period of twelve months from April 1, 2016 to March 31, 2017.

7. Debenture Debt

The debenture debt of the Division is in the form of twenty-year debentures payable, principal and interest, in twenty equal yearly instalments and maturing at various dates from 2016 to 2036. Payment of principal and interest is funded entirely by grants from the Province of Manitoba. The debentures carry interest rates that range from 3.50% to 8.75%. Debenture interest expense payable as at June 30, 2016, is accrued and recorded in Accrued Interest Payable, and a grant in an amount equal to the interest accrued on provincially funded debentures is recorded in Due From the Provincial Government.

The debenture principal and interest repayments in the next five years are:

	Principal	Interest	Total
2017/18	$ 1,330,520	$ 781,051	$ 2,111,571
2018/19	1,371,495	696,983	2,068,478
2019/20	1,704,562	880,756	2,585,318
2020/21	1,832,838	923,010	2,755,848
2021/22	2,678,644	836,227	3,514,871
	$ 8,918,059	**$ 4,118,027**	**$ 13,036,086**

8. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

		2016/17
Operating Fund		
Designated Surplus	$	22,387
Undesignated Surplus		599,840
Non-vested Sick Leave Benefits		54,084
	$	**676,311**
Capital Fund		
Reserve Accounts	$	1,478,360
Equity in Tangible Capital Assets		4,660,097
	$	**6,138,457**
Special Purpose Fund		
School Generated Funds	$	247,721
Other Special Purpose Funds		-
		247,721
Total Accumulated Surplus	**$**	**7,062,489**

Unexpended school instructional budgets from the 2016/17 year totalling $22,387 have been carried forward to the 2017/18 school year.

Reserve Accounts under the Capital Fund represent internally restricted reserves for specific purposes approved by the Board of Trustees and Public Schools Finance Board. In the Neepawa Collegiate/Division Office Site reserve $450,000 was approved by board resolution #16, October 3, 2017. A Schedule of Capital Reserve Accounts is provided on page 24 of the audited financial statements.

		2016/17
School Bus Reserve	$	757,718
Other Vehicles		15,000
Neepawa Collegiate/Division Office site		705,642
Total Capital Reserves	**$**	**1,478,360**

9. Municipal Government – Property Tax and Related Due from Municipal Government

Education Property Tax or Special Levy is raised as the Division's contribution to the cost of providing public education for the students resident in the division. The Municipal Government Property Tax shown on the consolidated revenue and expense statement is raised over the two calendar (tax) years; 48% from 2016 tax year and 52% from the 2017 tax year. Below are the related revenue and receivable amounts:

	2016/17	2015/16
Revenue-Municipal Government-Property Tax	$ 6,729,125	$ 6,300,172
Receivable-Due from Municipal-Property Tax	$ 3,495,251	$ 3,261,477

10. Interest Received and Paid

The Division received interest during the year of $14,604 (previous year $13,177).
Interest expense is included in Fiscal and is comprised of the following:

	2016/17
Operating Fund	
Fiscal short term loan, interest and bank charges	$ 9,386
Capital Fund	
Debenture debt interest	801,420
Other interest	-
Total Interest Expense	**$ 810,806**

The accrual portion of debenture debt interest expense of $376,573 included under the Capital Fund-Debenture debt interest is offset by an accrual of the debt servicing grant from the Province of Manitoba.

11. High Speed Connectivity Agreement

The Division has entered into a long term agreement with Westman Communications Group to provide high speed internet and wide area network connectivity for all community schools. The initial term of the agreement is ten years and two options to renew for a further five years each. Carberry and Neepawa Schools and the Division Office will utilize fiber optic cable technology and Brookdale and J. M. Young Schools will have wireless service using towers. A prepaid expense in the amount of $566,079 was established in the 2012/13 fiscal year. This expense will be recognized over the initial term of the agreement commencing in the 2012/13 fiscal year. The cost for construction of the infrastructure (wireless towers) owned by the Division is $188,693 and is being amortized in the capital fund.

12. Property Purchase

The Division has purchased property in the amount of $173,358 (known as 189 Mountain Ave.) in the Town of Neepawa adjacent to the Neepawa Collegiate School yard. The property will be used for future development of the site.

13. Expenses by Object

Expenses in the consolidated statement of revenue, expenses and accumulated surplus are reported by function as defined by FRAME. Below is the detail of expenses by object:

	Actual 2016/17	Budget 2016/17	Actual 2015/16
Salaries	$ 14,947,612	$ 15,186,265	$ 13,803,074
Employees benefits & allowances	1,125,359	1,143,585	1,062,759
Services	1,572,225	1,661,116	1,577,867
Supplies, materials & minor equipment	1,142,519	1,237,242	1,184,732
Interest	810,806	843,896	880,908
Transfers (Other than Capital)	56,178	61,400	47,493
Payroll tax	320,719	320,000	300,043
Amortization	1,167,668	-	1,139,728
Other capital items	8,256	-	2,752
School generated funds	390,555	-	392,924
Total	**$ 21,541,897**	**$ 20,453,504**	**$ 20,392,280**

BORDER LAND
SCHOOL DIVISION

MANAGEMENT REPORT

Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of Border Land School Division ("Division") are the responsibility of the Division's management and have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board of Chartered Professional Accountants Canada. A summary of the significant accounting policies are described in Note 2 to the consolidated financial statements.

The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. Division management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The Board of Trustees of the Division met with management to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by BDO Canada LLP, independent external auditor, appointed by the Board of Trustees. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Division's consolidated financial statements.

Original Document Signed

Secretary-Treasurer

October 18, 2017

120-9th Street NW, Altona, MB R0G 0B1
Phone 204.324.6491 Fax 204.324.1664 Website www.blsd.ca Email blsd@borderland.ca

BDO

Tel/Tél.: 204 956 7200
Fax/Téléc.: 204 926 7201
Toll-free/Sans frais: 800 268 3337
www.bdo.ca

BDO Canada LLP/s.r.l.
700 - 200 Graham Avenue
Winnipeg MB R3C 4L5 Canada

Independent Auditor's Report

To the Chairperson and Board of Trustees of **Border Land School Division**

We have audited the accompanying consolidated financial statements of **Border Land School Division** ("Division"), which comprise the consolidated statement of financial position as at June 30, 2017, and the consolidated statement of revenue, expenses and accumulated surplus, statement of change in net debt and statement of cash flow for the year then ended, 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 the 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.

Auditor's 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 auditor's 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 financial position of **Border Land School Division** as at June 30, 2017, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

BDO Canada LLP

Chartered Professional Accountants

Winnipeg, Manitoba
October 18, 2017

I hereby certify that this report and the statements, schedules and reports referenced herein have been presented to the Members of the Board of Trustees of the above-mentioned School Division.

Original Document Signed
Chairperson

October 18, 2017
Date

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2017	2016
	Financial Assets		
	Cash and Bank	-	-
	Due from - Provincial Government	2,431,362	2,789,519
	- Federal Government	372,934	378,657
10	- Municipal Government	8,136,651	5,552,115
	- Other School Divisions	709,347	652,945
	- First Nations	122,425	92,178
	Accounts Receivable	116,143	257,480
	Accrued Investment Income	-	-
	Portfolio Investments	-	-
		11,888,862	9,722,894
	Liabilities		
3	Overdraft	2,514,167	2,403,662
	Accounts Payable	1,013,311	1,320,486
	Accrued Liabilities	268,324	94,842
4	Employee Future Benefits	-	-
	Accrued Interest Payable	197,204	192,847
	Due to - Provincial Government	101,383	163,211
	- Federal Government	-	1,252,781
	- Municipal Government	9,927	11,494
	- Other School Divisions	240,676	237,999
	- First Nations	-	-
5	Deferred Revenue	1,220,675	1,083,347
6	Borrowings from the Provincial Government	9,732,943	8,506,541
7	Other Borrowings	-	-
	School Generated Funds Liability	-	-
		15,298,610	15,267,210
	Net Debt	(3,409,748)	(5,544,316)
	Non-Financial Assets		
8	Net Tangible Capital Assets (TCA Schedule)	18,238,083	17,285,465
	Inventories	127,815	176,598
	Prepaid Expenses	97,152	65,709
		18,463,050	17,527,772
9	**Accumulated Surplus**	15,053,302	11,983,456

See accompanying notes to the Financial Statements

Border Land School Division

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes			2017	2016
	Revenue			
	Provincial Government		23,278,251	23,155,677
	Federal Government		16,047	4,486
10	Municipal Government	- Property Tax	13,501,271	9,079,319
		- Other	200	-
	Other School Divisions		741,709	695,853
	First Nations		1,402,907	1,250,373
	Private Organizations and Individuals		149,339	302,549
	Other Sources		400,242	234,757
	School Generated Funds		729,385	699,344
	Other Special Purpose Funds		-	-
			40,219,351	35,422,358
12	**Expenses**			
	Regular Instruction		19,805,151	19,320,025
	Student Support Services		4,921,092	4,679,456
	Adult Learning Centres		562,198	556,765
	Community Education and Services		56,571	49,633
	Divisional Administration		1,208,956	1,030,133
	Instructional and Other Support Services		788,283	824,999
	Transportation of Pupils		2,531,303	2,513,360
	Operations and Maintenance		3,426,779	3,188,991
11	Fiscal	- Interest	508,725	480,637
		- Other	511,528	500,004
	Amortization		2,094,047	1,837,890
	Other Capital Items		-	-
	School Generated Funds		734,872	598,471
	Other Special Purpose Funds		-	-
			37,149,505	35,580,364
	Current Year Surplus (Deficit) before Non-vested Sick Leave		3,069,846	(158,006)
	Less: Non-vested Sick Leave Expense (Recovery)		0	0
	Net Current Year Surplus (Deficit)		3,069,846	(158,006)
9	Opening Accumulated Surplus		11,983,456	12,141,462
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	-
		Other than Tangible Cap. Assets	-	-
		Non-vested sick leave - prior years	-	-
9	Opening Accumulated Surplus, as adjusted		11,983,456	12,141,462
9	**Closing Accumulated Surplus**		15,053,302	11,983,456

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2017

	2017	2016
Net Current Year Surplus (Deficit)	3,069,846	(158,006)
Amortization of Tangible Capital Assets	2,094,047	1,837,890
Acquisition of Tangible Capital Assets	(3,072,547)	(4,880,325)
(Gain) / Loss on Disposal of Tangible Capital Assets	4,482	(3,250)
Proceeds on Disposal of Tangible Capital Assets	21,400	3,250
	(952,618)	(3,042,435)
Inventories (Increase)/Decrease	48,783	16,356
Prepaid Expenses (Increase)/Decrease	(31,443)	(63,052)
	17,340	(46,696)
(Increase)/Decrease in Net Debt	2,134,568	(3,247,137)
Net Debt at Beginning of Year	(5,544,316)	(2,297,179)
Adjustments Other than Tangible Cap. Assets	-	-
	(5,544,316)	(2,297,179)
Net Debt at End of Year	(3,409,748)	(5,544,316)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2017

	2017	2016
Operating Transactions		
Net Current Year Surplus (Deficit)	3,069,846	(158,006)
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	2,094,047	1,837,890
(Gain)/Loss on Disposal of Tangible Capital Assets	4,482	(3,250)
Employee Future Benefits Increase/(Decrease)	-	-
Due from Other Organizations (Increase)/Decrease	(2,307,305)	(542,065)
Accounts Receivable & Accrued Income (Increase)/Decrease	141,337	(94,446)
Inventories and Prepaid Expenses - (Increase)/Decrease	17,340	(46,696)
Due to Other Organizations Increase/(Decrease)	(1,313,499)	1,164,670
Accounts Payable & Accrued Liabilities Increase/(Decrease)	(129,336)	(609,912)
Deferred Revenue Increase/(Decrease)	137,328	(224,145)
School Generated Funds Liability Increase/(Decrease)	-	-
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by (Applied to) Operating Transactions	1,714,240	1,324,040
Capital Transactions		
Acquisition of Tangible Capital Assets	(3,072,547)	(4,880,325)
Proceeds on Disposal of Tangible Capital Assets	21,400	3,250
Cash Provided by (Applied to) Capital Transactions	(3,051,147)	(4,877,075)
Investing Transactions		
Portfolio Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
Financing Transactions		
Borrowings from the Provincial Government Increase/(Decrease)	1,226,402	(15,689)
Other Borrowings Increase/(Decrease)	-	(5,600)
Cash Provided by (Applied to) Financing Transactions	1,226,402	(21,289)
Cash and Bank / Overdraft (Increase)/Decrease	(110,505)	(3,574,324)
Cash and Bank (Overdraft) at Beginning of Year	(2,403,662)	1,170,662
Cash and Bank (Overdraft) at End of Year	(2,514,167)	(2,403,662)

Border Land School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2017

	Buildings and Leasehold Improvements		School	Other	Furniture / Fixtures &	Computer Hardware &		Land	Assets Under	2017	2016
	School	Non-School	Buses	Vehicles	Equipment	Software *	Land	Improvements	Construction	TOTALS	TOTALS
Tangible Capital Asset Cost											
Opening Cost, as previously reported	25,553,116	782,811	4,459,328	127,308	3,255,436	3,182,646	207,919	651,337	901,516	39,121,417	34,653,842
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	25,553,116	782,811	4,459,328	127,308	3,255,436	3,182,646	207,919	651,337	901,516	39,121,417	34,653,842
Add: Additions during the year	1,669,940	128,818	282,079	-	768,076	548,760	-	112,795	(437,921)	3,072,547	4,880,325
Less: Disposals and write downs	-	-	493,690	-	-	27,513	-	-	-	521,203	412,750
Closing Cost	27,223,056	911,629	4,247,717	127,308	4,023,512	3,703,893	207,919	764,132	463,595	41,672,761	39,121,417
Accumulated Amortization											
Opening, as previously reported	15,896,825	426,287	2,337,704	115,298	2,063,899	836,088		159,851		21,835,952	20,410,812
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	15,896,825	426,287	2,337,704	115,298	2,063,899	836,088		159,851		21,835,952	20,410,812
Add: Current period Amortization	895,975	33,662	377,188	8,756	365,331	342,362		70,773		2,094,047	1,837,890
Less: Accumulated Amortization on Disposals and Writedowns	-	-	485,691	-	-	9,630		-		495,321	412,750
Closing Accumulated Amortization	16,792,800	459,949	2,229,201	124,054	2,429,230	1,168,820		230,624		23,434,678	21,835,952
Net Tangible Capital Asset	10,430,256	451,680	2,018,516	3,254	1,594,282	2,535,073	207,919	533,508	463,595	18,238,083	17,285,465
Proceeds from Disposal of Capital Assets	-	-	16,400	-	-	5,000				21,400	3,250

* Includes network infrastructure.

1. Nature of Organization and Economic Dependence

The Border Land School Division (Division) is a public body that provides education services to residents within its geographic location. The division is funded mainly by grants from the Province of Manitoba (Province), and a special levy on the property assessment included in the Division's boundaries. The Division is exempt from income tax and is a registered charity under the Income Tax Act.

The Division is economically dependent on the Province for the majority of its revenue and capital financing requirements. Without this funding, the Division would not be able to continue its operations.

2. Significant Accounting Policies

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards established by Public Sector Accounting Board (PSAB) of Chartered Professional Accountants Canada (CPA Canada).

Reporting Entity and Consolidation

The financial statements reflect the assets, liabilities, revenues and expenses of the operating fund, capital fund, and special purpose fund of the Division. The Division reporting entity includes school generated funds controlled by the Division.

All inter-fund accounts and transactions are eliminated upon consolidation.

Basis of Accounting

Revenues and expenses are reported on the accrual basis of accounting except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable. 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.

Fund Accounting

The fund method of accounting is employed by the Division to record financial transactions in separate funds as defined by Financial Reporting and Accounting in Manitoba Education (FRAME) in accordance with the purpose for which the funds have been created.

The Operating Fund is maintained to record all the day to day operating revenues and expenses. The Capital Fund is used to account for the acquisition, amortization, disposal and financing of capital assets. The Special Purpose Fund is used to account for school generated funds and charitable foundations controlled by the Division.

School Generated Funds

School generated funds are moneys raised by the school, or under the auspices of the school, through extra curricular activities for the sole use of the school that the principal of each school, subject to the rules of the school board, may raise, hold, administer and expend for the purposes of the school.

Only revenue and expenses of school generated funds controlled by the Division are included in the Statement of Revenue, Expenses and Accumulated Surplus. To be deemed as controlled, a school must have the unilateral authority to make the decisions as to when, how and on what the funds are to be spent.

Period end cash balances of all school generated funds are included in the Statement of Financial Position. The uncontrolled portion of this amount is reflected in the School Generated Funds Liability account. Examples of uncontrolled school generated funds are parent council funds, other parent group funds, student council funds and travel club funds. Revenues and expenses of uncontrolled school generated funds are not included in the financial statements.

Tangible Capital Assets

Tangible capital assets are non-financial assets that are used by the Division to provide services to the public and have an economic life beyond one fiscal year. Tangible capital assets include land, buildings, buses, vehicles, furniture and equipment, computers, capital leases, leasehold improvements, and assets under construction.

To be classified as tangible capital assets, each asset other than land must individually meet the capitalization threshold for its class as prescribed by FRAME.

Asset Description	Capitalization Threshold ($)	Estimated Useful Life
Land improvements	50,000	10 years
Buildings – bricks, mortar, steel	50,000	40 years
Buildings – wood frame	50,000	25 years
School buses	50,000	10 years
Vehicles	10,000	5 years
Equipment	10,000	5 years
Network infrastructure	25,000	10 years
Computer hardware, servers, peripherals	10,000	4 years
Computer software	10,000	4 years
Furniture and fixtures	10,000	10 years
Leasehold improvements	25,000	Over term of lease

Grouping of assets is not permitted except for computer work stations.

With the exception of land, all tangible capital assets, are recorded at historical cost, which includes purchase price, installation costs and other costs incurred to put the asset into service.

Buildings are recorded at historical cost when known. For buildings acquired prior to June 30, 2005 where the actual cost was not known, the replacement value for insurance purposes as at June 30, 2005 was regressed to the date of acquisition using a regression index based on Southam and CanaData construction cost indices.

All land acquired prior to June 30, 2006 has been valued by the Crown Lands and Property Agency.

All tangible capital assets, except for land, and assets under construction, are amortized on a straight-line basis over their estimated useful lives as prescribed by FRAME. Land is not amortized.

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal if not fully amortized.

Assets under construction are not amortized until the date of substantial completion. Interest on funds used to finance school buildings under construction is capitalized for the periods preceding the date of substantial completion.

Employee Future Benefits

The Province of Manitoba pays the employer portion of the Teachers' Retirement Allowances Fund (TRAF), the pension plan for all certified teachers of the Division. The Division does not contribute to TRAF, and no costs relating to this plan are included in the Division's financial statements.

However, the Division provides retirement benefits to its non-teaching employees in the form of a defined contribution pension plan, and parental leave benefits to teachers. The Division adopted the following policy with respect to accounting for these employee future benefits:

Defined Contribution Pension Plan

The Division pays the employer portion of a defined contribution plan handled by the Manitoba School Boards Association (MSBA) for non-teaching employees. Under this plan, specific fixed amounts are contributed by the Division each period for services rendered by the employees, matching employee contributions. No responsibility is assumed by the Division to make any further contribution.

Defined Benefit/Self-Insured Employee Future Benefit Plans

For those defined benefit/self-insured benefit obligations that are event driven such as non-vesting parental leave, the benefit costs are recognized and recorded only in the period when the event occurs.

For non-vesting accumulating sick days, the benefit costs are recognized, if deemed material, based on a projection of the expected future utilization of sick time, discounted using net present value techniques.

Capital Reserve

Certain amounts, as approved by the Board of Trustees and the Public Schools Finance Board (PSFB), have been set aside in reserve accounts for future capital purposes. These Capital Reserve accounts are internally restricted funds that form part of the Accumulated Surplus presented in the Statement of Financial Position.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates, as additional information becomes available in the future.

Financial instruments

There are no significant terms and conditions related to financial instruments (cash, accounts receivable, investments, and bank indebtedness, accounts payable and long-term debt) that may affect the amount, timing and certainty of future cash flows. The Division is exposed to credit risk from the potential non-payment of accounts receivable. However, the majority of the receivables are from local, provincial and federal governments, and therefore, the credit risk is minimal. The carrying amounts of the financial instruments approximate their carrying values, unless otherwise noted.

3. Bank Overdraft

The Division has an authorized line of credit with Access Credit Union of $7,000,000 by way of overdrafts and is repayable on demand at prime minus .50% (2.20% at June 30, 2017); interest is paid monthly. Overdrafts are secured by a line of credit agreement and a borrowing by-law.

4. Employee Future Benefits

The Division sponsors a defined contribution pension plan, run by the Manitoba School Boards Association (MSBA). The defined contribution plan is provided to non-teaching employees based on their age at the beginning of the year and rates of pay. Each age group under the MAST pension plan has a specific percentage for the employees to contribute. The Division contributions equal the employee contributions to the plan. No pension liability is included in the financial statements.

The employee future benefit expense is a part of the Employee Benefits and Allowances expense account. The total pension expense for the 2017 year was $454,634 ($426,496 in 2016).

5. Deferred Revenue

The deferral method of accounting is used for revenues received that, pursuant to legislation, regulation or agreement, may only be used for specific purposes. These amounts are recognized as revenue in the fiscal year the related expenses are incurred or services performed. The following is a breakdown of the account balance:

	Balance as at June 30, 2016	Additions in the year	Revenue recognized in the year	Balance as at June 30, 2017
Education Property Tax Credit (EPTC)	$ 751,084	$ 885,971	$ 751,084	$ 885,971
Professional Development	109,765	6,395	27,476	88,684
First Nations Grant	67,583	85,000	74,667	77,916
Special Levy (DSFM)	46,656	50,660	46,656	50,660
Manitoba Textbook Bureau	36,627	59,946	89,577	6,996
Donations & Special Purpose Funds	59,408	90,906	50,389	99,925
Green Team	6,327	4,218	6,327	4,218
Rhineland Child Care	6,897	211,437	212,029	6,305
	$1,084,347	$ 1,394,533	$1,258,205	$1,220,675

6. Debenture Debt

The debenture debt of the Division is in the form of twenty-year debentures payable, principal and interest, in twenty equal yearly instalments and maturing at various dates from fiscal years ending 2018 to 2038. Payment of principal and interest is funded entirely by grants from the Province of Manitoba, except for the debenture debt on self-funded capital projects. The debentures carry interest rates that range from 3.375% to 7.375%. Debenture interest expense payable as at June 30, 2017, is accrued and recorded in Accrued Interest Payable, and a grant in an amount equal to the interest accrued on provincially funded debentures is recorded in Due from the Provincial Government. The debenture principal and interest repayments in the next five fiscal years ending June 30 are:

2018	$ 1,179,415
2019	1,164,926
2020	1,051,566
2021	1,000,363
2022	927,031

7. School Generated Funds Liability

School Generated Funds Liability includes the non-controlled portion of school generated funds. At June 30, 2017, an amount equal to the liability of $nil ($nil in 2016) is included in cash and bank on the Statement of Financial Position.

8. Net Tangible Capital Assets

The Schedule of Tangible Capital Assets (TCA), page 23 of the financial statements, provides a breakdown of cost, accumulated amortization and net book value by class. The amount of interest capitalized in the period included in Assets under Construction was $nil ($nil in 2016).

9. Accumulated Surplus

The accumulated surplus is comprised of the following:

	2017	2016
Operating Fund		
Designated Surplus	$ 315,259	$ 520,103
Undesignated Surplus	939,069	74,768
	1,254,328	594,871
Capital Fund		
Reserve Accounts	5,235,117	3,741,780
Equity in Tangible Capital Assets	8,175,221	7,252,682
	13,410,338	10,994,462
Special Purpose Fund		
School Generated Funds	388,636	394,123
Other	-	-
	388,636	394,123
Total Accumulated Surplus	$ 15,053,302	$ 11,983,456

Designated Surplus under the Operating Fund represents internally restricted amounts appropriated by the Board of Trustees or, in the case of school budget carryovers, by Board policy. The details of the Designated Surplus as disclosed at page 5 of the financial statements are as follows:

	2017	2016
School budget carryovers by Board policy	$ 315,259	$ 520,103

Reserve Accounts under the Capital Fund represents internally restricted reserves for specific purposes approved by the Board of Trustees and PSFB. A Schedule of Capital Reserve Accounts is provided on pages 24 to 24c of the financial statements.

	2017	2016
Building Additions or Renovations	$ 4,188,597	$ 2,870,710
Software Conversion Projects	155,117	155,117
Equipment and Vehicles	64,741	64,741
Bus Reserve	826,662	651,212
Capital Reserve	$ 5,235,117	$ 3,741,780

10. Municipal Government – Property Tax and related Due from Municipal Government

Education property tax or Special Levy is raised as the Division's contribution to the cost of providing public education for the students' resident in the division. The Municipal Government-Property Tax shown on the revenue and expense is raised over the two calendar (tax) years; 40% from 2016 tax year and 60% from 2017 tax year. Below are the related revenue and receivable amounts:

	2017	2016
Revenue – Municipal Government – Property Tax	$ 13,501,271	$ 9,079,319
Receivable – Due from Municipal – Property Tax	$ 8,136,651	$ 5,552,115

11. Interest Received and Paid

The Division received interest during the year of $11,225 ($30,973 in 2016); interest paid during the year was $508,725 ($480,637 in 2016).

Interest expense is included in fiscal and is comprised of the following:

	2017	2016
Operating Fund		
Fiscal-short term loan, interest and bank charges	$ 48,019	$ 13,650
Capital Fund		
Debenture interest	460,706	466,987
	$ 508,725	$ 480,637

The accrual portion of debenture debt interest expense of $197,204 ($192,847 in 2016) included under the Capital Fund-Debenture debt interest, is offset by an accrual of the debt servicing grant from the Province of Manitoba.

12. Expenses by Object

Expenses in the statement of revenue, expenses and accumulated surplus are reported by function as defined by FRAME. Below is the detail of expenses by object:

	2017	2016
Salaries	$ 24,115,012	$ 23,360,269
Employees benefits and allowances	1,881,390	1,876,096
Services	3,421,305	3,183,593
Supplies, materials and minor equipment	3,441,483	3,363,640
Interest	508,725	480,637
Bad debts	-	-
Payroll tax	511,528	500,004
Amortization	2,094,047	1,837,890
Transfers	441,143	379,764
Other capital items	-	-
School generated funds	734,872	598,471
Other special purpose funds	-	-
	$ 37,149,505	$ 35,580,364

13. Special Levy Raised for la Division scolaire franco-manitobaine

In accordance with Section 190.1 of The Public Schools Act, the Division is required to collect a special levy on behalf of la Division scolaire franco-manitobaine. As at June 30, 2017, the amount of this special levy was $130,189 ($121,050 in 2016). These amounts are not included in the Division's financial statements.

14. Commitments

Commitments of Operating Fund Surplus at year end are detailed in the Analysis of Accumulated Surplus. Designated Operating Fund Accumulated Surplus is $315,259 at June 30, 2017 ($520,103 at June 30, 2016). The details of the Designated Surplus are disclosed at Note 10 and page 5 of the financial statements.

The Division incurs annual rental costs in the amount of $12,000 for five colony school buildings.

15. Trust Funds

The Division does not administer trust funds. As such, a separate schedule has not been attached to the notes to financial statements.

Management's Responsibility for Financial Reporting

The accompanying financial statements of the **Brandon School Division** and all the information in this annual report are the responsibility of management and have been approved by the Board of Trustees.

The financial statements have been prepared in accordance with Canadian public sector accounting standards. Financial statements are not precise since they include certain amounts based on estimates and judgments. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances in order to ensure that the financial statements are presented fairly in all material respects.

The School Division maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and the School Division's assets are appropriately accounted for and adequately safeguarded.

The Board of Trustees are responsible for ensuring that management fulfils its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the statements.

The Board of Trustees reviews and approves the School Division's financial statements. The Board of Trustees meet periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy themselves that each party is properly discharging their responsibilities and to review the annual report, the financial statements and the external auditor's report. The Board of Trustees also consider the engagement of the external auditors.

The financial statements have been audited by BDO Canada LLP in accordance with Canadian public sector accounting standards. BDO Canada LLP have full and free access to the Board of Trustees.

Chairperson Original Document Signed

Tel: 204 727 0671
Fax: 204 726 4580
Toll Free: 800 775 3328
www.bdo.ca

BDO Canada LLP
148 - 10th Street
Brandon MB R7A 4E6 Canada

Independent Auditor's Report

To the Chairperson and Board of Trustees of
Brandon School Division

We have audited the accompanying financial statements of **Brandon School Division**, which comprise the consolidated statement of financial position as at June 30, 2017 and the consolidated statements of revenue, expenses and accumulated surplus, change in net debt and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion these consolidated financial statements present fairly, in all material respects, the financial position of **Brandon School Division** as at June 30, 2017 and the results of its operations and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Emphasis of Matters

The financial information presented in the schedules to the consolidated financial statements was derived from the accounting records tested by us as part of the auditing procedures followed in our examination of the financial statements and, in our opinion, they are fairly presented in all material respects in relation to the financial statements taken as a whole.

BDO Canada LLP

Chartered Professional Accountants

Brandon, Manitoba
October 17, 2017

I hereby certify that this report and the statements, schedules and reports referenced herein have been presented to the Members of the Board of Trustees of the above-mentioned School Division.

Oct. 23 /17
Date

Original Document Signed
Chairperson

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2017	2016
	Financial Assets		
	Cash and Bank	4,493,668	4,750,839
	Due from - Provincial Government	2,737,722	2,876,352
	- Federal Government	107,511	82,604
	- Municipal Government	21,232,036	20,277,396
	- Other School Divisions	45,732	58,506
	- First Nations	138,710	21,987
	Accounts Receivable	357,007	59,349
	Accrued Investment Income	-	-
	Portfolio Investments	-	-
		29,112,386	28,127,033
	Liabilities		
4	Overdraft	-	-
	Accounts Payable	14,665,569	14,016,096
	Accrued Liabilities	11,167	8,279
5	Employee Future Benefits	2,164,625	1,919,601
	Accrued Interest Payable	698,654	678,523
	Due to - Provincial Government	-	-
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
6	Deferred Revenue	3,339,797	3,191,748
7	Borrowings from the Provincial Government	33,945,757	31,661,399
	Other Borrowings	-	-
8	School Generated Funds Liability	282,557	190,785
		55,108,126	51,666,431
	Net Debt	(25,995,740)	(23,539,398)
	Non-Financial Assets		
9	Net Tangible Capital Assets (TCA Schedule)	47,878,139	43,515,798
	Inventories	111,360	87,303
	Prepaid Expenses	211,891	428,027
		48,201,390	44,031,128
10	**Accumulated Surplus**	22,205,650	20,491,730

See accompanying notes to the Financial Statements

Brandon School Division

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes			2017	2016
	Revenue			
	Provincial Government		63,067,871	60,744,921
	Federal Government		-	20,654
11	Municipal Government	- Property Tax	36,901,565	34,958,937
		- Other	-	-
	Other School Divisions		450,034	373,752
	First Nations		249,210	153,680
	Private Organizations and Individuals		879,559	929,669
	Other Sources		114,090	238,634
	School Generated Funds		2,279,841	2,593,879
	Other Special Purpose Funds		309,849	240,865
			104,252,019	100,254,991
	Expenses			
	Regular Instruction		57,157,746	54,412,671
	Student Support Services		20,277,126	19,264,763
	Adult Learning Centres		-	-
	Community Education and Services		290,940	253,711
	Divisional Administration		3,167,648	2,996,337
	Instructional and Other Support Services		2,895,279	2,757,008
	Transportation of Pupils		2,325,563	2,139,279
	Operations and Maintenance		8,264,794	7,507,948
12	Fiscal	- Interest	1,333,056	1,290,595
		- Other	1,630,787	1,529,739
	Amortization		2,794,537	2,337,152
	Other Capital Items		18,036	32,174
	School Generated Funds		2,259,638	2,375,257
	Other Special Purpose Funds		132,941	230,122
			102,548,091	97,126,756
	Current Year Surplus (Deficit) before Non-vested Sick Leave		1,703,928	3,128,235
	Less: Non-vested Sick Leave Expense (Recovery)		(9,992)	122,559
	Net Current Year Surplus (Deficit)		1,713,920	3,005,676
	Opening Accumulated Surplus		20,491,730	17,486,054
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	-
		Other than Tangible Cap. Assets	-	-
		Non-vested sick leave - prior years	-	-
	Opening Accumulated Surplus, as adjusted		20,491,730	17,486,054
	Closing Accumulated Surplus		22,205,650	20,491,730

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2017

	2017	2016
Net Current Year Surplus (Deficit)	1,713,920	3,005,676
Amortization of Tangible Capital Assets	2,794,537	2,337,152
Acquisition of Tangible Capital Assets	(7,156,878)	(6,551,637)
(Gain) / Loss on Disposal of Tangible Capital Assets	(8,658)	(11,036)
Proceeds on Disposal of Tangible Capital Assets	8,658	11,036
	(4,362,341)	(4,214,485)
Inventories (Increase)/Decrease	(24,057)	(32,383)
Prepaid Expenses (Increase)/Decrease	216,136	(89,343)
	192,079	(121,726)
(Increase)/Decrease in Net Debt	(2,456,342)	(1,330,535)
Net Debt at Beginning of Year	(23,539,398)	(22,208,863)
Adjustments Other than Tangible Cap. Assets	-	-
	(23,539,398)	(22,208,863)
Net Debt at End of Year	(25,995,740)	(23,539,398)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2017

	2017	2016
Operating Transactions		
Net Current Year Surplus (Deficit)	1,713,920	3,005,676
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	2,794,537	2,337,152
(Gain)/Loss on Disposal of Tangible Capital Assets	(8,658)	(11,036)
Employee Future Benefits Increase/(Decrease)	245,024	152,074
Due from Other Organizations (Increase)/Decrease	(944,866)	(1,669,127)
Accounts Receivable & Accrued Income (Increase)/Decrease	(297,658)	(38,647)
Inventories and Prepaid Expenses - (Increase)/Decrease	192,079	(121,726)
Due to Other Organizations Increase/(Decrease)	-	-
Accounts Payable & Accrued Liabilities Increase/(Decrease)	672,492	2,697,265
Deferred Revenue Increase/(Decrease)	148,049	(126,394)
School Generated Funds Liability Increase/(Decrease)	91,772	(83,830)
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by (Applied to) Operating Transactions	4,606,691	6,141,407
Capital Transactions		
Acquisition of Tangible Capital Assets	(7,156,878)	(6,551,637)
Proceeds on Disposal of Tangible Capital Assets	8,658	11,036
Cash Provided by (Applied to) Capital Transactions	(7,148,220)	(6,540,601)
Investing Transactions		
Portfolio Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
Financing Transactions		
Borrowings from the Provincial Government Increase/(Decrease)	2,284,358	2,807,047
Other Borrowings Increase/(Decrease)	-	-
Cash Provided by (Applied to) Financing Transactions	2,284,358	2,807,047
Cash and Bank / Overdraft (Increase)/Decrease	(257,171)	2,407,853
Cash and Bank (Overdraft) at Beginning of Year	4,750,839	2,342,986
Cash and Bank (Overdraft) at End of Year	4,493,668	4,750,839

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2017

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	2017 TOTALS	2016 TOTALS
	School	Non-School									
Tangible Capital Asset Cost											
Opening Cost, as previously reported	75,408,892	3,148,853	4,201,203	358,654	3,270,986	1,332,269	1,079,084	298,062	4,616,644	93,714,647	87,521,095
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	75,408,892	3,148,853	4,201,203	358,654	3,270,986	1,332,269	1,079,084	298,062	4,616,644	93,714,647	87,521,095
Add:											
Additions during the year	5,809,659	197,412	426,079	84,471	907,797	427,226	-	-	(695,766)	7,156,878	6,551,637
Less:											
Disposals and write downs	-	-	-	21,716	-	-	-	-	-	21,716	358,085
Closing Cost	81,218,551	3,346,265	4,627,282	421,409	4,178,783	1,759,495	1,079,084	298,062	3,920,878	100,849,809	93,714,647
Accumulated Amortization											
Opening, as previously reported	42,395,275	1,501,966	2,850,310	228,748	2,509,558	600,502		112,490		50,198,849	48,219,782
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	42,395,275	1,501,966	2,850,310	228,748	2,509,558	600,502		112,490		50,198,849	48,219,782
Add:											
Current period Amortization	1,912,880	77,469	274,175	40,649	298,579	160,979		29,806		2,794,537	2,337,152
Less:											
Accumulated Amortization on Disposals and Writedowns	-	-	-	21,716	-	-		-		21,716	358,085
Closing Accumulated Amortization	44,308,155	1,579,435	3,124,485	247,681	2,808,137	761,481		142,296		52,971,670	50,198,849
Net Tangible Capital Asset	36,910,396	1,766,830	1,502,797	173,728	1,370,646	998,014	1,079,084	155,766	3,920,878	47,878,139	43,515,798
Proceeds from Disposal of Capital Assets	-	-	-	8,658	-	-				8,658	11,036

* Includes network infrastructure.

1. Nature of Organization and Economic Dependence

The Brandon School Division is a public body that provides education services to residents within its geographic location. The Division is funded mainly by grants from the Province of Manitoba, and a special levy on the property assessment included in the Division's boundaries. The Division is not subject to income tax.

The Division is economically dependent on the Province for the majority of its revenue and capital financing requirements. Without this funding, the Division would not be able to continue its operations.

2. Significant Accounting Policies

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles established by PSAB of the Chartered Professional Accountants of Canada.

a) Reporting Entity and Consolidation

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the operating fund, capital fund, and special purpose fund of the Division. The Division reporting entity includes school generated funds controlled by the Division.

All inter-fund accounts and transactions are eliminated upon consolidation.

b) Basis of Accounting

Revenues and expenses are reported on the accrual basis of accounting except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable. 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.

c) Fund Accounting

The fund method of accounting is employed by the Division to record financial transactions in separate funds as defined by Financial Reporting and Accounting in Manitoba Education (FRAME) in accordance with the purpose for which the funds have been created.

The Operating Fund is maintained to record all the day to day operating revenues and expenses. The Capital Fund is used to account for the acquisition, amortization, disposal and financing of capital assets. The Special Purpose Fund is used to account for school generated funds and charitable foundations controlled by the Division.

d) School Generated Funds

School generated funds are moneys raised by the school, or under the auspices of the school, through extracurricular activities for the sole use of the school that the principal of each school, subject to the rules of the school board, may raise, hold, administer and expend for the purposes of the school.

Only revenue and expenses of school generated funds controlled by the Division are included in the Consolidated Statement of Revenue, Expenses and Accumulated Surplus. To be deemed as controlled, a school must have the unilateral authority to make the decisions as to when, how and on what the funds are to be spent.

Period end cash balances of all school generated funds are included in the Consolidated Statement of Financial Position. The uncontrolled portion of this amount is reflected in the School Generated Funds Liability account. Examples of uncontrolled school generated funds are parent council funds, other parent group funds, student council funds and travel club funds. Revenues and expenses of uncontrolled school generated funds are not included in the consolidated financial statements.

e) Tangible Capital Assets

Tangible capital assets are non-financial assets that are used by the Division to provide services to the public and have an economic life beyond one fiscal year. Tangible capital assets include land, buildings, buses, other vehicles, furniture and equipment, computers, capital leases, leasehold improvements, and assets under construction.

To be classified as tangible capital assets, each asset other than land must individually meet the capitalization threshold for its class as prescribed by FRAME.

Asset Description	Capitalization Threshold ($)	Estimated Useful Life (years)
Land improvements	50,000	10
Buildings - bricks, mortar, steel	50,000	40
Buildings - wood frame	50,000	25
School buses	50,000	10
Vehicles	10,000	5
Equipment	10,000	5
Network Infrastructure	25,000	10
Computer Hardware, Servers, Peripherals	10,000	4
Computer Software	10,000	4
Furniture & Fixtures	10,000	10
Leasehold Improvements	25,000	Over term of lease

Grouping of assets is not permitted except for computer workstations and for systems in which use of each component is dependent on each other to operate.

With the exception of land, all tangible capital assets, are recorded at historical cost, which includes purchase price, installation costs and other costs incurred to put the asset into service.

Buildings are recorded at historical cost when known. Where actual costs are not determinable, estimated costs have been determined.

Capital leases are recorded at the present value of the minimum lease payments excluding executory costs (e.g. insurance, maintenance costs, etc.). The discount rate used to determine the present value of the lease payments is the lower of the Division's rate for incremental borrowing or the interest rate implicit in the lease.

Donated tangible capital assets are recorded at fair market value at the date of donation. Deferred revenue is recorded in an equivalent amount, for all donated assets except land. The deferred revenue will be recognized as revenue over the useful life of the related asset, on the same basis that the asset is amortized.

All land acquired prior to June 30, 2006 has been valued by the Crown Lands and Property Agency.

All tangible capital assets, except for land, capital leases, and assets under construction, are amortized on a straight-line basis over their estimated useful lives as prescribed by FRAME. Land is not amortized. Capital leases with lease terms that have a bargain purchase option or allow ownership to pass to the Division are amortized over the useful life of the asset class. All other capital leases are amortized over the lesser of the lease term and the useful life of the asset class.

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal if not fully amortized.

Assets under construction are not amortized until the date of substantial completion. Interest on funds used to finance school buildings under construction is capitalized for the periods preceding the date of substantial completion.

f) Capital Reserve

Certain amounts, as approved by the Board of Trustees and the Public Schools Finance Board (PSFB), have been set aside in reserve accounts for future capital purposes. These Capital Reserve accounts are internally restricted funds that form part of the Accumulated Surplus presented in the Consolidated Statement of Financial Position.

g) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant estimates were employed when calculating the future sick leave liability, the future severance liability and the useful life of capital assets used to determine amortization expense. Actual results could differ from management's best estimates, as additional information becomes available in the future.

h) Measurement Uncertainty

Measurement uncertainty exists in the recording of sick leave and severance liabilities affecting employee future benefits payable and the regular instruction, student support services, community education and services, divisional administration, instructional and other support services, transportation of pupils, and operations and maintenance expense accounts.

Sick leave is calculated using an estimate of the future salary rates of employees and the number of sick days that employees will use in future years. These estimates are based on past experience; however, measurement uncertainty exists as the actual future salary rates and sick days to be claimed are unknown.

The severance liability is an estimate of future severance costs related to the number of employees who will earn vested severance pay. These estimates are based on the number of employees who have earned this benefit in the past; however, measurement uncertainty exists as the actual number of employees who will earn this benefit in the future is unknown.

i) Financial Instruments

There are no significant terms and conditions related to financial instruments (cash, accounts receivable, investments, and bank indebtedness, accounts payable and long-term debt) that may affect the amount, timing and certainty of future cash flows. The Division is exposed to credit risk from the potential non-payment of accounts receivable. However, the majority of the receivables are from local, provincial, and federal governments, and therefore the credit risk is minimal. The carrying amounts of the financial instruments approximate their carrying values, unless otherwise noted.

3. Liability for Contaminated Sites

Effective July 1, 2014, the division has adopted the new Public Sector Accounting Board accounting standard - Liability for Contaminated Sites, Section PS3260. The standard was applied on a retroactive basis to July 1, 2013 and did not result in any adjustments to financial liabilities, tangible capital assets or accumulated surplus of the division.

4. Bank Overdraft

The Division has an authorized line of credit with CIBC of $10,500,000 for operating expenditures by way of overdrafts; the unused portion of the line of credit at June 30, 2017 is $10,500,000. This line of credit is repayable on demand at the bank's prime rate less .600%; interest is paid monthly. Interest earned is the monthly average Banker's Acceptance rate less the Banker's Acceptance cap.

5. Employee Future Benefits

Non-vested accumulated sick leave benefits are measured using net present value techniques on the expected future utilization of excess sick benefits used over earned per year, to maximum entitlement. The impact of the estimated non-vested sick leave benefit cost for the year ended June 30, 2017 is a decrease of $9,992 (2016 – increase of $122,559). At June 30, 2017, the Division has recorded an estimated liability of $529,221 (2016 - $539,213) in respect of these benefits.

The significant assumptions adopted in measuring the non-vested accumulated sick leave benefit liability includes a discount rate of 4% (2016 – 4%) and a salary rate increase of 2% (2016 – 2%).

Long Service Recognition benefits are given to employees who resign from their position with the Division after fifteen (15) or more consecutive years of service in a support staff position, the employee is entitled to and has the option of a paid leave or a lump sum payment based on two (2) days for each year of said service. Long Service Recognition benefits are measured using three (3) year retirement averages on the expected future utilization of this benefit. The impact of the estimated Long Service Recognition Benefit cost for 2016-2017 is an increase of $194,141 (2015-2016 decrease of $10,617).

At June 30, 2017, the Division has recorded an estimated liability for employee future benefits of $2,164,625 (2016 - $1,919,601).

6. Deferred Revenue

The deferral method of accounting is used for revenues received that, pursuant to legislation, regulation or agreement, may only be used for specific purposes. These amounts are recognized as revenue in the fiscal year the related expenses are incurred or services performed. The following is a breakdown of the account balance:

	Balance as at June 30, 2016	Additions in the period	Revenue recognized in the period	Balance as at June 30, 2017
Education property tax credit	$ 3,084,214	$ 7,613,910	$ 7,504,901	$ 3,193,223
Other special funds	107,535	181,088	142,049	146,574
	$ 3,191,749	$ 7,794,998	$ 7,646,950	$ 3,339,797

7. Borrowings from the Provincial Government

The long term debt of the Division is in the form of fifteen and twenty-year debentures and promissory notes, with the principal and interest payable in fifteen and twenty equal yearly instalments and maturing at various dates from 2017 to 2037. Payment of principal and interest is funded entirely by grants from the Province of Manitoba, except for the debenture debt on self-funded capital projects. The debentures and promissory notes carry interest rates that range from 3.000% to 8.625%.

The interest payable as at June 30, 2017 for the debentures and promissory notes are accrued and recorded in Accrued Interest Payable, and a grant in an amount equal to the interest accrued on provincially funded debentures is recorded in Due from the Provincial Government. The debenture and promissory note principal and interest repayments in the next five years are:

	Principal	Interest	Total
2017-18	$ 1,792,805	$ 1,366,742	$ 3,159,547
2018-19	1,850,399	1,285,964	3,136,363
2019-20	1,880,927	1,202,773	3,083,700
2020-21	1,931,012	1,118,717	3,049,728
2021-22	1,996,961	1,032,950	3,029,911
Thereafter	24,493,653	6,505,847	30,999,501
	$ 33,945,757	$ 12,512,993	$ 46,458,750

8. School Generated Funds Liability

School Generated Funds Liability includes the non-controlled portion of school generated funds consolidated in the cash and bank balances in the amount of $282,557.

	2017
Parent Council Funds	$ 231,567
Student Council Funds	47,608
Staff Funds	3,382
	$ 282,557

9. Net Tangible Capital Assets

The Schedule of Tangible Capital Assets (TCA), page 23 of the audited financial statements, provides a breakdown of cost, accumulated amortization and net book value by class.

	Gross Amount	Accumulated Amortization	2017 Net Book Value
Owned-tangible capital assets	$ 100,294,573	$ 52,721,814	$ 47,572,759
Capital lease	555,236	249,856	305,380
	$ 100,849,809	$ 52,971,670	$ 47,878,139

10. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2017
Operating fund:	
Designated surplus	$ 436,000
Undesignated surplus	3,206,793
Less: Non-vested sick leave to date	(529,221)
	3,113,572
Capital fund:	
Reserve accounts	5,680,562
Equity in tangible capital assets	11,231,159
	16,911,721
Special purpose fund:	
School generated funds	930,096
Other special purpose funds	1,250,261
	2,180,357
Total accumulated surplus	$ 22,205,650

Designated Surplus under the Operating Fund represents internally restricted amounts appropriated by the board or, in the case of school budget carryovers, by board policy. See page 5 of the audited financial statements for a breakdown of the Designated Surplus.

	2017
Insurance Aggregate Retention (Self-Insurance)	$ 45,000
HR Systems consultant	29,900
School budget carryovers by board policy	361,100
	$ 436,000

Reserve Accounts under the Capital Fund represent internally restricted reserves for specific purposes approved by the Board of Trustees and the Public Schools Finance Board (PSFB). A Schedule of Capital Reserve Accounts is provided on page 24B of the audited financial statements.

	2017
Admin. Office Roof Replacement	$ 27,358
Administration Building Reserves	175,526
Bus Reserves	2,205,123
Electrician Vehicle	1,297
Emergency Equipment/System Replacement	100,000
ERP System	653,917
Green Acres Gymnasium	51,000
Johnson Controls	9,623
New School	2,000,000
School Building Reserves	411,557
School Bus Video Surveillance Hardware	45,162
	$ 5,680,562

School Generated Funds and Other Special Purpose Funds are externally restricted moneys for school use.

	2017
Scholarship trust	$ 4,495
Property trust	1,063,342
Charitable donation fund	182,424
Other special purpose funds	$ 1,250,261

11. Municipal Government – Property Tax and Related Due from Municipal Government

Education property tax or Special Levy is raised as the Division's contribution to the cost of providing public education for the student resident in the Division. The Municipal Government-Property Tax shown on the consolidated revenue and expense is raised over the two calendar (tax) years; 43.5% from 2016 tax year and 56.5% from 2017 tax year. Below are the related revenue and receivable amounts:

	2017	2016
Revenue - Municipal Government - Property Tax	$ 36,901,565	$ 34,958,937
Receivable - Due from Municipal - Property Tax	$ 21,232,036	$ 20,277,396

12. Interest Received and Paid

The Division received interest during the year of $91,506 (previous year $86,213); interest paid during the year was $1,333,056 (previous year $1,290,595).

Interest expense is included in Fiscal and is comprised of the following:

	2017
Operating fund	
Fiscal-short term loan, interest and bank charges	$ 4,431
Capital fund	
Debenture debt interest	1,328,626
Other interest	
	$ 1,333,056

The accrual portion of debenture debt interest expense of $698,654 included under the Capital Fund-Debenture debt interest is offset by an accrual of the debt servicing grant from the Province of Manitoba and our self-funded debt.

13. Special Levy Raised for la Division scolaire franco-manitobaine

In accordance with Section 190.1 of The Public Schools Act the Division is required to collect a special levy on behalf of la Division scolaire franco-manitobaine. As at June 30, 2017, the amount of this special levy was $666,454 (2016 - $533,045). These amounts are not included in the Division’s consolidated financial statements.

Bernard Lesage
Chair
CSFM

Alain Laberge
Superintendent
DSFM

MANAGEMENT REPORT

The accompanying consolidated financial statements of the *Division scolaire franco-manitobaine* are the responsibility of the Division management and have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. A summary of the significant accounting policies is included in Note 2 to the consolidated financial statements.

The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. Division management maintains an internal audit system designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The Division's school board met with management to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to its approval of the consolidated financial statements.

The consolidated financial statements have been audited by BDO Canada LLP, independent external auditors appointed by the Board. The Independent Auditor's Report outlines their responsibilities, the scope of their review and their opinion on the Division's consolidated financial statements.

[signed] Bernard Lesage
Chair

[signed] Serge Bisson
Secretary-Treasurer

October 25, 2017

BDO

Ph.: 204-956-7200
Fax: 204-926-7201
Toll-free : 800-268-3337
www.bdo.ca.

BDO Canada LLP
700 - 200 Graham Avenue
Winnipeg, MB R3C 4L5 Canada

Independent Auditor's Report

To the Chair and Trustees of the *Division scolaire franco-manitobaine*

We have audited the attached consolidated financial statements of the *Division scolaire franco-manitobaine*, which include the consolidated statement of financial position as at June 30, 2017, and the consolidated statements of revenue, expenses and accumulated surplus, change in net debt, and cash flow for the period then ended, as well as a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian 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.

Auditor's Responsibility

Our responsibility is to express an opinion respecting 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 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 auditor's judgment, including the assessment of the risks of material misstatement in the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the organization'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 organization's internal controls. 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, these consolidated financial statements present fairly, in all material respects, the Division's financial position as at June 30, 2017 and the results of its operations and cash flow for the year then ended, in accordance with Canadian public sector accounting standards.

BDO Canada LLP

Chartered Professional Accountants

Winnipeg, Manitoba
October 25, 2017

I hereby certify that this report as well as the audited consolidated financial statements and the supplementary information were presented to the trustees of the *Division scolaire franco-manitobaine*.

November 15, 2017	[signed] Bernard Lesage
Date	Chair of the School Board

BDO

Ph.: 204-956-7200)
Fax: 204-926-7201
Toll-free : 800-268-3337
www.bdo.ca.

BDO Canada LLP
700 - 200 Graham Avenue
Winnipeg, MB R3C 4L5 Canada

Independent Auditor's Report on Enrolment

To the Chair and Trustees of the *Division scolaire franco-manitobaine*

We have audited the EIS Enrolment File Verification Report, prepared in accordance with Part 1, Sections 1.1 and 1.2 of *Public Schools Enrolment and Categorical Grants Reporting for the 2016/2017 School Year* of the *Division scolaire franco-manitobaine* as at September 30, 2016. This enrolment information is the responsibility of the *Division scolaire franco-manitobaine* management. Our responsibility is to express an opinion on this enrolment information based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. These standards require that we plan and perform an audit to obtain reasonable assurance whether the enrolment information is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the enrolment information.

In our opinion, this report presents fairly, in all material respects, the enrolment of the *Division scolaire franco-manitobaine* as at September 30, 2016, in accordance with Part 1, Sections 1.1 and 1.2 of *Public Schools Enrolment and Categorical Grants Reporting for the 2016/2017 School Year* as referred to above.

BDO Canada LLP

Chartered Professional Accountants

Winnipeg, Manitoba
October 25, 2017

I hereby certify that the preceding report was presented to the trustees of the *Division scolaire franco-manitobaine*.

November 15, 2017	[signed] Bernard Lesage
Date	Chair of the School Board

W:\Edueas\TRANSLATION_BUREAU\Traductions 2017-2018\CHT\22\17-18-0306 - Rapport de l'auditeur indépendant_EN.docx

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2017	2016
	Financial Assets		
	Cash and Bank	-	-
	Due from - Provincial Government	3,352,099	3,372,933
	- Federal Government	429,863	746,268
	- Municipal Government	14,009,681	12,763,887
	- Other School Divisions	-	2,724
	- First Nations	-	-
	Accounts Receivable	59,017	142,123
	Accrued Investment Income	-	-
*	Portfolio Investments	51,755	50,936
		17,902,415	17,078,871
	Liabilities		
*	Overdraft	2,329,926	3,748,949
	Accounts Payable	3,696,500	4,518,068
	Accrued Liabilities	556,208	564,952
*	Employee Future Benefits	1,089,697	1,052,097
	Accrued Interest Payable	935,130	995,132
	Due to - Provincial Government	304,229	328,567
	- Federal Government	64,289	45,874
	- Municipal Government	42,011	15,913
	- Other School Divisions	164,720	172,795
	- First Nations	-	-
*	Deferred Revenue	2,422,811	2,367,789
*	Borrowings from the Provincial Government	47,565,796	49,098,598
*	Other Borrowings	1,964,350	2,232,341
	School Generated Funds Liability	244,839	242,395
		61,380,506	65,383,470
	Net Debt	(43,478,091)	(48,304,599)
	Non-Financial Assets		
*	Net Tangible Capital Assets (TCA Schedule)	82,567,601	83,328,244
	Inventories	-	-
	Prepaid Expenses	1,900,113	2,167,953
		84,467,714	85,496,197
*	**Accumulated Surplus**	40,989,623	37,191,598

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes			2017	2016
	Revenue			
	Provincial Government		67,333,385	64,608,053
	Federal Government		624,603	1,913,757
	Municipal Government	- Property Tax	22,515,975	20,638,696
		- Other	-	-
	Other School Divisions		1,794,065	1,650,182
	First Nations		-	-
	Private Organizations and Individuals		173,222	198,790
	Other Sources		366,690	397,077
	School Generated Funds		1,379,907	1,307,082
	Other Special Purpose Funds		36,135	43,674
			94,223,982	90,757,311
	Expenses			
	Regular Instruction		47,233,080	46,300,726
	Student Support Services		9,550,125	9,303,159
	Adult Learning Centres		255,289	241,689
	Community Education and Services		1,340,304	1,290,947
	Divisional Administration		3,050,800	3,177,676
	Instructional and Other Support Services		3,055,675	2,730,950
	Transportation of Pupils		8,612,735	8,181,051
	Operations and Maintenance		9,339,251	9,062,975
*	Fiscal	- Interest	2,302,269	2,295,701
		- Other	1,221,842	1,181,985
	Amortization		3,083,840	2,788,916
	Other Capital Items		13,760	120,411
	School Generated Funds		1,369,942	1,240,624
	Other Special Purpose Funds		20,004	68,082
			90,448,916	87,984,892
	Current Year Surplus (Deficit) before Non-vested Sick Leave		3,775,066	2,772,419
	Less: Non-vested Sick Leave Expense (Recovery)		(22,959)	14,508
	Net Current Year Surplus (Deficit)		3,798,025	2,757,911
	Opening Accumulated Surplus		37,191,598	34,433,687
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	-
		Other than Tangible Cap. Assets	-	-
		Non-vested sick leave - prior years	-	-
	Opening Accumulated Surplus, as adjusted		37,191,598	34,433,687
	Closing Accumulated Surplus		40,989,623	37,191,598

See accompanying notes to the Financial Statements

* NOTE REQUIRED

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2017

	2017	2016
Net Current Year Surplus (Deficit)	3,798,025	2,757,911
Amortization of Tangible Capital Assets	3,083,840	2,788,916
Acquisition of Tangible Capital Assets	(2,323,197)	(6,068,900)
(Gain) / Loss on Disposal of Tangible Capital Assets	-	(7,500)
Proceeds on Disposal of Tangible Capital Assets	-	7,500
	760,643	(3,279,984)
Inventories (Increase)/Decrease	-	-
Prepaid Expenses (Increase)/Decrease	267,840	73,908
	267,840	73,908
(Increase)/Decrease in Net Debt	4,826,508	(448,165)
Net Debt at Beginning of Year	(48,304,599)	(47,856,434)
Adjustments Other than Tangible Cap. Assets	-	-
	(48,304,599)	(47,856,434)
Net Debt at End of Year	(43,478,091)	(48,304,599)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2017

	2017	2016
Operating Transactions		
Net Current Year Surplus (Deficit)	3,798,025	2,757,911
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	3,083,840	2,788,916
(Gain)/Loss on Disposal of Tangible Capital Assets	-	(7,500)
Employee Future Benefits Increase/(Decrease)	37,600	212,628
Due from Other Organizations (Increase)/Decrease	(905,831)	350,332
Accounts Receivable & Accrued Income (Increase)/Decrease	83,106	(8,126)
Inventories and Prepaid Expenses - (Increase)/Decrease	267,840	73,908
Due to Other Organizations Increase/(Decrease)	12,100	18,052
Accounts Payable & Accrued Liabilities Increase/(Decrease)	(890,314)	(5,314,055)
Deferred Revenue Increase/(Decrease)	55,022	(15,589)
School Generated Funds Liability Increase/(Decrease)	2,444	135
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by (Applied to) Operating Transactions	5,543,832	856,612
Capital Transactions		
Acquisition of Tangible Capital Assets	(2,323,197)	(6,068,900)
Proceeds on Disposal of Tangible Capital Assets	-	7,500
Cash Provided by (Applied to) Capital Transactions	(2,323,197)	(6,061,400)
Investing Transactions		
Portfolio Investments (Increase)/Decrease	(819)	(933)
Cash Provided by (Applied to) Investing Transactions	(819)	(933)
Financing Transactions		
Borrowings from the Provincial Government Increase/(Decrease)	(1,532,802)	8,576,997
Other Borrowings Increase/(Decrease)	(267,991)	(256,414)
Cash Provided by (Applied to) Financing Transactions	(1,800,793)	8,320,583
Cash and Bank / Overdraft (Increase)/Decrease	1,419,023	3,114,862
Cash and Bank (Overdraft) at Beginning of Year	(3,748,949)	(6,863,811)
Cash and Bank (Overdraft) at End of Year	(2,329,926)	(3,748,949)

la Division scolaire franco-manitobaine

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2017

	Buildings and Leasehold Improvements		School	Other	Furniture / Fixtures &	Computer Hardware &		Land	Assets Under	2017	2016
	School	Non-School	Buses	Vehicles	Equipment	Software *	Land	Improvements	Construction	TOTALS	TOTALS
Tangible Capital Asset Cost											
Opening Cost, as previously reported	99,790,220	401,335	-	265,889	2,380,079	946,164	12,957,737	1,501,371	2,351,928	120,594,723	114,567,121
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	99,790,220	401,335	-	265,889	2,380,079	946,164	12,957,737	1,501,371	2,351,928	120,594,723	114,567,121
Add: Additions during the year	1,779,253	96,616	-	68,705	288,373	432,499	85,000	-	(427,249)	2,323,197	6,068,900
Less: Disposals and write downs	28,214	-	-	-	-	-	-	-		28,214	41,298
Closing Cost	101,541,259	497,951	-	334,594	2,668,452	1,378,663	13,042,737	1,501,371	1,924,679	122,889,706	120,594,723
Accumulated Amortization											
Opening, as previously reported	34,158,590	307,745	-	118,302	1,359,643	620,576		701,623		37,266,479	34,518,861
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	34,158,590	307,745	-	118,302	1,359,643	620,576		701,623		37,266,479	34,518,861
Add: Current period Amortization	2,472,460	6,569	-	54,291	232,161	187,963		130,396		3,083,840	2,788,916
Less: Accumulated Amortization on Disposals and Writedowns	28,214	-	-	-	-	-		-		28,214	41,298
Closing Accumulated Amortization	36,602,836	314,314	-	172,593	1,591,804	808,539		832,019		40,322,105	37,266,479
Net Tangible Capital Asset	64,938,423	183,637	-	162,001	1,076,648	570,124	13,042,737	669,352	1,924,679	82,567,601	83,328,244
Proceeds from Disposal of Capital Assets	-	-	-	-	-	-				-	7,500

* Includes network infrastructure.

1. **Nature of Organization and Economic Dependence**

The *Division scolaire franco-manitobaine* (the "Division") is a public body that provides education services to the Francophone student population of Manitoba. The Division is funded mainly by grants from the Province of Manitoba (the "Province") and special levies. The Division and each provider school division share the tax levies based on the proportion that their respective number of students represents in relation to the total of all students living within the provider school division's boundaries.

The Division is economically dependent on the Province for its operations and capital financing requirements. Without this funding, the Division would not be able to continue its regular operations.

2. **Significant Accounting Policies**

The consolidated financial statements have been prepared by management in accordance with the public sector accounting principles established by the Public Sector Accounting Board (PSAB) of Chartered Professional Accountants of Canada (CPA Canada).

Reporting Entity and Consolidation

The consolidated financial statements include the assets, liabilities, revenue and expenses of the Operating Fund, Capital Fund and Special Purpose Fund of the Division. The Division reporting entity includes school generated funds controlled by the Division.

All inter-fund balances and transactions were eliminated upon consolidation.

Trust Funds

Trust funds and their related operations are not included in the consolidated financial statements as they are not owned or controlled by the Division. A schedule of trust funds is attached as part of the notes to the consolidated financial statements.

Trust funds, under PSAB standards, are assets under the custody of a trustee (the Division) pursuant to a trust agreement or under the law. The trustee merely administers the terms and conditions of the trust agreement, and has no unilateral authority to change them.

Basis of Accounting

Revenue and expenses are reported on the accrual basis of accounting, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable. The accrual basis of accounting recognizes revenue as it is 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.

Fund Accounting

The fund method of accounting is used by the Division to record financial transactions in separate funds as defined by Financial Reporting and Accounting in Manitoba Education (FRAME) in accordance with the purpose for which the funds have been created.

The Operating Fund is maintained to record all the day-to-day operating revenue and expenses. The Capital Fund is used to account for the acquisition, amortization, disposal and financing of capital assets. The Special Purpose Fund is used to account for school generated funds and the assets of charitable foundations controlled by the Division.

School Generated Funds

School generated funds are monies which are collected by a school or under its auspices through extra-

School Generated Funds (cont'd)

curricular activities conducted for its sole benefit, and which the principal of the school may, subject to the rules of the school board, raise, hold, administer and expend for the purposes of the school.

Only revenue and expenses of school generated funds controlled by the Division are included in the Consolidated Statement of Revenue, Expenses and Accumulated Surplus. For funds to be deemed as controlled, a school must have the unilateral authority to make the decisions as to when, how and for what purpose they are to be spent.

The balances of cash monies and short-term investments of all school generated funds are included in the Consolidated Statement of Financial Position. The non-controlled portion of this amount is reflected in the School Generated Funds Liability item. Examples of non-controlled school generated funds are parent committee funds, student association funds and travel club funds. Revenue and expenses of non-controlled school generated funds are not included in the consolidated financial statements.

Tangible Capital Assets

Tangible capital assets are non-financial assets that are used by the Division to provide services to the public and have an economic life beyond one fiscal year. Tangible capital assets include land, buildings, land improvements, school buses, other vehicles, furniture, fixtures and equipment, computer hardware and software, leasehold improvements, capital leases, and assets under construction.

To be classified as tangible capital assets, each asset other than land must individually meet the capitalization threshold for its class as prescribed by FRAME.

Asset Description	Capitalization Threshold ($)	Useful Life
Land improvements	50,000	10 years
Building – bricks, mortar and steel	50,000	40 years
Buildings – wood frame	50,000	25 years
School buses	50,000	10 years
Vehicles	10,000	5 years
Equipment	10,000	5 years
Network infrastructure	25,000	10 years
Computer hardware	10,000	4 years
Computer software	10,000	4 years
Furniture & fixtures	10,000	10 years
Leasehold improvements	25,000	Over term of lease

Grouping of assets is not permitted except for computer work stations.

Land is recorded at historical cost, which includes purchase price, installation costs and other costs incurred to put the asset into service. All land acquired prior to June 30, 2006 has been valued by the Crown Lands and Property Agency.

Buildings are recorded at historical cost when known. For buildings acquired prior to June 30, 2005, where the actual cost was not known, the replacement value for insurance purposes as at June 30, 2005, was regressed to the date of acquisition, based on Southam and CanaData construction cost indices.

With the exception of donated capital assets and capital leases, all tangible capital assets are recorded at historical cost, which includes purchase price, installation costs and other costs incurred to put the asset into service.

Donated tangible capital assets are recorded at fair market value at the date of donation. Deferred revenue is recorded in an equivalent amount for all donated assets except land. The deferred revenue will be recognized as revenue over the useful life of the related asset, on the same basis as when an asset is amortized.

Tangible Capital Assets (cont'd)

Capital leases are recorded at the present value of the minimum lease payments excluding executory costs (e.g. insurance, maintenance costs, etc.). The discount rate used to determine the present value of the lease payments is the lower of the Division's rate for incremental borrowing or the interest rate implicit in the lease.

All tangible capital assets, except for land, capital leases and assets under construction, are amortized on a straight-line basis over their estimated useful lives as prescribed by FRAME. Land is not amortized. Capital leases with lease terms that have a bargain purchase option or allow ownership to pass to the Division are amortized over the useful life of the asset class. All other capital leases are amortized over the lesser of the lease term and the useful life of the asset class.

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal if not fully amortized.

Assets under construction are not amortized until the date of substantial completion. Interest on funds used to finance school buildings under construction is capitalized for the periods preceding the date of substantial completion.

Employee Future Benefits

The Province pays the employer portion of the Teachers' Retirement Allowances Fund (TRAF), the pension plan for all certified teachers of the Division. The Division does not contribute to TRAF, and no costs relating to this plan are included in the Division's consolidated financial statements.

However, the Division provides retirement and other future benefits to its support staff. These benefits include a defined contribution pension plan, parental leave and early retirement benefit. The Division adopted the following accounting policies with respect to these employee future benefits:

<u>Defined Contribution Pension Plan</u>

The Division pays the employer portion to the defined contribution pension plan administered by the Manitoba School Boards Association (MSBA) for its support staff. Under this plan, specific fixed amounts are contributed by the Division each period for services rendered by the employees and are equal to the contributions made by the employees. No responsibility is assumed by the Division to make any subsequent contribution.

<u>Defined Benefit/Self-Managed Employee Future Benefit Plans</u>

For defined benefit/self-managed benefit obligations that are event driven such as non-vesting parental leave, the benefit costs are recognized and recorded only in the period when the event occurs. For complementary payment obligations related to possible early retirement that are also event driven, the cost of benefits is recognized for the period in relation to which the commitment to pay benefits is approved by the school board.

With respect to sick leave that accrues without being vested, the liability is recorded, when deemed significant, based on the likelihood that the accrued sick leave will be used by the employees. The calculated amount is adjusted using present value methods.

Reserve Fund

Certain amounts approved by the Board and the Public Schools Finance Board have been set aside in reserve funds for future capital projects. These are internally restricted and part of the accumulated surplus reported in the Consolidated Statement of Financial Position.

Use of Estimates

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from the most accurate projections of management as additional information becomes available.

3. **Overdraft**

The Division has an authorized line of credit with the Caisse Financial Group of $13,450,000 to fund its operations. The line of credit is repayable on demand at prime less 0.75%, (1.95% as at June 30. 2017) with interest payable monthly. It was unused as at June 30, 2017.

4. **Employee Future Benefits**

The Division participates in a defined contribution pension plan administered by the MSBA. The defined contribution plan is provided to support staff based on their age at the beginning of the year and on rates of pay. Under the MSBA pension plan, employee contributions are determined according to a specific percentage based on their age group. The Division's contributions equal the employee's contributions to the plan. Pension liability is included in the consolidated financial statements under Accounts Payable.

The employee future benefit expense is included under the Employee Benefits and Allowances item. Total contributions to the defined contribution pension plan for the period ended June 30, 2017, amount to $768,624 ($770,448 in 2016).

Fringe benefits, such as sick leave, which accumulate without vesting, are evaluated in accordance with the present value method taking into account the extent to which accumulated sick leave credits are expected to exceed the number of vested days . The evaluation of the cost of sick leave benefits for the 2016/17 period has resulted in a recovery of $22,959.

5. **Deferred Revenue**

The deferral method of accounting is used for revenue received that, pursuant to statutes, regulations or agreements, may only be used for specific purposes. These amounts are recognized as revenue in the fiscal year the related expenses are incurred or services performed. The following is a breakdown of the account balance:

	Balance as at June 30, 2016	Amounts received in the period	Recognized in the period	Balance as at June 30, 2017
	$	$	$	$
Administration - Healthy Schools	5,217	16,073	21,290	-
Other (EPTC)	2,236,235	2,315,382	2,236,235	2,315,382
Healthy Baby	3,544	78,819	69,995	12,368
C.T.I. Central and C.T.I Urban	-	101,665	101,665	-
Coalition petite enfance	11,628	524,779	505,522	30,885
Growing with Mom	1,392	-	1,392	-
Parlons petite enfance	33,270	-	-	33,270
Other deferred revenue	76,677	250	45,847	31,080
	2,367,963	3,036,968	2,981,947	2,422,985

6. **School Generated Funds Liability**

Liability pertaining to school generated funds not controlled by the school division includes a cash amount of $244,839 as at June 30, 2017 ($242,395 as at June 30, 2016), which is recorded in the Consolidated Statement of Financial Position as the School Generated Funds Liability.

7. Debenture Debt

The Division's debenture is in the form of twenty-year debentures payable, principal and interest, in twenty equal yearly installments and maturing at various dates from 2018 to 2037. Payment of principal and interest is funded entirely by grants from the Province. The debentures carry interest rates that range from 3.250% to 7.250 %. Debenture interest expense payable as at June 30, 2017 is accrued and recorded in Accrued Interest Payable, and a grant in an amount equal to the interest accrued on provincially funded debentures is recorded in Due from the Provincial Government. The debenture principal and interest repayments in the next five years are:

	Principal ($)	Interest ($)	Total ($)
2018	3,386,536	2,146,049	5,532,585
2019	3,393,175	1,965,913	5,359,088
2020	3,537,253	1,786,957	5,324,210
2021	3,626,645	1,600,081	5,226,726
2022	3,289,942	1,409,518	4,699,460

8. Other Borrowings

Other borrowings include debts other than overdrafts or debentures. They include loans for child care facility improvement and capital leases on photocopiers.

	2017	2016
	$	$
Child care facility improvement	177,641	211,817
Connectivity project	1,786,709	2,020,524
	1,964,350	2,232,341

Loans for the connectivity project and improvements to child care facilities bear interest at rates of 4.46 % and 3.69 % respectively, due on demand, and the monthly payments are $26,600 and $3,452 respectively, including the principal and interest, as at June 30, 2017. These loans are secured by way of a security agreement and borrowing by-law.

Principal and interest repayment of total other loans in the next five years are:

	Principal ($)	Interest ($)	Total ($)
2018	279,918	80,701	360,619
2019	292,377	68,242	360,619
2020	305,247	55,372	360,619
2021	318,983	41,636	360,619
2022	308,033	39,186	347,219

9. Net Tangible Capital Assets

The Schedule of Tangible Capital Assets on page 23 of the audited financial statements provides a breakdown of cost, accumulated amortization and net book value by class. The amount of interest capitalized in the period ended June 30, 2017 was $2,037 ($108,214 in 2016).

10. **Accumulated Surplus**

The consolidated accumulated surplus as at June 30, 2017 is comprised of the following:

	2017	2016
	$	$
Operating fund		
Designated surplus	1,060,475	875,108
Undesignated surplus	2,139,624	2,218,398
Sick leave	(346,631)	(369,590)
	2,853,468	2,723,916
Capital fund		
Reserve accounts	3,340,000	1,340,000
Equity in tangible capital assets	33,968,596	32,326,219
	37,308,596	33,666,219
Special purpose fund		
School generated funds	671,085	661,120
Other special purpose funds	156,474	140,343
	827,559	801,463
Consolidated accumulated surplus	40,989,623	37,191,598

11. **Municipal Governments – Property Tax and related Due from Municipal Governments**

Education property tax or special levy is raised as the Division's contribution to the cost of providing public education for the students resident in the division. The Municipal Government – Property Tax revenue shown on the Consolidated Statement of Revenue, Expenses and Accumulated Surplus is raised over the two calendar (tax) years; 40% from 2016 tax year and 60% from 2017 tax year. Below are the revenue and related receivable amounts:

	2017	2016
	$	$
Revenue – Municipal Government – Property Tax	22,515,975	20,638,696
Due from Municipal – Property Tax	14,009,681	12,763,887

12. **Interest Received and Paid**

The Division received interest in the amount of $64,138 during the year ending June 30, 2017 ($64,134 in 2016); interest paid during the year was $2,302,269 ($2,295,701 in 2016).

Interest expense is included in Fiscal for the period ended June 30, 2017 and is comprised of the following:

	2017	2016
	$	$
Operating fund		
Charges and Taxes – Short term loan, interest and bank charges	94,483	100,373
Capital fund		
Debenture debt interest	2,200,543	2,186,836
Other interest	7,243	8,492
	2,207,786	2,195,328
	2,302,269	2,295,701

The accrual portion of the debenture debt interest expense of $935,130 as at June 30, 2017 ($995,132 as at June 30, 2016) included under Capital Fund – Debenture Debt Interest is offset by an accrual of the debt servicing grant from the Province.

13. **Allowance for Doubtful Accounts**

All receivables presented on the Consolidated Statement of Financial Position are net of an allowance for specific doubtful accounts. Below is the total allowance for doubtful accounts as at June 30, 2017:

	2017	2016
	$	$
Allowance for doubtful accounts (recovery) deducted from Receivables	-	-
Bad debts (recovery) (included in Fiscal)	-	-

14. **Expenses by Object**

Expenses in the Consolidated Statement of Revenue, Expenses and Accumulated Surplus are reported by function as defined by FRAME. Below is the detail of expenses by object:

	Actual 2017	Budget 2017	Actual 2016
	$	$	$
Salaries	52,279,079	57,917,710	55,115,566
Employee benefits and allowances	4,193,478	4,641,074	4,202,369
Services	16,639,256	18,175,370	16,044,610
Supplies, materials & minor equipment	3,973,220	4,141,359	4,570,184
Interest and bank charges	2,302,269	105,390	2,295,701
Bad debts (recovery)	-	-	-
Payroll tax	1,221,842	1,233,832	1,181,985
Transfers	352,226	263,000	356,444
Amortization	3,083,840	-	2,788,916
Other capital items	13,760	-	120,411
School generated funds	1,369,942	-	1,240,624
Other special purpose funds	20,004	-	68,082
	90,448,916	86,447,735	87,984,892

15. **Contractual Obligations**

Agreements respecting student transportation were entered into until June 2019. The annual costs for these services are approximately $7,300,000.

Lease agreements for school buildings were entered into with various school divisions and organizations. An estimated amount was recorded as a payable amount and as an expense for the current fiscal year given that the rental rates have not yet been finalized. All retroactive adjustments will be recorded in the year when their specific amount is determined.

16. **Financial Instruments**

The Division's financial instruments include cash and bank deposits, portfolio investments, amounts due from and due to (provincial, federal and municipal governments, other school divisions and First Nations), accounts receivable, receivable investment income, overdraft, accounts payable, accrued liabilities, employee future benefits, accrued interest payable, debenture debt and other borrowings.

Unless otherwise noted, it is management's opinion that these financial instruments do not expose the Division to significant interest, exchange or credit risk.

17. **Trust Funds**

During the year, the Division made no holdback payments ($319,135 in 2016) for construction projects. These payments are held in a bank account in the Division's name but the funds are to be transferred to the contractor once the projects have been completed. The funds held in this bank account and the accrued liability with respect to the holdback have not been included in the consolidated financial statements.

18. **Controlled Corporation**

The Division controls a charitable organization. The assets, liabilities and accumulated surplus of the charitable organization are recorded in the Special Purpose Fund Schedule of Financial Position. The revenue, expenses and restated opening accumulated surplus of the charitable organization are recorded in the Special Purpose Fund Schedule of Revenue, Expenses and Accumulated Surplus.

W:\Edueas\TRANSLATION_BUREAU\Traductions 2017-2018\CHT\22\17-18-0306 - Notes afférentes aux états financiers consolidés 2016-17_EN.docx

MANAGEMENT REPORT

Management's Responsibility for the Financial Statements

The accompanying consolidated financial statements of Evergreen School Division are the responsibility of the Division's management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of The Chartered Professional Accountants of Canada. A summary of the significant accounting policies are described in Note 2 to the consolidated financial statements.

The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. Division management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The Board of Trustees of the Division met with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by Craig & Ross Chartered Professional Accountants, the independent external auditors appointed by the Board. The accompanying Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Division's consolidated financial statements.

Original Document Signed	Original Document Signed
Chairperson	Secretary-Treasurer

October 18, 2017

CRAIG & ROSS
CHARTERED PROFESSIONAL ACCOUNTANTS

October 18, 2017

INDEPENDENT AUDITORS' REPORT

To the Chairperson and Trustees of
Evergreen School Division

We have audited the accompanying consolidated financial statements of Evergreen School Division which comprise the consolidated statement of financial position as at June 30, 2017 and June 30, 2016, and the consolidated statements of revenue, expenses and accumulated surplus, change in net debt and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider 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 Evergreen School Division as at June 30, 2017 and June 30, 2016 and the consolidated results of operations, changes in net debt and cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

Craig & Ross

Chartered Professional Accountants

I certify that this report and the statements and reports referenced herein have been presented to the members of the Board of Evergreen School Division.

Nov 1, 2017
Date

Original Document Signed
Chairperson

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2017	2016
	Financial Assets		
	Cash and Bank	-	-
	Due from - Provincial Government	1,462,724	1,474,592
	- Federal Government	50,268	70,217
	- Municipal Government	4,295,146	4,167,929
	- Other School Divisions	541	458
	- First Nations	81,000	92,000
	Accounts Receivable	16,864	68,981
	Accrued Investment Income	1,874	1,831
5	Portfolio Investments	140,949	130,887
		6,049,366	6,006,895
	Liabilities		
3	Overdraft	309,687	552,024
	Accounts Payable	841,883	765,821
	Accrued Liabilities	1,463,689	1,666,325
4	Employee Future Benefits	105,181	78,204
	Accrued Interest Payable	310,972	342,081
	Due to - Provincial Government	-	-
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
6	Deferred Revenue	572,263	759,627
8	Borrowings from the Provincial Government	13,142,780	14,326,619
9	Other Borrowings	470,894	869,065
	School Generated Funds Liability	44,585	38,801
		17,261,934	19,398,567
	Net Debt	(11,212,568)	(13,391,672)
	Non-Financial Assets		
10	Net Tangible Capital Assets (TCA Schedule)	20,310,108	21,441,197
	Inventories	-	-
	Prepaid Expenses	217,914	223,325
		20,528,022	21,664,522
11	**Accumulated Surplus**	9,315,454	8,272,850

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes		2017	2016
	Revenue		
	Provincial Government	15,048,504	14,952,603
	Federal Government	-	-
	Municipal Government - Property Tax	7,563,416	7,339,733
	- Other	-	-
	Other School Divisions	52,931	50,734
	First Nations	154,000	103,000
	Private Organizations and Individuals	85,615	155,832
	Other Sources	44,540	284,035
	School Generated Funds	432,442	371,873
	Other Special Purpose Funds	37,984	38,176
		23,419,432	23,295,986
	Expenses		
	Regular Instruction	10,663,545	10,898,595
	Student Support Services	3,104,733	3,180,095
	Adult Learning Centres	-	-
	Community Education and Services	56,316	67,438
	Divisional Administration	805,704	886,225
	Instructional and Other Support Services	590,346	649,533
	Transportation of Pupils	1,594,735	1,620,065
	Operations and Maintenance	2,473,400	2,306,970
13	Fiscal - Interest	758,146	818,866
	- Other	302,434	300,889
	Amortization	1,565,924	1,485,862
	Other Capital Items	-	-
	School Generated Funds	408,311	394,107
	Other Special Purpose Funds	26,256	31,148
		22,349,850	22,639,793
	Current Year Surplus (Deficit) before Non-vested Sick Leave	1,069,582	656,193
	Less: Non-vested Sick Leave Expense (Recovery)	26,978	11,868
	Net Current Year Surplus (Deficit)	1,042,604	644,325
	Opening Accumulated Surplus	8,272,850	7,628,525
	Adjustments: Tangible Cap. Assets and Accum. Amort.	-	-
	Other than Tangible Cap. Assets	-	-
	Non-vested sick leave - prior years	-	-
	Opening Accumulated Surplus, as adjusted	8,272,850	7,628,525
	Closing Accumulated Surplus	9,315,454	8,272,850

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2017

	2017	2016
Net Current Year Surplus (Deficit)	1,042,604	644,325
Amortization of Tangible Capital Assets	1,565,924	1,485,862
Acquisition of Tangible Capital Assets	(434,835)	(1,745,686)
(Gain) / Loss on Disposal of Tangible Capital Assets	(1,875)	(7,309)
Proceeds on Disposal of Tangible Capital Assets	1,875	7,309
	1,131,089	(259,824)
Inventories (Increase)/Decrease	-	-
Prepaid Expenses (Increase)/Decrease	5,411	(89,382)
	5,411	(89,382)
(Increase)/Decrease in Net Debt	2,179,104	295,119
Net Debt at Beginning of Year	(13,391,672)	(13,686,791)
Adjustments Other than Tangible Cap. Assets	-	-
	(13,391,672)	(13,686,791)
Net Debt at End of Year	(11,212,568)	(13,391,672)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2017

	2017	2016
Operating Transactions		
Net Current Year Surplus (Deficit)	1,042,604	644,325
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	1,565,924	1,485,862
(Gain)/Loss on Disposal of Tangible Capital Assets	(1,875)	(7,309)
Employee Future Benefits Increase/(Decrease)	26,977	11,869
Due from Other Organizations (Increase)/Decrease	(84,483)	7,529
Accounts Receivable & Accrued Income (Increase)/Decrease	52,074	(13,299)
Inventories and Prepaid Expenses - (Increase)/Decrease	5,411	(89,382)
Due to Other Organizations Increase/(Decrease)	-	-
Accounts Payable & Accrued Liabilities Increase/(Decrease)	(157,683)	(213,218)
Deferred Revenue Increase/(Decrease)	(187,364)	(80,506)
School Generated Funds Liability Increase/(Decrease)	5,784	6,393
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by (Applied to) Operating Transactions	2,267,369	1,752,264
Capital Transactions		
Acquisition of Tangible Capital Assets	(434,835)	(1,745,686)
Proceeds on Disposal of Tangible Capital Assets	1,875	7,309
Cash Provided by (Applied to) Capital Transactions	(432,960)	(1,738,377)
Investing Transactions		
Portfolio Investments (Increase)/Decrease	(10,062)	(65)
Cash Provided by (Applied to) Investing Transactions	(10,062)	(65)
Financing Transactions		
Borrowings from the Provincial Government Increase/(Decrease)	(1,183,839)	(517,999)
Other Borrowings Increase/(Decrease)	(398,171)	(90,167)
Cash Provided by (Applied to) Financing Transactions	(1,582,010)	(608,166)
Cash and Bank / Overdraft (Increase)/Decrease	242,337	(594,344)
Cash and Bank (Overdraft) at Beginning of Year	(552,024)	42,320
Cash and Bank (Overdraft) at End of Year	(309,687)	(552,024)

Evergreen School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2017

	Buildings and Leasehold Improvements		School	Other	Furniture / Fixtures &	Computer Hardware &		Land	Assets Under	2017	2016
	School	Non-School	Buses	Vehicles	Equipment	Software *	Land	Improvements	Construction	TOTALS	TOTALS
Tangible Capital Asset Cost											
Opening Cost, as previously reported	31,839,084	1,626,928	3,344,995	289,583	1,142,781	1,676,345	256,678	408,108	1,136,558	41,721,060	40,413,359
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	31,839,084	1,626,928	3,344,995	289,583	1,142,781	1,676,345	256,678	408,108	1,136,558	41,721,060	40,413,359
Add:											
Additions during the year	956,248	-	269,394	-	74,049	156,387	-	65,201	(1,086,444)	434,835	1,745,686
Less:											
Disposals and write downs	-	-	-	73,740	-	-	-	-	-	73,740	437,985
Closing Cost	32,795,332	1,626,928	3,614,389	215,843	1,216,830	1,832,732	256,678	473,309	50,114	42,082,155	41,721,060
Accumulated Amortization											
Opening, as previously reported	16,252,626	593,143	1,993,295	229,790	626,173	488,499		96,337		20,279,863	19,231,986
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	16,252,626	593,143	1,993,295	229,790	626,173	488,499		96,337		20,279,863	19,231,986
Add:											
Current period Amortization	961,197	53,026	256,195	22,126	114,287	115,022		44,071		1,565,924	1,485,862
Less:											
Accumulated Amortization on Disposals and Writedowns	-	-	-	73,740	-	-		-		73,740	437,985
Closing Accumulated Amortization	17,213,823	646,169	2,249,490	178,176	740,460	603,521		140,408		21,772,047	20,279,863
Net Tangible Capital Asset	15,581,509	980,759	1,364,899	37,667	476,370	1,229,211	256,678	332,901	50,114	20,310,108	21,441,197
Proceeds from Disposal of Capital Assets	-	-	-	1,875	-	-				1,875	7,309

* Includes network infrastructure.

1. Nature of Organization and Economic Dependence

The School Division (Division) is a public body that provides education services to residents within its geographic location. The division is funded mainly by grants from the Province of Manitoba (Province), and a special levy on the property assessment included in the Division's boundaries. The Division is exempt from income tax.

The Division is economically dependent on the Province for the majority of its revenue and capital financing requirements. Without this funding, the Division would not be able to continue its operations.

2. Significant Accounting Policies

The consolidated financial statements are prepared by management in accordance with Canadian generally accepted accounting principles as recommended by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada and reflect the following significant accounting policies.

a) Reporting Entity

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the operating fund, capital fund, and special purpose fund of the Division. The Division reporting entity includes school generated funds and The Evergreen Foundation of Manitoba Inc., an entity controlled by the Division.

All inter-fund accounts and transactions are eliminated upon consolidation.

b) Basis of Accounting

The consolidated financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon the receipt of goods and services or the creation of an obligation to pay. Expenses also include the amortization of tangible capital assets.

c) Fund Accounting

The fund method of accounting is employed by the Division to record financial transactions in separate funds as defined by Financial Reporting and Accounting in Manitoba Education (FRAME) in accordance with the purpose for which the funds have been created.

The Operating Fund is maintained to record all the day to day operating revenues and expenses. The Capital Fund is used to account for the acquisition, amortization, disposal and financing of capital assets. The Special Purpose Fund is used to account for school generated funds and charitable foundations controlled by the Division.

d) School Generated Funds

School generated funds are monies raised by the school, or under the auspices of the school, through extra curricular activities for the sole use of the school that the principal of each school, may raise, hold, administer and expend for the purposes of the school, subject to the rules of the school board.

Only revenue and expenses of school generated funds controlled by the Division are included in the Consolidated Statement of Revenue, Expenses and Accumulated Surplus. To be deemed as controlled, a school must have the unilateral authority to make the decisions as to when, how and on what the funds are to be spent.

2. Significant Accounting Policies - Continued

d) School Generated Funds - continued

Period end cash balances of all school generated funds are included in the Consolidated Statement of Financial Position. The uncontrolled portion of this amount is reflected in the School Generated Funds Liability account. Examples of uncontrolled school generated funds are student council funds and travel club funds. Revenues and expenses of uncontrolled school generated funds are not included in the consolidated financial statements.

e) Non-Financial Assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the excess (deficiency) of revenues over expenses, provides the change in net financial assets for the year.

f) Employee Future Benefits

The Province of Manitoba pays the employer portion of the Teachers' Retirement Allowances Fund (TRAF), the pension plan for all certified teachers of the Division. The Division does not contribute to TRAF, and no costs relating to this plan are included in the Division's financial statements.

For non-vesting accumulating sick days, the benefit costs are recognized based on a projection of expected future utilization of sick time, discounted using net present value techniques.

g) Tangible Capital Assets

Tangible capital assets are non-financial assets that are used by the Division to provide services to the public and have an economic life beyond one fiscal year. Tangible capital assets include land, buildings, buses, other vehicles, furniture and equipment and assets under construction.

To be classified as tangible capital assets, each asset other than land must individually meet the capitalization threshold for its class as prescribed by FRAME.

Asset Description	Capitalization Threshold ($)	Estimated Useful Life (years)
Land Improvements (1)	25,000	10
Buildings - bricks, mortar and steel	25,000	40
Buildings - wood frame	25,000	25
School buses	20,000	10
Vehicles (2)	10,000	5
Equipment (3)	10,000	5
Network Infrastructure (4)	25,000	10
Computer Hardware, Servers & Periphe	5,000	4
Computer Software (6)	10,000	4
Furniture & Fixtures	5,000	10
Leasehold Improvements	25,000	Over term of lease

Grouping of assets is not permitted except for computer work stations.

With the exception of land and buildings acquired before June 30, 1995, all tangible capital assets, are recorded at historical cost, which includes purchase price, installation costs and other costs incurred to put the asset into service.

2. Significant Accounting Policies – Continued

g) Tangible Capital Assets - continued

All land acquired prior to June 30, 1995 has been valued by the Crown Lands and Property Agency.

Buildings are recorded at historical cost when known. For buildings acquired prior to June 30, 2005 where the actual cost was not known, the replacement value for insurance purposes as at June 30, 2005 was regressed to the date of acquisition using a regression index based on Southam and CanaData construction cost indices.

All tangible capital assets, except for land and assets under construction, are amortized on a straight-line basis over their estimated useful lives as prescribed by FRAME. Land is not amortized.

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal if not fully amortized.

Assets under construction are not amortized until the date of substantial completion. Interest on funds used to finance school buildings under construction is capitalized for the periods preceding the date of substantial completion.

h) Capital Reserve

Certain amounts, as approved by the Board of Trustees and the Public Schools Finance Board (PSFB), have been set aside in reserve accounts for future capital purposes. These Capital Reserve accounts are internally restricted funds that form part of the Accumulated Surplus presented in the Consolidated Statement of Financial Position.

i) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

j) Financial instruments

There are no significant terms and conditions related to financial instruments (cash, accounts receivable, investments, bank indebtedness, accounts payable and long-term debt) that may affect the amount, timing and certainty of future cash flows. The Division is exposed to credit risk from the potential non-payment of accounts receivable. However, the majority of the receivables are from local, provincial and federal governments, and therefore, the credit risk is minimal. The carrying amounts of the financial instruments approximate their carrying values, unless otherwise noted.

k) Liability for Contaminated Sites

On July 1, 2014, the Division adopted the Public Sector Accounting Board accounting standard - Liability for Contaminated Sites, Section PS3260. The standard was applied on a retroactive basis to July 1, 2013 and did not result in any adjustments to financial liabilities, tangible capital assets or accumulated surplus of the Division.

3. Overdraft

The Division has an authorized line of credit with The Noventis Credit Union Limited of $4,500,000.00 by way of overdrafts and is repayable on demand at prime less .875%; (interest is paid monthly). Overdrafts are secured by a temporary borrowing by-law. The unused line of credit at June 30, 2017 is $3,919,273 (June 30, 2016 - $3,708,092).

4. Employee Future Benefits

Employee future benefits consist of non-vested accumulated sick leave benefits measured using net present value techniques on the expected future utilization of excess of sick benefits used over earned per year, to a maximum entitlement. The impact of the estimated non-vested sick leave benefit (decrease) increase for 2016 / 2017 is $26,978, (2015 / 2016 $11,868).

5. Short Term Investments

Short term investments consist of deposit certificates that mature within one year. Investment income earned during the year was $3,760.

6. Deferred Revenue

The deferral method of accounting is used to properly match revenues with expenditures. These amounts are recognized as revenue in the fiscal year the related expenses are incurred or services performed.

7. School Generated Funds Liability

School Generated Funds Liability represents the non-controlled portion of school generated funds consolidated in the cash and bank balances in the amount of $44,585.

8. Debenture Debt

The debenture debt of the Division is in the form of twenty-year debentures payable, principal and interest, in twenty equal yearly installments and maturing at various dates from 2017 to 2037. Payment of principal and interest is funded entirely by grants from the Province of Manitoba. The debentures carry interest rates that range from 3.375% to 7.375%. Debenture interest expense payable as at June 30, 2017, is accrued and recorded in Accrued Interest Payable, and a grant in an amount equal to the interest accrued on provincially funded debentures is recorded in Due from the Provincial Government. The debenture principal and interest repayments in the next five years are:

	Principal	Interest	Total
2018	1,777,523	697,677	$ 2,475,200
2019	1,309,117	624,495	1,933,612
2020	1,354,044	548,251	1,902,295
2021	1,270,203	530,639	1,800,842
2022	1,260,842	396,963	1,657,805
	$ 6,971,729	$ 2,798,025	$ 9,769,754

9. Other Borrowings

Other borrowings are debts other than overdrafts or debentures. This is a loan to complete our Broadband project bearing interest at Noventis Credit Union prime rate, repayable with blended monthly installments for principal and interest of $9,650.40 and a maturity date of June 1, 2027.

This Capital Loan was paid in full on September 8, 2017. The final payment including principal and accrued interest was $445,382.

10. Net Tangible Capital Assets

The Schedule of Tangible Capital Assets (TCA), page 23 of the audited financial statements, provides a breakdown of cost, accumulated amortization and net book value by class

	Gross Amount	Accumulated Amortization	2017 Net Book Value	2016 Net Book Value
Owned-tangible capital assets	$ 42,082,155	$ 21,772,047	$ 20,310,108	$ 21,441,197
Capital lease	-	-	-	-
	$ 42,082,155	$ 21,772,047	$ 20,310,108	$ 21,441,197

11. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2017	2016
Operating Fund		
Undesignated Surplus	**1,389,835**	1,090,599
Capital Fund		
Reserve Accounts	**1,933,821**	1,628,898
Equity in Tangible Capital Assets	**5,633,536**	5,230,950
	7,567,357	6,859,848
Special Purpose Fund		
School Generated Funds	**160,171**	136,040
Other Special Purpose Funds	**198,091**	186,363
	358,262	322,403
Total Accumulated Surplus	**$ 9,315,454**	$ 8,272,850

Designated Surplus under the Operating Fund represents internally restricted amounts appropriated by the board or, in the case of school budget carryovers, by board policy. See page 5 of the audited financial statements for a breakdown of the Designated Surplus.

Reserve Accounts under the Capital Fund represents internally restricted reserves for specific purposes approved by the Board of Trustees and PSFB. A Schedule of Capital Reserve Accounts is provided on page 24 of the audited financial statements.

School Generated Funds and Other Special Purpose Funds are externally restricted monies for school use, Scholarship Awards and donations for school projects.

12. Municipal Government – Property Tax and related Due from Municipal Government

Education property tax or Special Levy is raised as the Division's contribution to the cost of providing public education for the students' resident in the division. The Municipal Government-Property Tax shown on the consolidated revenue and expense is raised over the two calendar (tax) years; 43% from 2016 tax year and 57% from 2017 tax year. Below are the related revenue and receivable amounts:

	2017	2016
Revenue-Municipal Government-Property Tax	$ 7,563,416	$ 7,339,733
Receivable-Due from Municipal-Property Tax	$ 4,295,146	$ 4,167,929

13. Interest Received and Paid

The Division received interest during the year of $14,897 (2016 - $12,362). Interest paid during the year was $758,146 (2016 - $818,866).

Interest expense is included in Fiscal and is comprised of the following:

	2017	2016
Operating Fund		
Fiscal-short term loan, interest and bank charges	$ 5,741	$ 7,840
Capital Fund		
Debenture debt interest	735,671	785,671
Other interest	16,734	25,355
	$ 758,146	$ 818,866

The accrual portion of debenture debt interest expense of $309,907 included under the Capital Fund-Debenture debt interest is offset by an accrual of the debt servicing grant from the Province of Manitoba.

14. Expenses by object

Expenses in the consolidated statement of revenue, expenses and accumulated surplus are reported by function as defined by FRAME. Below is the detail of expenses by object:

	Actual 2017	Budget 2017	Actual 2016
Salaries	$ 14,277,432	$ 14,674,100	$ 14,228,167
Employees benefits & allowances	1,350,594	1,557,700	1,333,429
Services	1,977,024	2,030,971	1,928,907
Supplies, materials & minor equipment	1,603,112	1,821,783	2,035,346
Interest	758,146	15,000	818,866
Bad debts	-	-	-
Payroll tax	302,434	310,000	300,889
Transfers	80,617	63,500	83,072
Amortization	1,565,924	-	1,485,862
Other capital items	-	-	-
School generated funds	408,311	-	394,107
Other special purpose funds	26,256	-	31,148
	$ 22,349,850	$ 20,473,054	$ 22,639,793

15. Budget Figures and Non Financial Information

The 2017 budget figures, student enrolments (FRAME) and transportation statistics, full time equivalent personnel and senior staff allocations are unaudited and have been presented for information purposes only.

MANAGEMENT REPORT

Management's Responsibility for the Financial Statements

The accompanying consolidated financial statements of Flin Flon School Division are the responsibility of the Division management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants. A summary of the significant accounting policies are described in Note 2 to the consolidated financial statements.

The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. Division management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The Board of Trustees of the Division met with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by Kendall & Pandya Chartered Accountants, independent external auditors appointed by the Board. The accompanying Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Division's consolidated financial statements.

Original Document Signed	Original Document Signed
Chairperson	Secretary-Treasurer

October 10, 2017

KENDALL & PANDYA
Chartered Professional Accountants

Partners: David Kendall, FCPA, FCA*
Manisha Pandya, CPA, CA*
* Operating as professional corporations

INDEPENDENT AUDITOR'S REPORT

To the Directors of Flin Flon School Division

Report on the Financial Statements

We have audited the accompanying financial statements of Flin Flon School Division, which comprise the balance sheet as at June 30, 2017, and the statements of operations, changes in net assets and cash flow for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Flin Flon School Division as at June 30, 2017 and its operations and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Our examination also included supplemental schedules of revenue and expenditure details for the year ended June 30, 2017. In our opinion, supplemental schedules when considered in relation to the basic financial statements, presents fairly in all material respects, the information shown therein.

Our examination did not include the budget figures, student enrolments and full time equivalent personnel.

Flin Flon, Manitoba
October 10, 2017

Kendall & Pandya
CHARTERED PROFESSIONAL ACCOUNTANTS

I hereby certify that this report and the statements and reports references herein have been presented to the members of the Board of the above-mentioned School Division.

October 10, 2017

Original Document Signed
Chairperson

Flin Flon & Thompson, MB
Flin Flon: 300-31 Main Street, PO Box 175, Flin Flon, MB R8A 1M7 (204) 687-8211 Fax (204) 687-2957 dkendall@mymts.net
Thompson: 118 Cree Road, Thompson MB R8N 0C1 (204) 778-7312 Fax (204) 778-7919 mpandya@kendallpandya.ca

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2017	2016
	Financial Assets		
	Cash and Bank	580,809	383,264
	Due from - Provincial Government	1,168,329	1,036,630
	- Federal Government	4,736	-
	- Municipal Government	1,747,890	1,423,613
	- Other School Divisions	-	-
	- First Nations	-	-
	Accounts Receivable	235,081	239,412
	Accrued Investment Income	-	-
	Portfolio Investments	-	-
		3,736,845	3,082,919
	Liabilities		
	Overdraft	-	-
	Accounts Payable	1,472,711	590,877
	Accrued Liabilities	1,451,894	1,440,593
1g	Employee Future Benefits	20,875	79,623
	Accrued Interest Payable	42,953	45,439
	Due to - Provincial Government	-	-
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
7	Deferred Revenue	22,048	48,839
6	Borrowings from the Provincial Government	2,552,744	2,707,841
	Other Borrowings	-	-
	School Generated Funds Liability	6,269	140,318
		5,569,494	5,053,530
	Net Debt	(1,832,649)	(1,970,611)
	Non-Financial Assets		
12	Net Tangible Capital Assets (TCA Schedule)	4,289,987	4,170,935
	Inventories	-	-
	Prepaid Expenses	59,761	36,124
		4,349,748	4,207,059
14	**Accumulated Surplus**	2,517,099	2,236,448

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes			2017	2016
	Revenue			
	Provincial Government		11,096,221	10,981,259
	Federal Government		21,075	-
	Municipal Government	- Property Tax	3,496,475	2,867,928
		- Other	-	-
	Other School Divisions		277,954	289,655
	First Nations		28,293	35,351
	Private Organizations and Individuals		218,416	242,091
	Other Sources		67,790	29,446
	School Generated Funds		292,336	277,686
	Other Special Purpose Funds		-	-
			15,498,560	14,723,416
	Expenses			
	Regular Instruction		7,494,480	7,652,447
	Student Support Services		2,626,714	2,374,058
	Adult Learning Centres		92,300	92,300
	Community Education and Services		10,671	14,231
	Divisional Administration		726,774	693,796
	Instructional and Other Support Services		306,115	288,838
	Transportation of Pupils		447,014	449,197
	Operations and Maintenance		2,559,616	2,227,985
9	Fiscal	- Interest	131,266	142,899
		- Other	224,030	214,403
	Amortization		287,722	314,747
	Other Capital Items		-	-
	School Generated Funds		311,207	231,704
	Other Special Purpose Funds		-	-
			15,217,909	14,696,605
	Current Year Surplus (Deficit) before Non-vested Sick Leave		280,651	26,811
	Less: Non-vested Sick Leave Expense (Recovery)		0	0
	Net Current Year Surplus (Deficit)		280,651	26,811
	Opening Accumulated Surplus		2,236,448	2,209,637
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	-
		Other than Tangible Cap. Assets	-	-
		Non-vested sick leave - prior years	-	-
	Opening Accumulated Surplus, as adjusted		2,236,448	2,209,637
	Closing Accumulated Surplus		2,517,099	2,236,448

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2017

	2017	2016
Net Current Year Surplus (Deficit)	280,651	26,811
Amortization of Tangible Capital Assets	287,722	314,747
Acquisition of Tangible Capital Assets	(406,774)	(116,225)
(Gain) / Loss on Disposal of Tangible Capital Assets	(3,000)	-
Proceeds on Disposal of Tangible Capital Assets	3,000	-
	(119,052)	198,522
Inventories (Increase)/Decrease	-	-
Prepaid Expenses (Increase)/Decrease	(23,637)	(8,830)
	(23,637)	(8,830)
(Increase)/Decrease in Net Debt	137,962	216,503
Net Debt at Beginning of Year	(1,970,611)	(2,187,114)
Adjustments Other than Tangible Cap. Assets	-	-
	(1,970,611)	(2,187,114)
Net Debt at End of Year	(1,832,649)	(1,970,611)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2017

	2017	2016
Operating Transactions		
Net Current Year Surplus (Deficit)	280,651	26,811
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	287,722	314,747
(Gain)/Loss on Disposal of Tangible Capital Assets	(3,000)	-
Employee Future Benefits Increase/(Decrease)	(58,748)	137
Due from Other Organizations (Increase)/Decrease	(460,712)	169,484
Accounts Receivable & Accrued Income (Increase)/Decrease	4,331	(143,473)
Inventories and Prepaid Expenses - (Increase)/Decrease	(23,637)	(8,830)
Due to Other Organizations Increase/(Decrease)	-	-
Accounts Payable & Accrued Liabilities Increase/(Decrease)	890,649	(139,011)
Deferred Revenue Increase/(Decrease)	(26,791)	10,035
School Generated Funds Liability Increase/(Decrease)	(134,049)	-
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by (Applied to) Operating Transactions	756,416	229,900
Capital Transactions		
Acquisition of Tangible Capital Assets	(406,774)	(116,225)
Proceeds on Disposal of Tangible Capital Assets	3,000	-
Cash Provided by (Applied to) Capital Transactions	(403,774)	(116,225)
Investing Transactions		
Portfolio Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
Financing Transactions		
Borrowings from the Provincial Government Increase/(Decrease)	(155,097)	(156,835)
Other Borrowings Increase/(Decrease)	-	-
Cash Provided by (Applied to) Financing Transactions	(155,097)	(156,835)
Cash and Bank / Overdraft (Increase)/Decrease	197,545	(43,160)
Cash and Bank (Overdraft) at Beginning of Year	383,264	426,424
Cash and Bank (Overdraft) at End of Year	580,809	383,264

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2017

	Buildings and Leasehold Improvements		School	Other	Furniture / Fixtures &	Computer Hardware &		Land	Assets Under	2017	2016
	School	Non-School	Buses	Vehicles	Equipment	Software *	Land	Improvements	Construction	TOTALS	TOTALS
Tangible Capital Asset Cost											
Opening Cost, as previously reported	11,141,330	373,249	-	331,599	485,652	35,610	476,043	596,258	-	13,439,741	13,323,516
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	11,141,330	373,249	-	331,599	485,652	35,610	476,043	596,258	-	13,439,741	13,323,516
Add: Additions during the year	-	-	-	61,990	113,003	127,661	-	-	104,120	406,774	116,225
Less: Disposals and write downs	-	-	-	48,904	-	-	-	-	-	48,904	-
Closing Cost	11,141,330	373,249	-	344,685	598,655	163,271	476,043	596,258	104,120	13,797,611	13,439,741
Accumulated Amortization											
Opening, as previously reported	8,364,495	350,749	-	150,597	344,145	35,610		23,210		9,268,806	8,954,059
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	8,364,495	350,749	-	150,597	344,145	35,610		23,210		9,268,806	8,954,059
Add: Current period Amortization	188,130	-	-	36,557	48,013	10,802		4,220		287,722	314,747
Less: Accumulated Amortization on Disposals and Writedowns	-	-	-	48,904	-	-		-		48,904	-
Closing Accumulated Amortization	8,552,625	350,749	-	138,250	392,158	46,412		27,430		9,507,624	9,268,806
Net Tangible Capital Asset	2,588,705	22,500	-	206,435	206,497	116,859	476,043	568,828	104,120	4,289,987	4,170,935
Proceeds from Disposal of Capital Assets	-	-	-	3,000	-	-				3,000	-

* Includes network infrastructure.

1) NATURE OF ORGANIZATION AND ECONOMIC DEPENDENCE

The Flin Flon School Division is a public body that provides education services to the residents within its geographic location. The Division is funded mainly by grants from the Province of Manitoba (Province), and a special levy on the property assessment included in the Division's boundaries. The Division is exempt from income tax and is a registered charity under the Income Tax Act.

The Division is economically dependent on the Province for the majority of its revenue and capital financing requirements. Without this funding, the Division would not be able to continue its operations.

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles established by PSAB of the Canadian Institute of Chartered Accountants (CICA).

a) Reporting Entity and Consolidation

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the operating fund, capital fund, and special purpose fund of the Division. The Division reporting entity includes school generated funds controlled by the Division.

b) Trust Funds

The Division administers a number of bursary and scholarship funds. These bursary and scholarship funds and their related expenses are not included in the consolidated financial statements as they are not owned or controlled by the Division. A schedule of trust funds is attached as part of the notes to the consolidated financial statements. (See Note # 8)

c) Basis of Accounting

Revenues and expenses are reported on the accrual basis of accounting except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable. 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.

d) Fund Accounting

The fund method of accounting is employed by the Division to record financial transactions in separate funds as defined by Financial Reporting and Accounting in Manitoba Education (FRAME) in accordance with the purpose for which the funds have been created.

The Operating Fund is maintained to record all the day to day operating revenues and expenses. The Capital Fund is used to account for the acquisition, amortization, disposal and financing of capital assets. The Special Purpose Fund is used to account for school generated funds and charitable foundations controlled by the Division.

e) School Generated Funds

School generated funds are moneys raised by the school, or under the auspices of the school, through extra-curricular activities for the sole use of the school that the principal of each school, subject to the rules of the school board, may raise, hold, administer and expend for the purposes of the school. Funds raised for this purpose within the Flin Flon School Division are used for such activities as travel for school teams, school clubs and graduation.

Only revenue and expenses of school generated funds controlled by the Division are included in the Consolidated Statement of Revenue, Expenses and Accumulated Surplus. To be deemed as controlled, a school must have the unilateral authority to make the decisions as to when, how and on what the funds are to be spent.

f) Tangible Capital Assets

Tangible capital assets are non-financial assets that are used by the Division to provide services to the public and have an economic life beyond one fiscal year. Tangible capital assets include land, buildings, buses, other vehicles, furniture and equipment, computers, capital leases, leasehold improvements, and assets under construction. To be classified as tangible capital assets, each asset other than land must individually meet the capitalization threshold for its class as prescribed by FRAME.

Asset Description	Capitalization Threshold	Estimated Useful Life (Years)
Land Improvements	$ 50,000	10
Buildings – brick, mortar, steel	$ 50,000	40
Buildings – wood frame	$ 50,000	25
School Buses	$ 50,000	10
Vehicles	$ 10,000	5
Equipment	$ 10,000	5
Network Infrastructure	$ 25,000	10
Computer Hardware, Servers, Peripherals	$ 10,000	4
Computer Software	$ 10,000	4
Furniture and Fixtures	$ 10,000	10
Leasehold Improvements	$ 25,000	Over term of lease

Grouping of assets in not permitted except for computer work stations. With the exception of land, donated capital assets and capital leases, all tangible capital assets are recorded at historical cost, which includes purchase price, installation costs and other costs incurred to put the asset into service.

Buildings are recorded at historical cost when known. For buildings acquired prior to June 30, 2005 where the actual cost was not known, the replacement value for insurance purposes as at June 30, 2005 was regressed to the date of acquisition using a regression index based on Southam and CanaData construction cost indices.

Capital leases are recorded at the present value of the minimum lease payments excluding executory costs (e.g. insurance, maintenance costs, etc). The discount rate used to determine the present value of the lease payments is the lower of the Division's rate for incremental borrowing or the interest rate implicit of the lease.

Donated tangible capital assets are recorded at fair market value at the date of donation. Deferred revenue is recorded in an equivalent amount, for all donated assets except land. The deferred revenue will be recognized as revenue over the useful life of the related asset, on the same basis that the asset is amortized.

All land acquired prior to June 30, 2006 has been valued by the Crown Lands and Property Agency.

All tangible capital assets except for land, capital leases, and assets under construction, are amortized on a straight line basis over their estimated useful lives as prescribed by FRAME. Land is not amortized. Capital leases with lease terms that have a bargain purchase option or allow ownership to pass to the Division are amortized over the useful life of the asset class. All other capital leases are amortized over the lesser of the lease term and the useful life of the asset class.

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal if not fully amortized.

Assets under construction are not amortized until the date of substantial completion. Interest on funds used to finance school buildings under construction is capitalized for the periods preceding the date of substantial completion.

g) Employees Future Benefits

The Province of Manitoba pays the employer portion of the Teachers' Retirement Allowances Fund (TRAF), the pension plan for all certified teachers of the Division. The Division does not contribute to TRAF, and no costs relating to this plan are included in the Division's financial statements.

However, the Division provides retirement and future benefits to its employees. These benefits include life insurance and supplemental unemployment benefits, dental, prescription drugs, vision plan and long term disability.

The Division has adopted the following policies with respect to accounting for these employee future benefits.

(i) Defined Contribution/Insured Benefit Plans

Under these plans, specific fixed amounts are contributed by the Division each period for services rendered by the employees. No responsibility is assumed by the Division to make any further contribution.

Support staff that belong to the Manitoba Association of School Trustees (MAST) pension plan, make defined contributions into the plan based upon age and CPP insurable earnings. The Division matches 100% of the employee contribution. In addition the Division cost shares the basic life insurance premium. The Division fully funds a prescription drug plan and vision care plan through Manitoba Blue Cross for support staff employees, spouses/partners and dependent children.

Other benefit plans available to teaching staff such as long term disability, and extended health care benefits are fully paid for by the employees. Mandatory extended health care benefits and a dental plan are also available to non-teaching staff and are fully paid by the employees. The Division collects the premiums and remits the funds to the appropriate organization.

h) Capital Reserves

Certain amounts, as approved by the Board of Trustees and the Public Schools Finance Board (PSFB), can be set aside in reserve accounts for future capital purposes. These Capital Reserve accounts are internally restricted funds that form part of the Accumulated Surplus presented in the Statement of Financial Position.

The Flin Flon School Division has $187,500 set aside in Capital Reserves at this time.

i) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

j) Financial Instruments

There are no significant terms and conditions related to financial instruments (cash, accounts receivable, investments, bank indebtedness, accounts payable and long term debt) that may affect the amount, timing, and certainty of future cash flows. The Division is exposed to credit risk from the potential non-payment of accounts receivable. However, the majority of the receivables are from local, provincial, and federal governments, and therefore, the credit risks are minimal. The carrying amounts of the financial instruments approximate their carrying values, unless otherwise noted.

k) Non-Vested Sick Leave Benefits

For non-vesting accumulating sick days, the benefit costs are recognized, if deemed material, based on a projection of expected future utilization of sick time, discounted using net present value techniques. The calculated dollar value on Non-vested sick time as at June 30, 2017 is $38,280 (June 30, 2016; $50,930, June 30, 2015; $19,516, June 30, 2014; $18,320, June 30, 2013; $27,848). These amounts are disclosed for compliance with PS 2120 only and are not considered material for inclusion in the financial statements.

3. CONVERSION TO PUBLIC SECTOR ACCOUNTING BOARD (PSAB)

Commencing with the 2006/2007 fiscal year, the Board has adopted generally accepted accounting principles established by PSAB. The following changes have been implemented to comply with the PSAB standard:

i. Tangible capital assets were restated and amortized over their useful lives to reflect net book value. Amortizations of tangible capital assets and gain or loss on disposal of capital assets are recorded in the Statement of Revenue, Expenses and Accumulated Surplus.

ii. The Operating Fund, Capital Fund and Special Purpose Fund are consolidated in the financial statements. The Special Purpose Fund was created to include school generated funds and charitable foundations controlled by the Division.

iii. The Employees Future Benefit Liability was not required at June 30, 2013.

iv. Accrued Interest Payable was established to account for the accrual of interest on Debenture Debt and Other Borrowings from the last payment date. An equal amount is set up as due from the Province to offset the accrued interest payable on debenture.

4. OVERDRAFT

The Division has an authorized revolving line of credit with the Royal Bank of Canada valued at $3,050,000. The line of credit is used as required when inflow of revenues do not match the outflow of expenses. It is generally used in the latter half of the year as the payment from the City of Flin Flon for the Municipal Special Levy is not paid to the Division until January 31st of each year. The Division receives funding from the province on the 10th and 25th of each month from September through June. It does not receive any funding in July and August, although the Division incurs similar expenses in these months as during the rest of the year.

5. SHORT TERM INVESTMENTS

The Division does not invest in short term investments because its cash flow is such that there is never any substantial amount of funds to invest for any length of time. Instead the Division receives interest on its positive balance in the operating bank account at a rate of prime less 2%.

6. DEBENTURE DEBT

Issue	Interest Rate	Maturity Date	Balance June 30, 2017	Balance June 30, 2016
$ 74,000	6.125%	30/04/2019	$ 11,927.84	$ 17,380.56
$ 170,000	6.625%	31/01/2022	$ 64,536.43	$ 75,140.49
$ 563,500	5.375%	30/06/2025	$ 297,089.24	$ 326,220.39
$ 119,200	5.000%	28/02/2026	$ 67,985.75	$ 73,857.78
$ 257,100	4.875%	15/02/2027	$ 158,579.41	$ 170,671.46
$ 372,300	5.125%	15/05/2027	$ 231,724.03	$ 249,147.01
$ 271,400	5.875%	15/02/2029	$ 197,721.96	$ 208,873.01
$ 306,300	4.125%	15/12/2031	$ 251,168.43	$ 263,103.66
$ 230,700	4.000%	28/02/2032	$ 188,738.07	$ 197,801.33
$ 44,600	3.750%	15/11/2032	$ 38,097.41	$ 39,813.90
$ 500,000	4.125%	31/03/2034	$ 448,197.97	$ 466,167.80
$ 104,600	4.250%	31/05/2034	$ 93,889.91	$ 97,609.50
$ 424,400	4.000%	15/07/2034	$ 395,325.67	$ 410,147.84
$ 115,900	3.750%	15/12/2034	$ 107,761.94	$ 111,905.88
			$2,552,744.07	**$2,707,840.61**

Under the terms of the debenture agreements, the approximate annual principal payments over the next five years are as follows:

2018	$ 162,632
2019	$ 170,613
2020	$ 172,479
2021	$ 180,887
2022	$ 189,716

The payments are being made by the Public Schools Finance Board, Province of Manitoba

7. DEFERRED REVENUE

Deferred Revenue valued at $ 22,048 at June 30, 2017 consists of the following:

a) An amount of $ 22,048 relating to fees collected for staff parking is also included in Deferred Revenue. Prior to the 2008/2009 year, proceeds from parking fees were used to make bank loan payments for parking lot improvements. The Division will use these funds for improvements such as paving, lighting and cameras.

b) The above items sit on the Operating Fund.

8. TRUST FUNDS

The School Division administers a number of Trust Funds established primarily for student bursaries. These trust funds are not reflected in these Financial Statements. The total balance in the Trust Funds is as follows:

	2017	2016
Bank Balance at Beginning	**$166,045**	**$164,744**
Add:		
Contributions	**$ 0**	**$ 50**
Interest/Change In Investments	**$ 2,269**	**$ 4,501**
	$168,314	**$169,295**
Deduct: Scholarships Paid/Transferred	**($ 5,500)**	**($,250)**
Ending Bank Balance	**$162,814**	**$166,045**
Deduct: Scholarships Payable	**($ 7,500)**	**($ 7,500)**
Due (to) from Operating	**($ 0)**	**($ 250)**
Ending Fund Balance	**$155,314**	**$158,295**

9. FISCAL INTEREST

Fiscal interest is recorded at June 30, 2017 in the amount of $ 131,266. This is comprised of the following:

Interest on Short Term borrowing	$ 8,882
Interest on Debenture Debt	$ 122,384

10. DISCLOSURE UNDER PUBLIC SECTOR COMPENSATION DISCLOSURE ACT

a. There were no members of the Board of Trustees who individually received compensation $50,000 or more.

b. Total compensation paid to the Board of Trustees in aggregate was $57,769.

c. A schedule of employees and officers of the Flin Flon School Division who received compensation of $50,000 or more is available at the Board Office.

11. BUDGET FIGURES

Budget figures have been included for information purposes only and have not been audited.

12. NET TANGIBLE CAPITAL ASSETS

The Schedule of Tangible Assets (TCA), page 23 of the audited financial statements, provides a breakdown of cost, accumulated amortization and net book value by class.

	Gross Amount	Accumulated Amortization	June 2017 Net Book Value
Owned-tangible Capital Assets	$ 13,797,611	$ 9,507,624	$ 4,289,987

The Division does not have any capital leases at this time.

13. OTHER BORROWINGS

The Division has no other borrowings as at June 30, 2017.

14. ACCUMULATED SURPLUS – JUNE 30, 2017

The operating surplus at June 30, 2017 was $ 530,107 or 3.7% of operating expenditures for the 2016/2017 school year. Carryovers of professional development, bulk budgets and other special requests approved through Board Motion are valued at $ 86,238, and if fully expended in the current year would reduce the surplus by a similar amount.

The accumulated surplus is comprised of the following:

Operating Fund	
Designated Surplus	$ 86,238
Undesignated Surplus	$ 442,676
Total Operating Fund	$ 528,914
Capital Fund	
Reserve Accounts	$ 187,500
Equity in Tangible Capital Assets	$1,737,243
Total Capital Fund	$1,924,743
Special Purpose Fund	
School Generated Funds	$ 63,442
Other Special Purpose Funds	$ 0
Total Special Purpose Fund	$ 63,442
Total Accumulated Assets	**$ 2,517,099**

15. ADOPTION OF NEW ACCOUNTING POLICY

Effective July 1, 2014, the division has adopted the new Public Sector Accounting Board accounting standard – liability for Contaminated Sites, Section PS3260. The standard was applied on a retroactive (or it could be applied prospectively) basis to July 1, 2013 and did not result in any adjustments to financial liabilities, tangible capital assets or accumulated surplus of the division.

MANAGEMENT RESPONSIBILITY REPORT

Management's Responsibility for the Financial Statements

The accompanying consolidated financial statements of The Fort La Bosse School Division are the responsibility of the Division management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants. A summary of the significant accounting policies are described in Note 3 to the consolidated financial statements.

The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. Division management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The Board of Trustees of the Division met with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by MNP LLP independent external auditors appointed by the Board. The accompanying Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Division's consolidated financial statements.

Original Document Signed	Original Document Signed
Chairperson	Secretary-Treasurer

October 23, 2017

Independent Auditors' Report

To the Board of Trustees of Fort La Bosse School Division:

We have audited the accompanying consolidated financial statements of Fort La Bosse School Division, which comprise the consolidated statement of financial position as at June 30, 2017, and the consolidated statements of revenue, expenses and accumulated surplus, change in net debt and cash flow for the year then ended, 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 generally accepted accounting principles established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants, 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 Fort La Bosse School Division as at June 30, 2017 and the consolidated results of its operations, consolidated changes in net debt and its consolidated cash flow for the year then ended in accordance with Canadian generally accepted accounting principles established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

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

MNP LLP

Brandon, Manitoba
October 23, 2017

Chartered Professional Accountants

I hereby certify that the preceding report and the statements and reports referenced herein have been presented to the members of the Board of Fort La Bosse School Division.

Original Document Signed
Chairperson of the Board

Oct 23/2017
Date

MNP

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2017	2016
	Financial Assets		
	Cash and Bank	-	-
	Due from - Provincial Government	964,940	727,619
	- Federal Government	40,109	58,385
12	- Municipal Government	4,185,812	4,004,500
	- Other School Divisions	-	-
	- First Nations	220,960	238,888
	Accounts Receivable	147,273	197,067
	Accrued Investment Income	-	-
6	Portfolio Investments	70,446	72,147
		5,629,540	5,298,606
	Liabilities		
5	Overdraft	1,814,603	1,076,660
	Accounts Payable	1,041,307	607,883
	Accrued Liabilities	131,605	687,693
3f	Employee Future Benefits	114,920	96,463
	Accrued Interest Payable	209,112	228,178
	Due to - Provincial Government	-	-
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
7	Deferred Revenue	70,167	702,506
8	Borrowings from the Provincial Government	8,926,510	9,565,986
9	Other Borrowings	1,300,000	1,400,000
	School Generated Funds Liability	16,820	17,683
		13,625,044	14,383,052
	Net Debt	(7,995,504)	(9,084,446)
	Non-Financial Assets		
10	Net Tangible Capital Assets (TCA Schedule)	14,858,114	15,556,505
	Inventories	-	18,478
	Prepaid Expenses	44,750	54,284
		14,902,864	15,629,267
11	**Accumulated Surplus**	6,907,360	6,544,821

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes		2017	2016
	Revenue		
	Provincial Government	11,486,131	11,346,145
	Federal Government	-	-
12	Municipal Government - Property Tax	7,354,000	7,055,127
	- Other	-	-
	Other School Divisions	23,050	28,400
	First Nations	980,969	917,428
	Private Organizations and Individuals	-	-
	Other Sources	106,721	282,224
	School Generated Funds	519,937	566,855
	Other Special Purpose Funds	32,141	22,443
		20,502,949	20,218,622
	Expenses		
	Regular Instruction	10,311,162	9,782,999
	Student Support Services	2,463,250	2,451,310
	Adult Learning Centres	-	-
	Community Education and Services	387,355	333,840
	Divisional Administration	750,928	736,863
	Instructional and Other Support Services	428,749	423,031
	Transportation of Pupils	1,386,107	1,358,230
	Operations and Maintenance	1,894,098	2,017,942
13	Fiscal - Interest	515,582	560,144
	- Other	330,728	270,411
	Amortization	1,086,909	1,083,865
	Other Capital Items	3,000	-
	School Generated Funds	533,085	581,335
	Other Special Purpose Funds	31,000	26,157
		20,121,953	19,626,127
	Current Year Surplus (Deficit) before Non-vested Sick Leave	380,996	592,495
	Less: Non-vested Sick Leave Expense (Recovery)	18,457	4,785
	Net Current Year Surplus (Deficit)	362,539	587,710
	Opening Accumulated Surplus	6,544,821	5,957,111
	Adjustments: Tangible Cap. Assets and Accum. Amort.	-	-
	Other than Tangible Cap. Assets	-	-
	Non-vested sick leave - prior years	-	-
	Opening Accumulated Surplus, as adjusted	6,544,821	5,957,111
	Closing Accumulated Surplus	6,907,360	6,544,821

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2017

	2017	2016
Net Current Year Surplus (Deficit)	362,539	587,710
Amortization of Tangible Capital Assets	1,086,909	1,083,865
Acquisition of Tangible Capital Assets	(418,518)	(533,354)
(Gain) / Loss on Disposal of Tangible Capital Assets	(38,701)	24,435
Proceeds on Disposal of Tangible Capital Assets	68,701	1,902
	698,391	576,848
Inventories (Increase)/Decrease	18,478	2
Prepaid Expenses (Increase)/Decrease	9,534	(1,075)
	28,012	(1,073)
(Increase)/Decrease in Net Debt	1,088,942	1,163,485
Net Debt at Beginning of Year	(9,084,446)	(10,247,931)
Adjustments Other than Tangible Cap. Assets	-	-
	(9,084,446)	(10,247,931)
Net Debt at End of Year	(7,995,504)	(9,084,446)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2017

	2017	2016
Operating Transactions		
Net Current Year Surplus (Deficit)	362,539	587,710
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	1,086,909	1,083,865
(Gain)/Loss on Disposal of Tangible Capital Assets	(38,701)	24,435
Employee Future Benefits Increase/(Decrease)	18,457	4,785
Due from Other Organizations (Increase)/Decrease	(382,429)	794,830
Accounts Receivable & Accrued Income (Increase)/Decrease	49,794	(5,836)
Inventories and Prepaid Expenses - (Increase)/Decrease	28,012	(1,073)
Due to Other Organizations Increase/(Decrease)	-	-
Accounts Payable & Accrued Liabilities Increase/(Decrease)	(141,730)	329,425
Deferred Revenue Increase/(Decrease)	(632,339)	554,307
School Generated Funds Liability Increase/(Decrease)	(863)	51
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by (Applied to) Operating Transactions	349,649	3,372,499
Capital Transactions		
Acquisition of Tangible Capital Assets	(418,518)	(533,354)
Proceeds on Disposal of Tangible Capital Assets	68,701	1,902
Cash Provided by (Applied to) Capital Transactions	(349,817)	(531,452)
Investing Transactions		
Portfolio Investments (Increase)/Decrease	1,701	1,574
Cash Provided by (Applied to) Investing Transactions	1,701	1,574
Financing Transactions		
Borrowings from the Provincial Government Increase/(Decrease)	(639,476)	(265,967)
Other Borrowings Increase/(Decrease)	(100,000)	(100,000)
Cash Provided by (Applied to) Financing Transactions	(739,476)	(365,967)
Cash and Bank / Overdraft (Increase)/Decrease	(737,943)	2,476,654
Cash and Bank (Overdraft) at Beginning of Year	(1,076,660)	(3,553,314)
Cash and Bank (Overdraft) at End of Year	(1,814,603)	(1,076,660)

Fort La Bosse School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2017

	Buildings and Leasehold Improvements		School	Other	Furniture / Fixtures &	Computer Hardware &		Land	Assets Under	2017	2016
	School	Non-School	Buses	Vehicles	Equipment	Software *	Land	Improvements	Construction	TOTALS	TOTALS
Tangible Capital Asset Cost											
Opening Cost, as previously reported	24,647,951	3,332,586	3,274,535	194,605	955,401	257,566	271,581	-	71,040	33,005,265	32,799,550
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	24,647,951	3,332,586	3,274,535	194,605	955,401	257,566	271,581	-	71,040	33,005,265	32,799,550
Add: Additions during the year	101,707	28,403	115,130	-	86,714	-	-	-	86,564	418,518	533,354
Less: Disposals and write downs	-	125,933	-	-	-	-	30,000	-	-	155,933	327,639
Closing Cost	24,749,658	3,235,056	3,389,665	194,605	1,042,115	257,566	241,581	-	157,604	33,267,850	33,005,265
Accumulated Amortization											
Opening, as previously reported	13,658,943	519,706	2,246,749	138,779	698,519	186,064		-		17,448,760	16,666,197
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	13,658,943	519,706	2,246,749	138,779	698,519	186,064		-		17,448,760	16,666,197
Add: Current period Amortization	623,721	120,552	212,213	18,381	95,228	16,814		-		1,086,909	1,083,865
Less: Accumulated Amortization on Disposals and Writedowns	-	125,933	-	-	-	-		-		125,933	301,302
Closing Accumulated Amortization	14,282,664	514,325	2,458,962	157,160	793,747	202,878		-		18,409,736	17,448,760
Net Tangible Capital Asset	10,466,994	2,720,731	930,703	37,445	248,368	54,688	241,581	-	157,604	14,858,114	15,556,505
Proceeds from Disposal of Capital Assets	-	67,500	1,201	-	-	-				68,701	1,902

* Includes network infrastructure.

1. Nature of Organization and Economic Dependence

The Fort La Bosse School Division (Division) is a public body that provides education services to residents within its geographic location. The division is funded mainly by grants from the Province of Manitoba (Province), and a special levy on the property assessment included in the Division's boundaries. The Division is exempt from income tax and is a registered charity under the Income Tax Act.

The Division is economically dependent on the Province for the majority of its revenue and capital financing requirements. Without this funding, the Division would not be able to continue its operations.

2. Additional Information

The Division adopted Public Sector Accounting Board (PSAB) standards during the 2006/07 fiscal year. The standards have been applied retroactively with a cumulative adjustment to the opening accumulated surplus presented as a restatement on the Statement of Revenue, Expenses and Accumulated Surplus on the 2006/07 financial statements.

3. Significant Accounting Policies

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles established by PSAB of the Canadian Institute of Chartered Accountants (CICA).

a) Reporting Entity and Consolidation

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the operating fund, capital fund, and special purpose fund of the Division. The Division reporting entity includes school generated funds and the Fort La Bosse School Division Foundation Inc. controlled by the Division.

All inter-fund accounts and transactions are eliminated upon consolidation.

b) Basis of Accounting

Revenues and expenses are reported on the accrual basis of accounting except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable. 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.

c) Fund Accounting

The fund method of accounting is employed by the Division to record financial transactions in separate funds as defined by Financial Reporting and Accounting in Manitoba Education (FRAME) in accordance with the purpose for which the funds have been created.

The Operating Fund is maintained to record all the day to day operating revenues and expenses. The Capital Fund is used to account for the acquisition, amortization, disposal and financing of capital assets. The Special Purpose Fund is used to account for school generated funds and charitable foundations controlled by the Division.

d) School Generated Funds

School generated funds are moneys raised by the school, or under the auspices of the school, through extra curricular activities for the sole use of the school that the principal of each school, subject to the rules of the school board, may raise, hold, administer and expend for the purposes of the school.

Only revenue and expenses of school generated funds controlled by the Division are included in the Consolidated Statement of Revenue, Expenses and Accumulated Surplus. To be deemed as controlled, a school must have the unilateral authority to make the decisions as to when, how and on what the funds are to be spent.

Period end cash balances of all school generated funds are included in the Consolidated Statement of Financial Position. The uncontrolled portion of this amount is reflected in the School Generated Funds Liability account. Examples of uncontrolled school generated funds are parent council funds, other parent group funds, student council funds and travel club funds. Revenues and expenses of uncontrolled school generated funds are not included in the consolidated financial statements.

e) Tangible Capital Assets

Tangible capital assets are non-financial assets that are used by the Division to provide services to the public and have an economic life beyond one fiscal year. Tangible capital assets include land, buildings, buses, other vehicles, furniture and equipment, computers, capital leases, leasehold improvements, and assets under construction.

To be classified as tangible capital assets, each asset other than land must individually meet the capitalization threshold for its class as prescribed by FRAME.

Asset Description	Capitalization Threshold	Estimated Useful Life (Years)
Land	N/A	N/A
Land Improvements	50,000	10
Buildings-bricks, mortar and steel	50,000	40
Buildings-wood frame	50,000	25
School buses	50,000	10
Vehicles	10,000	5
Equipment	10,000	5
Network Infrastructure	25,000	10
Computer Hardware, Servers & Peripherals	10,000	4
Computer Software	10,000	4
Furniture and Fixtures	10,000	10
Leasehold Improvements	25,000	Over term of lease

Grouping of assets is not permitted except for computer work stations.

With the exception of land, donated capital assets and capital leases, all tangible capital assets, are recorded at historical cost, which includes purchase price, installation costs and other costs incurred to put the asset into service.

Buildings are recorded at historical cost when known. For buildings acquired prior to June 30, 2005 where the actual cost was not known, the replacement value for insurance purposes as at June 30, 2005 was regressed to the date of acquisition using a regression index based on Southam and CanaData construction cost indices.

Capital leases are recorded at the present value of the minimum lease payments excluding executory costs (e.g. insurance, maintenance costs, etc.). The discount rate used to determine the present value of the lease payments is the lower of the Division's rate for incremental borrowing or the interest rate implicit in the lease.

Donated tangible capital assets are recorded at fair market value at the date of donation. Deferred revenue is recorded in an equivalent amount, for all donated assets except land. The deferred revenue will be recognized as revenue over the useful life of the related asset, on the same basis that the asset is amortized.

All land acquired prior to June 30, 2006 has been valued by the Crown Lands and Property Agency.

All tangible capital assets, except for land, capital leases, and assets under construction, are amortized on a straight-line basis over their estimated useful lives as prescribed by FRAME. Land is not amortized. Capital leases with lease terms that have a bargain purchase option or allow ownership to pass to the Division are amortized over the useful life of the asset class. All other capital leases are amortized over the lesser of the lease term and the useful life of the asset class.

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal if not fully amortized.

Assets under construction are not amortized until the date of substantial completion. Interest on funds used to finance school buildings under construction is capitalized for the periods preceding the date of substantial completion.

f) Employee Future Benefits

The Province of Manitoba pays the employer portion of the Teachers' Retirement Allowances Fund (TRAF), the pension plan for all certified teachers of the Division. The Division does not contribute to TRAF, and no costs relating to this plan are included in the Division's financial statements.

However, the Division provides retirement and other future benefits to its employees. These benefits include pension, continuation of benefits for health care, life insurance, long-term disability, supplemental unemployment benefits. The Division adopted the following policy with respect to accounting for these employee future benefits:

(i) Defined contribution/ insured benefit plans

Under these plans, specific fixed amounts are contributed by the Division each period for services rendered by the employees. No responsibility is assumed by the Division to make any further contribution:

The employee future benefits liability is the difference between the contribution owing for the period and what has been paid; while the employee future benefits expense is the Division's fixed contribution for the period.

(ii) Non-vested Accumulated Sick Leave Benefits

Non-vested accumulated sick leave benefits are measured using net present value techniques on the expected future utilization of excess of sick benefits used over earned per year, to maximum entitlement. The impact of the estimated non-vested sick leave benefit cost for 2016-2017 is $18,457.

g) Capital Reserve

Certain amounts, as approved by the Board of Trustees and the Public Schools Finance Board (PSFB), have been set aside in reserve accounts for future capital purposes. These Capital Reserve accounts are internally restricted funds that form part of the Accumulated Surplus presented in the Consolidated Statement of Financial Position.

h) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

i) Financial Instruments

There are no significant terms and conditions related to financial instruments (cash, accounts receivable, investments, bank indebtedness, accounts payable and long-term debt) that may affect the amount, timing and certainty of future cash flows. The Division is exposed to credit risk from the potential non-payment of accounts receivable. However, the majority of the receivables are from local, provincial and federal governments, and therefore, the credit risk is minimal. The carrying amounts of the financial instruments approximate their carrying values, unless otherwise noted.

j) Non-vested Sick Leave

For non-vesting accumulating sick days, the benefit costs are recognized, if deemed material, based on a projection of expected future utilization of sick time, discounted using net present value techniques.

k) Adoption of New Accounting Policy

Effective July 1, 2014, the division has adopted the new Public Sector Accounting Board accounting standard - Liability for Contaminated Sites, Section PS3260. The standard was applied on a retroactive basis to July 1, 2013 and did not result in any adjustments to financial liabilities, tangible capital assets or accumulated surplus of the division.

4. Conversion to PSAB

Commencing with the 2006/07 fiscal year, the Board adopted generally accepted accounting principles established by PSAB.

The following changes were implemented to comply with the PSAB standard:

(i) Tangible capital assets were restated and amortized over their useful lives to reflect net book value. Amortization of tangible capital assets and gain or loss on disposal of capital assets are recorded in the Statement of Revenue, Expenses and Accumulated Surplus.

(ii) The Operating Fund, Capital Fund and Special Purpose Fund are consolidated in the financial statements. The Special Purpose Fund was created to include school generated funds and charitable foundations controlled by the Division.

(iii)The Employee Future Benefits Liability was established to account for the Division's commitment to pay vested future benefits to its employees.

(iv)Accrued Interest Payable was established to account for accrual of interest on Debenture Debt and Other Borrowings from the last payment date. An equal amount is set up as due from the Province to offset the accrued interest payable on debenture.

5. Overdraft

The Division has an authorized line of credit with CIBC of $5,000,000 by way of overdrafts and is repayable on demand at prime less .5%; interest is paid monthly.

6. Other Investments

Other investments consist of guaranteed investment certificates that mature between 2017 and 2018. Other investments are recorded at the lower of cost or market. As at June 30, 2017, the cost of short term investments was $70,446; investment income earned during the year was $687.

7. Deferred Revenue

The deferral method of accounting is used for revenues received that, pursuant to legislation, regulation or agreement, may only be used for specific purposes. These amounts are recognized as revenue in the fiscal year the related expenses are incurred or services performed. The following is a breakdown of the account balance:

	Balance as at June 30, 2016	Additions in the period	Revenue recognized In the period	Balance as at June 30, 2017
Education Property Tax Credit	598,816	0	598,816	0
Donated Capital Assets	103,690	0	33,523	70,167
	702,506	0	632,339	70,167

8. Debenture Debt

The debenture debt of the Division is in the form of twenty-year debentures payable, principal and interest, in twenty equal yearly installments and maturing at various dates from 2018 to 2036. Payment of principal and interest is funded entirely by grants from the Province of Manitoba. The debentures carry interest rates that range from 3.375% to 7.25%. Debenture interest expense payable as at June 30, 2016, is accrued and recorded in Accrued Interest Payable, and a grant in an amount equal to the interest accrued on provincially funded debentures is recorded in Due from the Provincial Government. The debenture principal and interest repayments in the next five years are:

	Principal	Interest	Total
2018	750,850	436,395	1,187,245
2019	779,912	394,034	1,173,946
2020	823,952	349,994	1,173,946
2021	815,606	303,359	1,118,965
2022	637,064	257,695	894,769
	3,807,384	1,741,477	5,548,861

9. Other Borrowings

The other borrowings of the Division is in the form of a long-term loan in the amount of $1,500,000 for the purchase of capital infrastructure. The loan is a non-revolving demand instalment loan carrying an interest rate of prime rate minus 0.500% per annum. The loan repayment is fifteen regular annual payments of $100,000.00 each, plus accrued interest payable monthly. The first instalment payment was due on January 15, 2016 and the last regular instalment payment plus any outstanding principal and interest is due on January 15, 2030.

10. Net Tangible Capital Assets

The Schedule of Tangible Capital Assets (TCA), page 23 of the audited financial statements, provides a breakdown of cost, accumulated amortization and net book value by class.

	Gross Amount	Accumulated Amortization	2017 Net Book Value
Owned-tangible capital assets	33,267,850	18,409,736	14,858,114
Capital Lease	0	0	0
	33,267,850	18,409,736	14,858,114

11. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2017
Operating Fund	
Designated Surplus	1,880
Undesignated Surplus	724,014
Less: Non-vested sick leave	114,920
	610,974
Capital Fund	
Reserve Accounts	1,663,829
Equity in Tangible Capital Assets	4,288,082
	5,951,911
Special Purpose Fund	
School Generated Funds	251,838
Other Special Purpose Funds	92,637
	344,475
Total Accumulated Surplus	6,907,360

Designated Surplus under the Operating Fund represents internally restricted amounts appropriated by the board or, in the case of school budget carryovers, by board policy. See page 5 of the audited financial statements for a breakdown of the Designated Surplus.

	2017
Board approved appropriation by motion	
School budget carryovers by board policy	1,880
Designated surplus	1,880

Reserve Accounts under the Capital Fund represents internally restricted reserves for specific purposes approved by the Board of Trustees and PSFB. A Schedule of Capital Reserve Accounts is provided on page 24 of the audited financial statements.

	2017
Bus reserves	343,291
Other reserves	1,320,538
	1,663,829

School Generated Funds and Other Special Purpose Funds are externally restricted moneys for school and Foundation-Scholarship use.

	2017
Foundation Scholarship	92,637
Other	0
Other Special Purpose Funds	92,637

12. Municipal Government – Property Tax and Related Due from Municipal Government

Education property tax or Special Levy is raised as the Division's contribution to the cost of providing public education for the students resident in the division. The Municipal Government-Property Tax shown on the consolidated revenue and expense statement is raised over the two calendar (tax) years; 43% from 2016 tax year and 57% from 2017 tax year. Below are the related revenue and receivable amounts:

	2017	2016
Revenue-Municipal Government-Property Tax	7,354,000	7,055,127
Receivable-Due from Municipal-Property Tax	4,185,812	4,004,500

13. Interest Received and Paid

The Division received interest during the year of $0 (2016 - $0); interest paid during the year was $515,582 (2016 - $560,144).

Interest expense is included in Fiscal and is comprised of the following:

	2017
Operating Fund	
Fiscal-short term loan, interest and bank charges	61,003
Capital Fund	
Debenture debt interest	454,579
Other interest	-
	515,582

The accrual portion of debenture debt interest expense of $209,112 included under the Capital Fund-Debenture debt interest, is offset by an accrual of the debt servicing grant from the Province of Manitoba.

14. Expenses by Object

Expenses in the consolidated statement of revenue, expenses and accumulated surplus are reported by function as defined by FRAME. Below is the detail of expenses by object:

	Actual 2017	Budget 2017	Actual 2016
Salaries	13,830,942	13,841,571	13,239,278
Employee benefits & allowances	978,234	1,043,600	992,966
Services	1,527,919	1,694,323	1,577,023
Supplies, materials & minor equipment	1,217,128	1,263,089	1,222,418
Interest	515,582	76,000	560,144
Bad debts	0	0	0
Payroll tax	330,728	298,000	270,411
Tuition and transfers	67,426	78,650	72,530
Amortization	1,086,909	0	1,083,865
Other Capital Items	3,000	0	0
School generated funds	533,085	0	581,335
Other special purpose funds	31,000	0	26,157
	20,121,953	18,295,233	19,626,127

MANAGEMENT REPORT

Management's Responsibility for the Financial Statements

The accompanying consolidated financial statements of Frontier School Division are the responsibility of the Division management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. A summary of the significant accounting policies are described in Note 2 to the consolidated financial statements.

The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. Division management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The Board of Trustees of the Division met with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by Deloitte LLP, independent external auditors appointed by the Board. The accompanying Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Division's consolidated financial statements.

Original Document Signed
Chairperson

Original Document Signed
Secretary-Treasurer

Deloitte.

Deloitte LLP
360 Main Street
Suite 2300
Winnipeg MB R3C 3Z3
Canada

Tel: 204-942-0051
Fax: 204-947-9390
www.deloitte.ca

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of Frontier School Division

We have audited the following financial statements of Frontier School Division (the "Division") as at June 30, 2017, and for the year then ended:

Consolidated – Statement of Financial Position
Consolidated – Statement of Revenue, Expenses and Accumulated Surplus
Consolidated – Statement of Change in Net Debt
Consolidated – Statement of Cash Flow
Operating Fund – Schedule of Financial Position
Operating Fund – Schedule of Revenue, Expenses and Accumulated Surplus
Capital Fund – Schedule of Financial Position
Capital Fund – Schedule of Revenue, Expenses and Accumulated Surplus
Capital Fund – Schedule of Tangible Capital Assets
Capital Fund – Schedule of Capital Reserve Accounts
Special Purpose Fund – Schedule of Financial Position
Special Purpose Fund – Schedule of Revenue, Expenses and Accumulated Surplus
Notes to the Financial Statements

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Audit Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Frontier School Division as at June 30, 2017 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The current year's supplementary information included in the other statements and reports is presented for purposes of additional analysis and is not a required part of basic financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and in, our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our opinion on these financial statements does not extend to any budget information contained therein.

Deloitte LLP

Chartered Professional Accountants

Winnipeg, Manitoba
November 14, 2017

I hereby certify that the preceding report has been presented to the members of the Board of the Frontier School Division.

November 14, 2017
Date

Original Document Signed
Chairperson of the Board

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2017	2016
	Financial Assets		
	Cash and Bank	10,940,377	-
	Due from - Provincial Government	3,260,825	3,323,333
	- Federal Government	598,417	584,915
	- Municipal Government	2,203,972	2,135,210
	- Other School Divisions	-	-
	- First Nations	17,889,457	34,590,079
	Accounts Receivable	440,824	540,529
	Accrued Investment Income	42,880	27,945
*	Portfolio Investments	15,000,000	10,000,000
		50,376,752	51,202,011
	Liabilities		
	Overdraft	-	181,143
	Accounts Payable	11,125,533	11,280,113
	Accrued Liabilities	8,405,108	8,186,367
*	Employee Future Benefits	1,152,892	1,625,209
	Accrued Interest Payable	884,585	943,220
	Due to - Provincial Government	-	-
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	2,600	24,354
	- First Nations	3,264,540	3,323,003
*	Deferred Revenue	18,185,281	19,963,057
*	Borrowings from the Provincial Government	47,490,284	49,993,945
*	Other Borrowings	1,906,543	1,843,419
	School Generated Funds Liability	356,456	337,625
		92,773,822	97,701,455
	Net Debt	(42,397,070)	(46,499,444)
	Non-Financial Assets		
*	Net Tangible Capital Assets (TCA Schedule)	78,607,166	79,910,164
	Inventories	-	-
	Prepaid Expenses	391,877	300,292
		78,999,043	80,210,456
*	**Accumulated Surplus**	36,601,973	33,711,012

See accompanying notes to the Financial Statements

Frontier School Division

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes			2017	2016
	Revenue			
	Provincial Government		55,671,992	56,817,452
	Federal Government		1,055,755	5,082,797
	Municipal Government	- Property Tax	2,827,295	2,716,872
		- Other	396,000	267,991
	Other School Divisions		18,200	18,200
	First Nations		75,790,889	73,473,156
	Private Organizations and Individuals		4,992,518	4,890,524
	Other Sources		1,748,143	1,378,055
	School Generated Funds		810,866	940,133
	Other Special Purpose Funds		-	-
			143,311,658	145,585,180
	Expenses			
	Regular Instruction		58,261,958	58,068,696
	Student Support Services		19,344,503	18,927,735
	Adult Learning Centres		3,913,037	3,433,665
	Community Education and Services		2,504,082	2,576,090
	Divisional Administration		6,698,887	7,179,480
	Instructional and Other Support Services		7,082,894	6,684,319
	Transportation of Pupils		11,479,272	11,355,370
	Operations and Maintenance		22,805,992	22,305,070
*	Fiscal	- Interest	2,308,788	2,397,552
		- Other	1,186,967	1,171,243
	Amortization		4,035,332	3,899,866
	Other Capital Items		-	-
	School Generated Funds		798,985	938,753
	Other Special Purpose Funds		-	-
			140,420,697	138,937,839
	Current Year Surplus (Deficit) before Non-vested Sick Leave		2,890,961	6,647,341
	Less: Non-vested Sick Leave Expense (Recovery)		0	0
	Net Current Year Surplus (Deficit)		2,890,961	6,647,341
	Opening Accumulated Surplus		33,711,012	27,063,671
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	-
		Other than Tangible Cap. Assets	-	-
		Non-vested sick leave - prior years	-	-
	Opening Accumulated Surplus, as adjusted		33,711,012	27,063,671
	Closing Accumulated Surplus		36,601,973	33,711,012

See accompanying notes to the Financial Statements

* NOTE REQUIRED

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2017

	2017	2016
Net Current Year Surplus (Deficit)	2,890,961	6,647,341
Amortization of Tangible Capital Assets	4,035,332	3,899,866
Acquisition of Tangible Capital Assets	(2,732,334)	(4,840,993)
(Gain) / Loss on Disposal of Tangible Capital Assets	(32,082)	(29,670)
Proceeds on Disposal of Tangible Capital Assets	32,082	29,670
	1,302,998	(941,127)
Inventories (Increase)/Decrease	-	-
Prepaid Expenses (Increase)/Decrease	(91,585)	35,312
	(91,585)	35,312
(Increase)/Decrease in Net Debt	4,102,374	5,741,526
Net Debt at Beginning of Year	(46,499,444)	(52,240,970)
Adjustments Other than Tangible Cap. Assets	-	-
	(46,499,444)	(52,240,970)
Net Debt at End of Year	(42,397,070)	(46,499,444)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2017

	2017	2016
Operating Transactions		
Net Current Year Surplus (Deficit)	2,890,961	6,647,341
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	4,035,332	3,899,866
(Gain)/Loss on Disposal of Tangible Capital Assets	(32,082)	(29,670)
Employee Future Benefits Increase/(Decrease)	(472,317)	328,465
Due from Other Organizations (Increase)/Decrease	16,680,866	(4,348,405)
Accounts Receivable & Accrued Income (Increase)/Decrease	84,770	(42,385)
Inventories and Prepaid Expenses - (Increase)/Decrease	(91,585)	35,312
Due to Other Organizations Increase/(Decrease)	(80,217)	(736,997)
Accounts Payable & Accrued Liabilities Increase/(Decrease)	5,526	(394,578)
Deferred Revenue Increase/(Decrease)	(1,777,776)	(3,473,976)
School Generated Funds Liability Increase/(Decrease)	18,831	(2,271)
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by (Applied to) Operating Transactions	21,262,309	1,882,702
Capital Transactions		
Acquisition of Tangible Capital Assets	(2,732,334)	(4,840,993)
Proceeds on Disposal of Tangible Capital Assets	32,082	29,670
Cash Provided by (Applied to) Capital Transactions	(2,700,252)	(4,811,323)
Investing Transactions		
Portfolio Investments (Increase)/Decrease	(5,000,000)	(10,000,000)
Cash Provided by (Applied to) Investing Transactions	(5,000,000)	(10,000,000)
Financing Transactions		
Borrowings from the Provincial Government Increase/(Decrease)	(2,503,661)	(1,830,808)
Other Borrowings Increase/(Decrease)	63,124	316,097
Cash Provided by (Applied to) Financing Transactions	(2,440,537)	(1,514,711)
Cash and Bank / Overdraft (Increase)/Decrease	11,121,520	(14,443,332)
Cash and Bank (Overdraft) at Beginning of Year	(181,143)	14,262,189
Cash and Bank (Overdraft) at End of Year	10,940,377	(181,143)

Frontier School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2017

	Buildings and Leasehold Improvements		School	Other	Furniture / Fixtures &	Computer Hardware &		Land	Assets Under	2017	2016
	School	Non-School	Buses	Vehicles	Equipment	Software *	Land	Improvements	Construction	TOTALS	TOTALS
Tangible Capital Asset Cost											
Opening Cost, as previously reported	134,254,801	17,605,090	11,186,393	197,755	2,252,145	-	1,462,248	-	1,543,911	168,502,343	164,136,169
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	134,254,801	17,605,090	11,186,393	197,755	2,252,145	-	1,462,248	-	1,543,911	168,502,343	164,136,169
Add: Additions during the year	1,681,163	645,117	1,268,496	-	218,225		-	-	(1,080,667)	2,732,334	4,840,993
Less: Disposals and write downs	-	53,896	247,855	-	-	-	-	-	-	301,751	474,819
Closing Cost	135,935,964	18,196,311	12,207,034	197,755	2,470,370	-	1,462,248	-	463,244	170,932,926	168,502,343
Accumulated Amortization											
Opening, as previously reported	67,540,096	12,684,055	6,274,618	189,403	1,904,007	-		-		88,592,179	85,167,132
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	67,540,096	12,684,055	6,274,618	189,403	1,904,007	-		-		88,592,179	85,167,132
Add: Current period Amortization	2,552,324	374,888	950,060	6,018	152,042	-		-		4,035,332	3,899,866
Less: Accumulated Amortization on Disposals and Writedowns	-	53,896	247,855	-	-	-		-		301,751	474,819
Closing Accumulated Amortization	70,092,420	13,005,047	6,976,823	195,421	2,056,049	-		-		92,325,760	88,592,179
Net Tangible Capital Asset	65,843,544	5,191,264	5,230,211	2,334	414,321	-	1,462,248	-	463,244	78,607,166	79,910,164
Proceeds from Disposal of Capital Assets	-	-	32,082	-	-	-				32,082	29,670

* Includes network infrastructure.

1. NATURE OF ORGANIZATION AND ECONOMIC DEPENDENCE

The School Division (Division) is a public body that provides education services to residents within its geographic location. The division is funded mainly by grants from the Province of Manitoba (Province), a special levy on the property assessment included in the Division's boundaries, and funding from INAC/First Nation government. The Division is exempt from income tax.

2. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles established by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants of Canada (CPA Canada).

a) *Reporting Entity and Consolidation*

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the operating fund, capital fund, and special purpose fund of the Division. The Division reporting entity includes school generated funds and controlled by the Division.

All inter-fund accounts and transactions are eliminated upon consolidation.

b) *Trust Funds*

The Division administers various trust funds. Trust funds and their related operations are not included in the consolidated financial statements as they are not owned or controlled by the Division. A schedule of trust funds is attached as part of the notes to the consolidated financial statements.

Trust funds, under PSAB are properties assigned to a trustee (school division) under a trust agreement or statute; the trustee merely administers the terms and conditions embodied in the agreement, and it has no unilateral authority to change the conditions set out in the trust indenture.

c) *Basis of Accounting*

Revenues and expenses are reported on the accrual basis of accounting except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable. 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) *Fund Accounting*

The fund method of accounting is employed by the Division to record financial transactions in separate funds as defined by Financial Reporting and Accounting in Manitoba Education (FRAME) in accordance with the purpose for which the funds have been created.

The Operating Fund is maintained to record all the day to day operating revenues and expenses. The Capital Fund is used to account for the acquisition, amortization, disposal and financing of capital assets. The Special Purpose Fund is used to account for school generated funds and charitable foundations controlled by the Division.

e) *School Generated Funds*

School generated funds are moneys raised by the school, or under the auspices of the school, through extracurricular activities for the sole use of the school that the principal of each school, subject to the rules of the school board, may raise, hold, administer and expend for the purposes of the school.

School generated funds controlled by the Division are included in the Consolidated Statement of Revenue, Expenses, and Accumulated Surplus. To be deemed as controlled, a school must have the unilateral authority to make the decisions as to when, how and on what the funds are to be spent.

Period end cash balances of all school generated funds are included in the Consolidated Statement of Financial Position. The uncontrolled portion of this amount is reflected in the School Generated Funds Liability account. Examples of uncontrolled school generated funds are parent council funds, other parent group funds, student council funds, and travel club funds. Uncontrolled school generated funds are not included in the consolidated financial statements.

f) *Tangible Capital Assets*

Tangible capital assets are non-financial assets that are used by the Division to provide services to the public and have an economic life beyond one fiscal year. Tangible capital assets include land, buildings, buses, other vehicles, furniture and equipment, computers, capital leases, leasehold improvements, and assets under construction.

To be classified as tangible capital assets, each asset other than land must individually meet the capitalization threshold for its class as prescribed by FRAME.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) *Tangible Capital Assets (continued)*

Asset Description	Capitalization Threshold	Estimated Useful Life (years)
Land improvements	$ 50,000	10
Buildings – bricks, mortar and steel	50,000	40
Buildings – wood frame	50,000	25
School buses	50,000	10
Vehicles	10,000	5
Equipment	10,000	5
Network infrastructure	25,000	10
Computer hardware, servers and peripherals	10,000	4
Computer software	10,000	4
Furniture and fixtures	10,000	10
Leasehold improvements	25,000	Over term of lease

Grouping of assets is not permitted except for computer work stations.

With the exception of land, donated capital assets and capital leases, all tangible capital assets are recorded at historical cost, which includes purchase price, installation costs and other costs incurred to put the asset into service.

Buildings are recorded at historical cost when known. For buildings acquired prior to June 30, 2005 where the actual cost was not known, the replacement value for insurance purposes as at June 30, 2005 was regressed to the date of acquisition using a regression index based on Southam and CanaData construction cost indices.

All land acquired prior to June 30, 2006 has been valued at $1,225,210.

Capital leases are recorded at the present value of the minimum lease payments excluding executor costs (e.g. insurance, maintenance costs, etc.). The discount rate used to determine the present value of the lease payments is the lower of the Division's rate for incremental borrowing or the interest rate implicit in the lease.

Donated tangible capital assets are recorded at fair market value at the date of donation. Deferred revenue is recorded in an equivalent amount, for all donated assets except land. The deferred revenue will be recognized as revenue over the useful life of the related asset, on the same basis that the asset is amortized.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Tangible Capital Assets (continued)

All tangible capital assets, except for land, capital leases, and assets under construction, are amortized on a straight-line basis over their estimated useful life.

Land is not amortized. Capital leases with lease terms that have a bargain purchase option or allow ownership to pass to the Division are amortized over the useful life of the asset class. All other capital leases are amortized over the lesser of the lease term and the useful life of the asset class.

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal if not fully amortized.

Assets under construction are not amortized until the date of substantial completion. Interest on funds used to finance school buildings under construction is capitalized for the periods preceding the date of substantial completion.

g) Employee Future Benefits

The Province of Manitoba pays the employer portion of the Teachers' Retirement Allowances Fund (TRAF), the pension plan for all certified teachers of the Division. The Division does not contribute to TRAF, and no costs relating to this plan are included in the Division's financial statements.

However, the Division provides retirement and other future benefits to its employees. These benefits include pension, life insurance, and retirement allowances. The Division adopted the following policies with respect to accounting for these employee future benefits:

(i) Defined contribution/ insured benefit plans

Frontier School Division had established a future benefit liability for life insurance premiums paid on behalf of retired employees. During the 2017 year this plan was reviewed and determined to be phased out over the next five years.

(ii) Defined benefit/self-insured employee future benefit plans

Under these plans, benefits to be received by employees or the method for determining those benefits have been specified by the Division. The actuarial risk (with respect to the amount of the benefit that each employee will receive) and the investment risk (with respect to the investment returns on any assets set aside to pay for the cost of these benefits) are assumed by the Division.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(ii) Defined benefit/self-insured employee future benefit plans (continued)

Frontier School Division has a Defined Benefit Pension Plan for non-teaching employees. Employees and Frontier School Division currently contribute equal amounts (2017 – 9.0%, 2016 – 9.0%). The plan is evaluated using both the "Going Concern Valuation" and the "Solvency Valuation". The last review was as at December 31, 2015.

The Employee contributions for 2017 were $2,554,716 (2016 - $2,512,594). Frontier School Division contributed an equal amount.

For self-insured employee future benefits other than pension plans, that are vesting and accumulating over the employees' length of service (e.g. vesting sick days, continuation of benefits for health care, dental or life insurance), the benefit costs are accounted for on a full accrual basis determined using actuarial valuation of salary escalation, accumulated sick days, insurance and health care costs trends, and long-term inflation rates.

For those self-insured benefit obligations that are event driven (e.g. supplemental unemployment benefits, sick time, non-vesting parental leave), the benefit costs are recognized and recorded only in the period when the event occurs.

The employee future benefits liability is the total accrued benefit obligation. The employee future benefits expense includes the Division's contribution for the period.

h) Capital Reserve

Certain amounts, as approved by the Board of Trustees and the Public Schools Finance Board (PSFB), have been set aside in reserve accounts for future capital purposes. These Capital Reserve accounts are internally restricted funds that form part of the Accumulated Surplus presented in the Consolidated Statement of Financial Position.

i) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles as established for PSAB requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Financial Instruments

The Division's financial instruments include cash and bank, accounts receivable, accrued investment income, due to/from governments, other schools and First Nations, accounts payable, accrued liabilities, accrued interest payable and long-term debt. The additional disclosure required due to the Division's adoption of PSA Handbook section 3450, Financial Instruments, is disclosed in Note 15.

All financial instruments are initially recognized at fair value when the Division becomes a party to the contractual provisions of the financial instrument. Subsequently, all financial instruments are measured at amortized cost. The effective interest method is used to recognize interest income or expense. Transaction costs related to all financial instruments are expensed as incurred.

k) Non-vested sick leave benefits

Non-vested sick leave benefits are estimated using a net present value technique on the expected future utilization of sick benefits in excess of the amounts earned per year, to a maximum entitlement. The calculated dollar value of Non-vested sick time as at June 30, 2017 is $835,691 (2016 - $733,009). These amounts are disclosed for compliance with PS 2120 only and are not considered material for inclusion in the financial statements.

3. OVERDRAFT

The Division has an authorized Line of Credit with the Royal Bank of $35,000,000 by way of overdrafts and is repayable on demand; rates are related to prime, payable monthly. Any overdrafts are secured through a Borrowing By-Law.

4. EMPLOYEE FUTURE BENEFITS

Employee future benefits are benefits earned by employees in the current period, but will not be paid out until future periods. Employee future benefits are comprised of future insurance payments to retired employees, provision for teacher special leave, and a provision for Superintendents retirement, as follows:

	2017	2016
Employee Future Benefit Liability (EFBL)		
Retirement Insurance Plan	$ **42,187**	$ 314,720
Superintendent Retirement	**643,127**	775,209
Special Leave	**467,578**	535,280
	$ 1,152,892	$ 1,625,209

The defined benefit plan provided to non-teaching staff is actuarially valuated using a number of assumptions about future events, including interest rates, wage and salary increases, employee turnover and mortality to determine the accrued benefit obligation. The most recent actuarial report was prepared as at December 31, 2015. The net unamortized actuarial gain is amortized on a straight-line basis over the expected average remaining service life of the related employee groups. Pension plan assets are valued at market values and the expected rate of return is 5.75% (2016 - 6.00%).

See Appendix 1 for disclosure information on the pension plan.

Long term disability benefits are covered by an insured plan. The costs of salary compensation paid to employees on long-term disability leave are fully insured and are not included in the financial statements.

Continuation of benefits for life insurance are defined benefits and vesting to certain employees at or after retirement. The related benefit costs and liabilities are included in the financial statements.

Supplemental unemployment benefits are defined benefits that are recognized and recorded only in the period when the events occur (e.g. maternity top up).

The employee future benefit expense is a part of the Employee Benefits and Allowances expense account. It includes the Division's contribution and amortized actuarial gains for the period. Any related pension interest expense is recorded under the Interest and Bank Charges account of the Operating Fund.

5. SCHOOL GENERATED FUNDS LIABILITY

School Generated Funds Liability includes the non-controlled portion of school generated funds consolidated in the cash and bank balances in the amount of $ 356,456 (2016 - $337,625).

	2017	2016
Student Council funds	$ **24,000**	$ 26,535
Travel	**73,020**	43,047
Graduation	**36,953**	15,208
Music enhancement	**11,338**	8,368
Community development	**53,823**	78,067
Other	**157,320**	166,400
	$ **356,456**	$ 337,625

6. DEBENTURE DEBT

The debenture debt of the Division is in the form of twenty-year debentures payable, principal and interest, in twenty equal yearly instalments and maturing at various dates from 2018 to 2037. Payment of principal and interest is funded entirely by grants from the Province of Manitoba, except for the debenture debt on self-funded capital projects. The debentures carry interest rates that range from 3.00% to 8.375%. Debenture interest expense payable as at June 30, 2017 is accrued and recorded in Accrued Interest Payable, and a grant in an amount equal to the interest accrued on provincially funded debentures is recorded in Due from the Provincial Government. The debenture principal and interest repayments in the next five years are:

	Principal	Interest	Total
2018	$ 2,943,514	$ 2,220,372	$ 5,163,886
2019	3,046,345	2,071,508	5,117,853
2020	3,179,845	1,917,948	5,097,793
2021	3,232,248	1,757,603	4,989,851
2022	3,314,027	1,596,461	4,910,488
Thereafter	31,774,307	8,174,457	39,948,764
	$47,490,284	$ 17,738,350	$ 65,228,634

7. OTHER BORROWINGS

Other borrowings are debts other than overdrafts or debentures and include obligations related to capital leases.

Capital lease loans on buses, satellite equipment and copiers have interest rates ranging from 2.73% to 3.58% per annum, due between 2018 and 2022. Payments are monthly, quarterly and annually and include principal and interest.

7. OTHER BORROWINGS (continued)

Principal and interest repayments, of Other Borrowings in the next five years are:

	Principal	Interest	Total
2018	$ 702,987	$ 50,762	$ 753,749
2019	572,578	29,497	602,075
2020	414.575	13,620	428,195
2021	175,472	4,248	179,720
2022	40,931	295	41,226
	$ 1,906,543	$ 98,422	$ 2,004,965

8. NET TANGIBLE CAPITAL ASSETS

The Schedule of Tangible Capital Assets (TCA), page 23 of the audited financial statements, provides a breakdown of cost, accumulated amortization and net book value by class.

	2017			2016
	Gross Amount	Accumulated Amortization	Net Book Value	Net Book Value
Owned tangible capital assets	**$163,112,811**	**$88,167,308**	**$74,945,503**	$76,416,667
Capital lease	**7,820,115**	**4,158,452**	**3,661,663**	3,493,497
	$170,932,926	**$92,325,760**	**$78,607,166**	$79,910,164

9. ACCUMULATED FUNDS

The consolidated accumulated surplus is comprised of the following:

	2017	2016
Operating Fund		
- Undesignated	**$ 5,632,956**	$ 5,315,396
Capital Fund		
- Reserve Accounts	**2,394,969**	1,442,617
- Equity in Tangible Assets	**28,444,439**	26,835,274
Special Purpose Funds	**129,606**	117,725
Total Accumulated Surplus	**$36,601,973**	$33,711,012

9. ACCUMULATED FUNDS (continued)

Reserve Accounts under the Capital Fund represents internally restricted reserves for specific purposes approved by the Board of Trustees and PSFB. A Schedule of Capital Reserve Accounts is provided on page 24 of the audited financial statements.

	2017	2016
Bus Reserves	**$ 1,644,969**	$ 1,442,617
Teacherages	**750,000**	-

10. MUNICIPAL GOVERNMENT – PROPERTY TAX AND RELATED DUE FROM MUNICIPAL GOVERNMENT

Education property tax or Special Levy is raised as the Division's contribution to the cost of providing public education for the student's resident in the division. The Municipal Government-Property Tax shown on the Consolidated Statement of Revenue, Expense and Accumulated Surplus is raised over the two calendar (tax) years; 60% from 2016 tax year and 40% from 2017 tax year. Below are the related revenue and receivable amounts:

	2017	2016
Revenue – Municipal Government – Property Tax	**$ 2,827,295**	$ 2,716,872
Receivable – Due from Municipal – Property Tax	**2,203,972**	2,135,210

11. INTEREST RECEIVED AND PAID

The Division received interest during the year of $337,098 (2016 - $462,314); interest paid during the year was $2,308,788 (2016 - $2,397,552). Interest expense is included in Fiscal and is comprised of the following:

	2017	2016
Operating Fund		
Fiscal – short term loan, interest and bank charges	**$ 23,272**	$ 7,257
Capital Fund		
Debenture debt interest	**2,220,346**	2,322.360
Other interest	**65,170**	67,935
	$ 2,308,788	$ 2,397,552

The accrual portion of debenture debt interest expense of $884,585 (2016 - $943,220) included under the Capital Fund-Debenture debt interest is offset by an accrual of the debt servicing grant from the Province of Manitoba.

12. ALLOWANCE FOR DOUBTFUL ACCOUNTS

All receivables presented on the Consolidated Statement of Financial Position are net of an allowance for doubtful accounts in the amount of $124,861 (2016 - $124,861).

13. EXPENSES BY OBJECT

Expenses in the Consolidated Statement of Revenue, Expenses and Accumulated Surplus are reported by function as defined by FRAME. Below is the detail of expenses by object:

	Actual 2017	Budget 2017	Actual 2016
Salaries	$ 86,147,295	$ 84,658,158	$ 84,803,002
Employees benefits & allowances	8,328,447	8,844,967	8,704,580
Services	20,601,678	19,610,725	19,872,602
Supplies, materials & minor equipment	12,366,313	12,821,051	12,193,582
Interest	23,272	275,000	7,257
Bad debts	-	-	-
Payroll tax & Transfers	5,833,859	6,179,817	6,127,902
	$ 133,300,864	$ 132,389,718	$131,708,925
Amortization	4,035,332		3,899,868
Other capital items	2,285,516		2,390,295
School generated funds	798,985		938,753
Other special purpose funds	-		-
	$ 140,420,697		$ 138,937,839

14. DEFERRED REVENUE

The deferral method of accounting is used for revenues received that, pursuant to legislation, regulation or agreement, may only be used for specific purposes. These amounts are recognized as revenue in the fiscal year the related expenses are incurred or services performed.

15. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Division is exposed to credit, liquidity and interest rate risks in respect of its use of financial instruments.

Credit Risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to the counter party. The financial instruments that potentially subject the Division to credit risk consist principally of accounts receivable. The carrying amount of financial assets represents the maximum credit exposure. The Division's maximum possible exposure to credit risk is as follows:

	2017	2016
Cash / (Bank Overdraft)	**$10,940,377**	$ (181,143)
Due from - Provincial Government	**3,260,825**	3,323,333
- Federal Government	**598,417**	584,815
- Municipal Government	**2,203,972**	2,135,210
- First Nations	**17,889,457**	34,590,079
Accounts Receivable	**440,824**	540,529
Accrued Investment Income	**42,880**	27,945
Portfolio Investment	**15,000,000**	10,000,000

The Division's accounts receivable consist largely of the grants and revenues to be received from local, provincial, and federal governments. The Division is not exposed to significant credit risk as payments in full are typically collected when due.

Liquidity Risk

Liquidity risk relates to the Division's ability to access sufficient funds to meet its financial commitments. The following table details the Fund's remaining contractual maturities for its financial liabilities.

Liquidity Risk	Due < 1 year	Due > 1 year, < 2 years	Due > 2 years, < 3 years	Due > 3 years, <4 years	Due > 4 years, < 5 years	Due > 5 years
Accounts payable	$11,125,533	$ -	$ -	$ -	$ -	$ -
Accrued Liabilities	8,405,108	-	-	-	-	-
Due to governments	3,267,140	-	-	-	-	-
Debenture Debt	**2,943,514**	3,046,345	3,179,845	3,232,248	3,314,027	31,774,305
Other Borrowings	702,987	572,578	414,575	175,472	40,931	

15. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

The Division's primary liquidity risk relates to its liability for debenture debt. The Division does not have material liabilities that can be called unexpectedly at the demand of a lender, and has no material commitments for capital expenditures, or need for same, in the normal course of business. As payment of principal and interest is funded entirely by grants from the Province of Manitoba, the Division is not exposed to significant liquidity risk.

Interest Rate Risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The interest rate exposure relates to debenture debt.

16. PORTFOLIO INVESTMENT

The Division has made use of surplus funds on April 6, 2017 and invested $15,000,000 (2016 - $10,000,000) with the Toronto Dominion Bank for a period of 180 days at an interest rate of 1.22%.

GARDEN VALLEY SCHOOL DIVISION
COMMITTED TO EXCELLENCE LEARNING TODAY BUILDING FOR TOMORROW
Box 1330, 750 Triple E Blvd, Winkler MB, R6W 4B3
Tel: (204) 325-8335 Fax: (204) 325-4132 Web: www.gvsd.ca

MANAGEMENT REPORT

Management's Responsibility for the Financial Statements

The accompanying consolidated financial statements of Garden Valley School Division are the responsibility of the Division management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants. A summary of the significant accounting policies are described in Note 2 to the consolidated financial statements.

The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. Division management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The Board of Trustees of the Division met with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by Gislason Targownik Peters, Certified General Accountants, independent external auditors appointed by the Board. The accompanying Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Division's consolidated financial statements.

Original Document Signed
Chairperson

Original Document Signed
Secretary-Treasurer

October 2017

Gislason Targownik Peters
Chartered Professional Accountants
675 Norquay Drive • Winkler • Manitoba R6W 0L1 • Tel: (204) 325-7579 • Fax (204) 325-7318

INDEPENDENT AUDITOR'S REPORT

To the board of trustees of
Garden Valley School Division

We have audited the accompanying consolidated financial statements of Garden Valley School Division, which comprise the consolidated statement of financial position as at June 30, 2017, and the consolidated statement of revenue, expenses and accumulated surplus, statement of change in net debt and statement of cash flow for the year then ended, 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.

Auditor's 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 auditor's 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 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 financial position of Garden Valley School Division as at June 30, 2017, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Other Matters
Our audit was conducted for the purposes of forming an opinion on the consolidated financial statements taken as a whole. The current year's supplementary information included in the other statements, schedules and reports is presented for purposes of additional analysis. Such supplemental information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements taken as a whole. Budgeted figures provided for information purposes are unaudited.

Gislason Targownik Peters

CHARTERED PROFESSIONAL ACCOUNTANTS

Winkler, Manitoba
October 10, 2017

I hereby certify that this report and the statements and reports referenced herein have been presented to the members of the board of the above mentioned School Division.

10-10-2017	Original Document Signed
Date	Chairperson

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2017	2016
	Financial Assets		
	Cash and Bank	2,393,643	-
	Due from - Provincial Government	2,404,337	2,350,604
	- Federal Government	63,118	45,798
	- Municipal Government	7,286,006	7,462,582
	- Other School Divisions	321,044	396,914
	- First Nations	-	-
	Accounts Receivable	108,182	65,812
	Accrued Investment Income	-	-
	Portfolio Investments	-	-
		12,576,330	10,321,710
	Liabilities		
	Overdraft	-	1,010,544
	Accounts Payable	1,548,070	1,335,527
	Accrued Liabilities	3,263,888	470,391
	Employee Future Benefits	-	-
	Accrued Interest Payable	1,191,190	1,260,640
	Due to - Provincial Government	165,923	158,813
	- Federal Government	2,016,751	2,346,704
	- Municipal Government	206,910	210,304
	- Other School Divisions	332,312	301,577
	- First Nations	-	-
6	Deferred Revenue	1,690,115	1,672,696
7	Borrowings from the Provincial Government	63,172,258	65,282,887
8	Other Borrowings	846,815	1,867,938
	School Generated Funds Liability	-	-
		74,434,232	75,918,021
	Net Debt	(61,857,902)	(65,596,311)
	Non-Financial Assets		
9	Net Tangible Capital Assets (TCA Schedule)	86,268,473	88,334,709
	Inventories	-	-
	Prepaid Expenses	128,609	149,950
		86,397,082	88,484,659
10	**Accumulated Surplus**	24,539,180	22,888,348

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes			2017	2016
	Revenue			
	Provincial Government		39,456,921	38,695,924
	Federal Government		-	-
	Municipal Government	- Property Tax	14,514,207	14,878,648
		- Other	-	-
	Other School Divisions		348,852	405,987
	First Nations		-	-
	Private Organizations and Individuals		20,200	40,494
	Other Sources		653,818	597,354
	School Generated Funds		217,401	105,821
	Other Special Purpose Funds		-	-
			55,211,399	54,724,228
	Expenses			
	Regular Instruction		26,858,491	26,609,395
	Student Support Services		8,790,964	8,349,753
	Adult Learning Centres		-	-
	Community Education and Services		91,999	77,471
	Divisional Administration		1,343,484	1,336,629
	Instructional and Other Support Services		1,497,526	1,222,313
	Transportation of Pupils		2,848,457	2,600,988
	Operations and Maintenance		4,417,369	4,182,610
12	Fiscal	- Interest	2,909,007	3,099,921
		- Other	755,828	744,211
	Amortization		3,894,111	3,824,128
	Other Capital Items		10,892	-
	School Generated Funds		142,439	102,180
	Other Special Purpose Funds		-	-
			53,560,567	52,149,599
	Current Year Surplus (Deficit) before Non-vested Sick Leave		1,650,832	2,574,629
	Less: Non-vested Sick Leave Expense (Recovery)		0	0
	Net Current Year Surplus (Deficit)		1,650,832	2,574,629
	Opening Accumulated Surplus		22,888,348	20,313,719
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	-
		Other than Tangible Cap. Assets	-	-
		Non-vested sick leave - prior years	-	-
	Opening Accumulated Surplus, as adjusted		22,888,348	20,313,719
	Closing Accumulated Surplus		24,539,180	22,888,348

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2017

	2017	2016
Net Current Year Surplus (Deficit)	1,650,832	2,574,629
Amortization of Tangible Capital Assets	3,894,111	3,824,128
Acquisition of Tangible Capital Assets	(1,827,875)	(2,435,033)
(Gain) / Loss on Disposal of Tangible Capital Assets	(10,829)	(16,901)
Proceeds on Disposal of Tangible Capital Assets	10,829	16,901
	2,066,236	1,389,095
Inventories (Increase)/Decrease	-	-
Prepaid Expenses (Increase)/Decrease	21,341	42,519
	21,341	42,519
(Increase)/Decrease in Net Debt	3,738,409	4,006,243
Net Debt at Beginning of Year	(65,596,311)	(69,602,554)
Adjustments Other than Tangible Cap. Assets	-	-
	(65,596,311)	(69,602,554)
Net Debt at End of Year	(61,857,902)	(65,596,311)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2017

	2017	2016
Operating Transactions		
Net Current Year Surplus (Deficit)	1,650,832	2,574,629
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	3,894,111	3,824,128
(Gain)/Loss on Disposal of Tangible Capital Assets	(10,829)	(16,901)
Employee Future Benefits Increase/(Decrease)	-	-
Due from Other Organizations (Increase)/Decrease	181,393	(700,942)
Accounts Receivable & Accrued Income (Increase)/Decrease	(42,370)	194,999
Inventories and Prepaid Expenses - (Increase)/Decrease	21,341	42,519
Due to Other Organizations Increase/(Decrease)	(295,502)	154,887
Accounts Payable & Accrued Liabilities Increase/(Decrease)	2,936,590	(1,333,288)
Deferred Revenue Increase/(Decrease)	17,419	38,232
School Generated Funds Liability Increase/(Decrease)	-	-
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by (Applied to) Operating Transactions	8,352,985	4,778,263
Capital Transactions		
Acquisition of Tangible Capital Assets	(1,827,875)	(2,435,033)
Proceeds on Disposal of Tangible Capital Assets	10,829	16,901
Cash Provided by (Applied to) Capital Transactions	(1,817,046)	(2,418,132)
Investing Transactions		
Portfolio Investments (Increase)/Decrease	-	18,000
Cash Provided by (Applied to) Investing Transactions	-	18,000
Financing Transactions		
Borrowings from the Provincial Government Increase/(Decrease)	(2,110,629)	(2,940,517)
Other Borrowings Increase/(Decrease)	(1,021,123)	(157,443)
Cash Provided by (Applied to) Financing Transactions	(3,131,752)	(3,097,960)
Cash and Bank / Overdraft (Increase)/Decrease	3,404,187	(719,829)
Cash and Bank (Overdraft) at Beginning of Year	(1,010,544)	(290,715)
Cash and Bank (Overdraft) at End of Year	2,393,643	(1,010,544)

Garden Valley School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2017

	Buildings and Leasehold Improvements		School	Other	Furniture / Fixtures &	Computer Hardware &		Land	Assets Under	2017	2016
	School	Non-School	Buses	Vehicles	Equipment	Software *	Land	Improvements	Construction	TOTALS	TOTALS
Tangible Capital Asset Cost											
Opening Cost, as previously reported	114,063,559	3,352,828	5,645,254	192,456	2,160,069	2,383,448	4,066,745	314,841	421,470	132,600,670	130,313,098
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	114,063,559	3,352,828	5,645,254	192,456	2,160,069	2,383,448	4,066,745	314,841	421,470	132,600,670	130,313,098
Add: Additions during the year	925,357	-	1,039,206	72,890	53,616	-	-	-	(263,194)	1,827,875	2,435,033
Less: Disposals and write downs	-	-	129,797	-	-	-	-	-	-	129,797	147,461
Closing Cost	114,988,916	3,352,828	6,554,663	265,346	2,213,685	2,383,448	4,066,745	314,841	158,276	134,298,748	132,600,670
Accumulated Amortization											
Opening, as previously reported	37,358,212	1,095,251	3,036,596	176,934	1,838,141	710,937		49,890		44,265,961	40,589,294
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	37,358,212	1,095,251	3,036,596	176,934	1,838,141	710,937		49,890		44,265,961	40,589,294
Add: Current period Amortization	2,919,376	86,777	492,401	19,922	141,293	202,858		31,484		3,894,111	3,824,128
Less: Accumulated Amortization on Disposals and Writedowns	-	-	129,797	-	-	-		-		129,797	147,461
Closing Accumulated Amortization	40,277,588	1,182,028	3,399,200	196,856	1,979,434	913,795		81,374		48,030,275	44,265,961
Net Tangible Capital Asset	74,711,328	2,170,800	3,155,463	68,490	234,251	1,469,653	4,066,745	233,467	158,276	86,268,473	88,334,709
Proceeds from Disposal of Capital Assets	-	-	10,829	-	-	-				10,829	16,901

* Includes network infrastructure.

1. Nature of Organization and Economic Dependence

The Garden Valley School Division (Division) is a public body that provides education services to residents within its geographic location. The division is funded mainly by grants from the Province of Manitoba (Province), and a special levy on the property assessment included in the Division's boundaries. The Division is exempt from income tax and is a registered charity under the Income Tax Act.

The Division is economically dependent on the Province for the majority of its revenue and capital financing requirements. Without this funding, the Division would not be able to continue its operations.

2. Significant Accounting Policies

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles established by PSAB of the Chartered Professional Accountants of Canada.

Reporting Entity and Consolidation

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the operating fund, capital fund, and special purpose fund of the Division. The Division reporting entity includes school generated funds controlled by the Division.

All inter-fund accounts and transactions are eliminated upon consolidation.

Trust Funds

The Division administers a trust fund. Trust funds and their related operations are not included in the consolidated financial statements as they are not owned or controlled by the Division. A schedule of trust funds is attached as part of the notes to the consolidated financial statements.

Trust funds, under PSAB are properties assigned to a trustee (school division) under a trust agreement or statute; the trustee merely administers the terms and conditions embodied in the agreement, and it has no unilateral authority to change the conditions set out in the trust indenture.

Basis of Accounting

Revenues and expenses are reported on the accrual basis of accounting except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable. 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.

Fund Accounting

The fund method of accounting is employed by the Division to record financial transactions in separate funds as defined by Financial Reporting and Accounting in Manitoba Education (FRAME) in accordance with the purpose for which the funds have been created.

The Operating Fund is maintained to record all the day to day operating revenues and expenses. The Capital Fund is used to account for the acquisition, amortization, disposal and financing of capital assets. The Special Purpose Fund is used to account for school generated funds and charitable foundations controlled by the Division.

School Generated Funds

School generated funds are moneys raised by the school, or under the auspices of the school, through extra-curricular activities for the sole use of the school that the principal of each school, subject to the rules of the school board, may raise, hold, administer and expend for the purposes of the school.

Only revenue and expenses of school generated funds controlled by the Division are included in the Consolidated Statement of Revenue, Expenses and Accumulated Surplus. To be deemed as controlled, a school must have the unilateral authority to make the decisions as to when, how and on what the funds are to be spent.

Period end cash balances of all school generated funds are included in the Consolidated Statement of Financial Position. The uncontrolled portion of this amount is reflected in the School Generated Funds Liability account. Examples of uncontrolled school generated funds are parent council funds, other parent group funds, student council funds and travel club funds. Revenues and expenses of uncontrolled school generated funds are not included in the consolidated financial statements.

Tangible Capital Assets

Tangible capital assets are non-financial assets that are used by the Division to provide services to the public and have an economic life beyond one fiscal year. Tangible capital assets include land, buildings, buses, other vehicles, furniture and equipment, computers, capital leases, leasehold improvements, and assets under construction.

To be classified as tangible capital assets, each asset other than land must individually meet the capitalization threshold for its class as prescribed by FRAME.

Asset Description	Capitalization Threshold ($)	Estimated Useful Life
Land improvements	55,000	10 years
Buildings – bricks, mortar, steel	55,000	40 years
Buildings – wood frame	55,000	25 years
School buses	50,000	10 years
Vehicles	10,000	5 years
Equipment	10,000	5 years
Network infrastructure	25,000	10 years
Computer hardware, servers, peripherals	10,000	4 years
Computer software	10,000	4 years
Furniture and fixtures	10,000	10 years
Leasehold improvements	25,000	Over term of lease

Grouping of assets is not permitted except for computer work stations.

All land acquired prior to June 30, 2006 has been valued by the Crown Lands and Property Agency.

With the exception of land acquired prior to June 30, 2006, donated capital assets and capital leases, all tangible capital assets, are recorded at historical cost, which includes purchase price, installation costs and other costs incurred to put the asset into service.

Buildings are recorded at historical cost when known. For buildings acquired prior to June 30, 2005 where the actual cost was not known, the replacement value for insurance purposes as at June 30, 2005 was regressed to the date of acquisition using a regression index based on Southam and CanaData construction cost indices.

Capital leases are recorded at the present value of the minimum lease payments excluding executory costs (e.g. insurance, maintenance costs, etc.). The discount rate used to determine the present value of the lease payments is the lower of the Division's rate for incremental borrowing or the interest rate implicit in the lease.

Donated tangible capital assets are recorded at fair market value at the date of donation. Deferred revenue is recorded in an equivalent amount, for all donated assets except land. The deferred revenue will be recognized as revenue over the useful life of the related asset, on the same basis that the asset is amortized.

All tangible capital assets, except for land, capital leases, and assets under construction, are amortized on a straight-line basis over their estimated useful lives as prescribed by FRAME. Land is not amortized. Capital leases with lease terms that have a bargain purchase option or allow ownership to pass to the Division are amortized over the useful life of the asset class. All other capital leases are amortized over the lesser of the lease term and the useful life of the asset class.

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal if not fully amortized.

Assets under construction are not amortized until the date of substantial completion. Interest on funds used to finance school buildings under construction is capitalized for the periods preceding the date of substantial completion.

Employee Future Benefits

The Province of Manitoba pays the employer portion of the Teachers' Retirement Allowances Fund (TRAF), the pension plan for all certified teachers of the Division. The Division does not contribute to TRAF, and no costs relating to this plan are included in the Division's financial statements.

However, the Division provides retirement and other future benefits to its administrative employees. These benefits include defined contribution pension, parental leave and early retirement window enhancements. The Division adopted the following policy with respect to accounting for these employee future benefits:

Defined Contribution Pension Plan

The Division pays the employer portion of a defined contribution plan handled by the Manitoba School Boards Association (MSBA) for administrative employees. Under this plan, specific fixed amounts are contributed by the Division each period for services rendered by the employees, matching employee contributions. No responsibility is assumed by the Division to make any further contribution.

Defined Benefit/Self-Insured Employee Future Benefit Plans

For those defined benefit/self-insured benefit obligations that are event driven such as non-vesting parental leave, the benefit costs are recognized and recorded only in the period when the event occurs. For early retirement window enhancements obligations which are also event driven, the benefit costs are recognized in the period when the commitment to pay the benefit is approved by the Board of Trustees.

Non-vested Accumulated Sick Leave

For non-vesting accumulating sick days, the benefit costs are recognized, if deemed material, based on a projection of expected future utilization of sick time, discounted using net present value techniques.

Non-vested accumulated sick leave benefits are measured using net present value techniques on the expected future utilization of excess of sick benefits used over earned per year, to maximum entitlement. The impact of the estimated non-vested sick leave benefit cost for 2016/17 is $224,917.

Capital Reserve

Certain amounts, as approved by the Board of Trustees and the Public Schools Finance Board (PSFB), have been set aside in reserve accounts for future capital purposes. These Capital Reserve accounts are internally restricted funds that form part of the Accumulated Surplus presented in the Consolidated Statement of Financial Position.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates, as additional information becomes available in the future.

Financial Instruments

There are no significant terms and conditions related to financial instruments (cash, accounts receivable, investments, and bank indebtedness, accounts payable and long-term debt) that may affect the amount, timing and certainty of future cash flows. The Division is exposed to credit risk from the potential non-payment of accounts receivable. However, the majority of the receivables are from local, provincial and federal governments, and therefore, the credit risk is minimal. The carrying amounts of the financial instruments approximate their fair values, unless otherwise noted.

3. Bank Overdraft

The Division has an authorized line of credit with the Access Credit Union Ltd. of $9,300,000 by way of overdrafts and is repayable on demand. The various overdrafts bear interest ranging at the credit union's preferred rate minus 0.50% to 0.625% (2.45% to 2.325% respectively at June 30, 2017); interest is paid monthly. Overdrafts are secured by a demand promissory note, line of credit agreement, borrowing by-law and banking documents.

4. Employee Future Benefits

The Division sponsors a defined contribution pension plan, run by the Manitoba School Boards Association (MSBA). The defined contribution plan is provided to administrative employees based on their age at the beginning of the year and rates of pay. Each age group under the MSBA pension plan has a specific percentage for the employees to contribute. The Division contributions equal the employee contributions to the plan. No pension liability is included in the financial statements.

The employee future benefit expense is a part of the Employee Benefits and Allowances expense account. The total pension expense for the 2016/2017 year was $666,136 ($634,507 in 2015/16).

5. Deferred Revenue

The deferral method of accounting is used for revenues received that, pursuant to legislation, regulation or agreement, may only be used for specific purposes. These amounts are recognized as revenue in the fiscal year the related expenses are incurred or services performed. The following is a breakdown of the account balance:

	Balance as at June 30, 2016	Additions in period	Revenue recognized in period	Balance as at June 30, 2017
Education Property Tax Credit (EPTC)	$ 1,648,207	1,666,098	1,648,207	1,666,098
Other	24,488	24,016	24,488	24,016
	$ 1,672,695	1,690,114	1,672,695	1,690,114

6. Other Borrowings from the Provincial Government

The long term debt of the Division is in the form of twenty-year debentures/promissory notes payable, principal and interest, in twenty equal yearly instalments and maturing at various dates from 2017 to 2037. Payment of principal and interest is funded entirely by grants from the Province of Manitoba. The debentures/promissory notes carry interest rates that range from 3.25% to 7.00%. Long term debt interest expense payable as at June 30, 2017, is accrued and recorded in Accrued Interest Payable, and a grant in an amount equal to the interest accrued on provincially funded debentures is recorded in Due from the Provincial Government. The total debenture principal and interest repayments in the next five years are:

2017/2018	6,365,905
2018/2019	6,349,875
2019/2020	6,341,073
2020/2021	6,219,634
2021/2022	6,148,833
	$ 31,425,320

7. Other Borrowings

Other borrowings are debts other than overdrafts or debentures.

	2017	2016
Access Credit Union, demand loan, prime less .625% (2.075% at June 30, 2017); repayable in monthly instalments of $17,560, including principal and interest; secured by a demand promissory note, financing by-law, banking documents, and a Registered General Security Agreement for Administration Office	$ 362,442	958,641
Access Credit Union, demand loan, prime less .625% (2.075% at June 30, 2017); repayable in monthly instalments of $5,000, including principal and interest; secured by a demand promissory note, financing by-law, banking documents, and a Registered General Security Agreement for Northlands Parkway Collegiate land.	$ 239,924	314,147
Access Credit Union, demand loan, prime less .625% (2.075% at June 30, 2017); repayable in monthly instalments of $6,325, including principal and interest; secured by a demand promissory note, financing by-law, banking documents, and a Registered General Security Agreement for future school site land	$ 244,449	294,008
Access Credit Union, demand loan, prime less .625% (2.075% at June 30, 2017); secured by a demand promissory note, financing by-law, banking documents, and a Registered General Security Agreement	$ 0	301,142
Total Other Borrowings	$ 846,815	1,867,938

Principal and interest repayment of total Other Borrowings in the next five years are:

	Principal	Interest	Total
2017/18	331,112	15,508	346,620
2018/19	286,236	8,340	294,576
2019/20	131,954	3,946	135,900
2020/21	85,479	1,162	86,641
2021/22	12,034	41	12,075
	$ 846,815	28,997	875,812

8. Net Tangible Capital Assets

The Schedule of Tangible Capital Assets (TCA), page 23 of the audited financial statements, provides a breakdown of cost, accumulated amortization and net book value by class. The amount of interest capitalized in the period included in School Buildings was $0.

9. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2017	2016
Operating Fund		
Designated Surplus	$ 362,709	255,830
Undesignated Surplus	1,489,757	1,549,003
	$ 1,852,466	1,804,833
Capital Fund		
Reserve Accounts	$ 797,445	475,823
Equity in Tangible Capital Assets	21,730,018	20,522,935
	$22,527,463	20,998,758
Special Purpose Fund		
School Generated Funds	$ 159,251	84,757
Other Special Purpose Funds	-	-
	$ 159,251	84,757
Total Accumulated Surplus	$24,539,180	22,888,348

Designated Surplus under the Operating Fund represents internally restricted amounts appropriated by the Board of Trustees or, in the case of school budget carryovers, by board policy. The details of the Designated Surplus as disclosed at page 5 of the audited financial statements are as follows:

	2017	2016
School budget surplus (deficit) carryovers by board policy	$ 354,754	55,830
Applied to 2016/2017 Operating budget deficit	-	-
Board approved appropriation by motion	7,955	200,000
Designated surplus	$ 362,709	255,830

Reserve Accounts under the Capital Fund represents internally restricted reserves for specific purposes approved by the Board of Trustees and PSFB. A Schedule of Capital Reserve Accounts is provided on page 24 of the audited financial statements.

	2017	2016
Bus reserves (deficit)	$ 494,470	472,848
New K-8 School Capital Reserve	300,000	-
Maintenance Shop relocation reserve	2,975	2,975
Other reserves	-	-
Capital Reserve	$ 797,445	475,823

School Generated Funds and Other Special Purpose Funds are externally restricted moneys for school use.

10. Municipal Government – Property Tax and related Due from Municipal Government

Education property tax or Special Levy is raised as the Division's contribution to the cost of providing public education for the students' resident in the division. The Municipal Government-Property Tax shown on the consolidated revenue and expense is raised over the two calendar (tax) years; 50% from 2016 tax year and 50% from 2017 tax year. Below are the related revenue and receivable amounts:

	2017	2016
Revenue – Municipal Government – Property Tax	$ 14,514,207	14,878,648
Receivable – Due from Municipal – Property Tax	$ 7,286,006	7,462,582

11. Interest Received and Paid

The Division received interest during the year of $2,911,180 ($3,002,187 in 2016); interest paid during the year was $2,975,457 ($3,099,921 in 2016). Amounts in 2016 reflect interest received and paid on an accrual basis. Amounts in 2017 reflect interest received and paid on a cash basis.

Interest expense is included in Fiscal and is comprised of the following:

	2017	2016
Operating Fund		
Fiscal-short term loan, interest and bank charges	$ 49,222	20,580
Capital Fund		
Debenture interest	2,829,145	2,985,158
Other interest	30,640	94,183
	$2,909,007	3,099,921

The accrual portion of debenture debt interest expense of $1,191,190 at June 30, 2017 ($1,260,640 at June 30, 2016) included under the Capital Fund-Debenture debt interest is offset by an accrual of the debt servicing grant from the Province of Manitoba.

12. Expenses by Object

Expenses in the consolidated statement of revenue, expenses and accumulated surplus are reported by function as defined by FRAME. Below is the detail of expenses by object:

	Actual 2017	Actual 2016
Salaries	$ 35,256,090	34,237,070
Employees benefits and allowances	3,094,407	3,039,347
Services	4,123,952	3,748,697
Supplies, materials and minor equipment	2,872,188	2,938,601
Interest	2,909,007	3,099,921
Bad debt expense	-	-
Payroll tax	755,828	744,211
Transfers	501,653	415,444
Amortization	3,894,111	3,824,128
Other capital items	10,892	-
School generated funds	142,439	102,180
	$ 53,560,567	52,149,599

13. Commitments

Commitments of Operating Fund Surplus at year end are detailed in the Analysis of Consolidated Accumulated Surplus. Designated Operating Fund Accumulated Surplus is $362,709 at June 30, 2017 ($255,830 at June 30, 2016). The details of the Designated Surplus as disclosed at note 10 and page 5 of the audited financial statements

14. Contingent Liabilities

As of June 30, 2017 there are no known contingent liabilities.

MANAGEMENT REPORT

Management's Responsibility for the Financial Statements

The accompanying consolidated financial statements of Hanover School Division (the "Division") are the responsibility of the Division's management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. A summary of the significant accounting policies are described in Note 2 to the consolidated financial statements.

The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. Division management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The Board of Trustees of the Division met with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by MNP LLP, independent external auditors appointed by the Board. The accompanying Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Division's consolidated financial statements.

Original Document Signed	Original Document Signed
Chairperson	Secretary-Treasurer

October 17, 2017

Independent Auditors' Report

To the Board of Trustees of Hanover School Division:

We have audited the accompanying consolidated financial statements of Hanover School Division, which comprise the consolidated statement of financial position as at June 30, 2017, the consolidated statements of revenue, expenses, and accumulated surplus, change in net debt and cash flow for the year then ended, 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 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 financial position of Hanover School Division as at June 30, 2017 and the results of its operations, changes in net debt and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Other matters
Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental information presented in the attached schedules is presented for the purpose of additional analysis and is not a required part of the consolidated financial statements. Such supplemental information has been subjected only to auditing procedures applied in the audit of the consolidated financial statements, taken as a whole.

MNP LLP

Winnipeg, Manitoba

October 17, 2017

Chartered Professional Accountants

I hereby certify that this report and the statements and reports referenced herein have been presented to the members of the board of the Hanover School Division.

Oct 17 2017
DATE

Original Document Signed
CHAIRPERSON

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2017	2016
	Financial Assets		
	Cash and Bank	-	-
	Due from - Provincial Government	5,035,690	4,304,405
	- Federal Government	80,718	96,170
11	- Municipal Government	15,302,501	14,177,382
	- Other School Divisions	4,375	-
	- First Nations	-	-
	Accounts Receivable	206,505	153,148
	Accrued Investment Income	-	-
	Portfolio Investments	10	10
		20,629,799	18,731,115
	Liabilities		
3	Overdraft	3,167,657	5,685,788
	Accounts Payable	5,465,211	3,042,299
	Accrued Liabilities	5,467,219	3,204,370
4	Employee Future Benefits	1,031,803	642,787
	Accrued Interest Payable	1,842,131	1,908,200
	Due to - Provincial Government	-	-
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
5	Deferred Revenue	1,794,207	2,601,743
7	Borrowings from the Provincial Government	87,945,822	90,126,471
8	Other Borrowings	-	270,000
	School Generated Funds Liability	145,962	146,403
		106,860,012	107,628,061
	Net Debt	(86,230,213)	(88,896,946)
	Non-Financial Assets		
9	Net Tangible Capital Assets (TCA Schedule)	111,988,285	112,674,764
	Inventories	241,788	227,703
	Prepaid Expenses	728,376	414,815
		112,958,449	113,317,282
10	**Accumulated Surplus**	26,728,236	24,420,336

See accompanying notes to the Financial Statements

Hanover School Division

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes			2017	2016
	Revenue			
	Provincial Government		68,783,046	67,010,005
	Federal Government		-	-
11	Municipal Government	- Property Tax	25,544,931	23,720,824
		- Other	-	-
	Other School Divisions		103,850	125,250
	First Nations		-	-
	Private Organizations and Individuals		480,797	424,888
	Other Sources		203,489	189,001
	School Generated Funds		2,122,378	1,876,216
	Other Special Purpose Funds		-	-
			97,238,491	93,346,184
	Expenses			
	Regular Instruction		51,939,913	49,748,846
	Student Support Services		12,418,469	11,559,866
	Adult Learning Centres		-	-
	Community Education and Services		168,851	155,584
	Divisional Administration		2,216,219	2,234,541
	Instructional and Other Support Services		2,599,230	2,309,589
	Transportation of Pupils		3,891,712	3,521,653
	Operations and Maintenance		9,168,326	8,739,555
12	Fiscal	- Interest	4,098,528	4,186,329
		- Other	1,354,399	1,302,998
	Amortization		4,930,300	4,724,011
	Other Capital Items		(28,406)	(19,402)
	School Generated Funds		2,173,050	1,878,652
	Other Special Purpose Funds		-	-
			94,930,591	90,342,222
	Current Year Surplus (Deficit) before Non-vested Sick Leave		2,307,900	3,003,962
	Less: Non-vested Sick Leave Expense (Recovery)		0	0
	Net Current Year Surplus (Deficit)		2,307,900	3,003,962
	Opening Accumulated Surplus		24,420,336	21,416,374
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	-
		Other than Tangible Cap. Assets	-	-
		Non-vested sick leave - prior years	-	-
	Opening Accumulated Surplus, as adjusted		24,420,336	21,416,374
	Closing Accumulated Surplus		26,728,236	24,420,336

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2017

	2017	2016
Net Current Year Surplus (Deficit)	2,307,900	3,003,962
Amortization of Tangible Capital Assets	4,930,300	4,724,011
Acquisition of Tangible Capital Assets	(4,266,342)	(6,642,993)
(Gain) / Loss on Disposal of Tangible Capital Assets	(22,052)	(28,800)
Proceeds on Disposal of Tangible Capital Assets	44,573	28,800
	686,479	(1,918,982)
Inventories (Increase)/Decrease	(14,085)	(62,985)
Prepaid Expenses (Increase)/Decrease	(313,561)	17,187
	(327,646)	(45,798)
(Increase)/Decrease in Net Debt	2,666,733	1,039,182
Net Debt at Beginning of Year	(88,896,946)	(89,936,128)
Adjustments Other than Tangible Cap. Assets	-	-
	(88,896,946)	(89,936,128)
Net Debt at End of Year	(86,230,213)	(88,896,946)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2017

	2017	2016
Operating Transactions		
Net Current Year Surplus (Deficit)	2,307,900	3,003,962
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	4,930,300	4,724,011
(Gain)/Loss on Disposal of Tangible Capital Assets	(22,052)	(28,800)
Employee Future Benefits Increase/(Decrease)	389,016	213,329
Due from Other Organizations (Increase)/Decrease	(1,845,327)	(552,019)
Accounts Receivable & Accrued Income (Increase)/Decrease	(53,357)	5,772
Inventories and Prepaid Expenses - (Increase)/Decrease	(327,646)	(45,798)
Due to Other Organizations Increase/(Decrease)	-	-
Accounts Payable & Accrued Liabilities Increase/(Decrease)	4,619,692	(797,009)
Deferred Revenue Increase/(Decrease)	(807,536)	126,638
School Generated Funds Liability Increase/(Decrease)	(441)	16,291
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by (Applied to) Operating Transactions	9,190,549	6,666,377
Capital Transactions		
Acquisition of Tangible Capital Assets	(4,266,342)	(6,642,993)
Proceeds on Disposal of Tangible Capital Assets	44,573	28,800
Cash Provided by (Applied to) Capital Transactions	(4,221,769)	(6,614,193)
Investing Transactions		
Portfolio Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
Financing Transactions		
Borrowings from the Provincial Government Increase/(Decrease)	(2,180,649)	745,468
Other Borrowings Increase/(Decrease)	(270,000)	(270,000)
Cash Provided by (Applied to) Financing Transactions	(2,450,649)	475,468
Cash and Bank / Overdraft (Increase)/Decrease	2,518,131	527,652
Cash and Bank (Overdraft) at Beginning of Year	(5,685,788)	(6,213,440)
Cash and Bank (Overdraft) at End of Year	(3,167,657)	(5,685,788)

Hanover School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2017

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	2017 TOTALS	2016 TOTALS
	School	Non-School									
Tangible Capital Asset Cost											
Opening Cost, as previously reported	135,275,852	4,870,877	8,562,317	402,685	2,910,419	4,069,214	3,559,619	-	5,444,863	165,095,846	159,353,303
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	135,275,852	4,870,877	8,562,317	402,685	2,910,419	4,069,214	3,559,619	-	5,444,863	165,095,846	159,353,303
Add:											
Additions during the year	5,307,352	329,474	850,527	98,046	276,963	70,633	-	-	(2,666,653)	4,266,342	6,642,993
Less:											
Disposals and write downs	-	-	341,816	45,116	-	-	-	-		386,932	900,450
Closing Cost	140,583,204	5,200,351	9,071,028	455,615	3,187,382	4,139,847	3,559,619	-	2,778,210	168,975,256	165,095,846
Accumulated Amortization											
Opening, as previously reported	42,457,846	1,696,673	5,247,854	294,322	1,858,702	865,685		-		52,421,082	48,597,521
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	42,457,846	1,696,673	5,247,854	294,322	1,858,702	865,685		-		52,421,082	48,597,521
Add:											
Current period Amortization	3,469,704	119,424	620,115	47,968	237,154	435,935		-		4,930,300	4,724,011
Less:											
Accumulated Amortization on Disposals and Writedowns	-	-	319,294	45,117	-	-		-		364,411	900,450
Closing Accumulated Amortization	45,927,550	1,816,097	5,548,675	297,173	2,095,856	1,301,620		-		56,986,971	52,421,082
Net Tangible Capital Asset	94,655,654	3,384,254	3,522,353	158,442	1,091,526	2,838,227	3,559,619	-	2,778,210	111,988,285	112,674,764
Proceeds from Disposal of Capital Assets	-	-	43,859	714	-	-				44,573	28,800

* Includes network infrastructure.

1. Nature of Organization and Economic Dependence

The Hanover School Division (the "Division") is a public body that provides education services to residents within its geographic location. The division is funded mainly by grants from the Province of Manitoba (the "Province"), and a special levy on the property assessment included in the Division's boundaries. The Division is exempt from income tax.

The Division is economically dependent on the Province for the majority of its revenue and capital financing requirements. Without this funding, the Division would not be able to continue its operations.

2. Significant Accounting Policies

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles established by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants of Canada.

a) Reporting Entity and Consolidation

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the operating fund, capital fund, and special purpose fund of the Division. The Division reporting entity includes school generated funds controlled by the Division.

All inter-fund accounts and transactions are eliminated upon consolidation.

b) Basis of Accounting

Revenues and expenses are reported on the accrual basis of accounting except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable. 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.

c) Fund Accounting

The fund method of accounting is employed by the Division to record financial transactions in separate funds as defined by Financial Reporting and Accounting in Manitoba Education ("FRAME") in accordance with the purpose for which the funds have been created.

The Operating Fund is maintained to record all the day to day operating revenues and expenses. The Capital Fund is used to account for the acquisition, amortization, disposal and financing of capital assets. The Special Purpose Fund is used to account for school generated funds and charitable foundations controlled by the Division.

d) School Generated Funds

School generated funds are moneys raised by the school, or under the auspices of the school, through extracurricular activities for the sole use of the school that the Principal of each school, subject to the rules of the school board, may raise, hold, administer and expend for the purposes of the school.

Only revenue and expenses of school generated funds controlled by the Division are included in the Consolidated Statement of Revenue, Expenses and Accumulated Surplus. To be deemed as controlled, a school must have the unilateral authority to make the decisions as to when, how and on what the funds are to be spent.

2. Significant Accounting Policies – Continued

d) School Generated Funds - Continued

Year end cash balances of all school generated funds are included in the Consolidated Statement of Financial Position. The uncontrolled portion of this amount is reflected in the School Generated Funds Liability account. Examples of uncontrolled school generated funds are parent council funds, other parent group funds, student council funds and travel club funds. Revenues and expenses of uncontrolled school generated funds are not included in the consolidated financial statements.

e) Tangible Capital Assets

Tangible capital assets are non-financial assets that are used by the Division to provide services to the public and have an economic life beyond one fiscal year. Tangible capital assets include land, buildings, buses, other vehicles, furniture and equipment and assets under construction.

To be classified as tangible capital assets, each asset other than land must individually meet the capitalization threshold for its class.

Asset Description	Capitalization Threshold ($)	Estimated Useful Life (years)
Land Improvements	25,000	10
Buildings - bricks, mortar and steel	25,000	40
Buildings - wood frame	25,000	25
School buses	20,000	10
Vehicles	10,000	5
Equipment	10,000	5
Network Infrastructure	25,000	10
Computer Hardware, Servers & Peripherals	5,000	4
Computer Software	10,000	4
Furniture and Fixtures	5,000	10
Leasehold Improvements	25,000	Over term of lease

Grouping of assets is not permitted except for computer work stations.

Tangible capital assets are initially recorded at cost, which includes purchase price, installation costs and other costs incurred to put the asset into service.

All land acquired prior to June 30, 2006 has been valued by the Crown Lands and Property Agency.

For buildings acquired prior to June 30, 2005 where the actual cost was not known, the replacement value for insurance purposes as at June 30, 2005 was regressed to the date of acquisition using a regression index based on Southam and CanaData construction cost indices.

All tangible capital assets, except for land and assets under construction are amortized on a straight-line basis over their estimated useful lives. Land is not amortized.

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal if not fully amortized.

Assets under construction are not amortized until the date of substantial completion. Interest on funds used to finance school buildings under construction is capitalized for the periods preceding the date of substantial completion.

2. Significant Accounting Policies – Continued

f) Employee Future Benefits

The Province of Manitoba pays the employer portion of the Teachers' Retirement Allowances Fund ("TRAF"), the pension plan for all certified teachers of the Division. The Division does not contribute to TRAF, and no costs relating to this plan are included in the Division's financial statements.

The Division provides retirement and other future benefits to its administrative employees as a defined contribution plan, under the Manitoba School Boards Association ("MSBA"). The Division adopted the following policy with respect to accounting for these employee future benefits:

<u>Defined contribution plan</u>

Under this plan, specific fixed amounts are contributed by the Division each period for services rendered by the employees. No responsibility is assumed by the Division to make any further contribution.

<u>Non-vested sick leave benefits</u>

Non-vested sick leave benefits are estimated using a net present value technique on the expected future utilization of sick benefits in excess of the amounts earned per year, to a maximum entitlement. The calculated dollar value of non-vested sick leave as at June 30, 2017 is $369,847 (2016 - $291,953). These amounts are disclosed for compliance with PS2120 only and are not considered material for inclusion in the financial statements.

g) Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful lives of capital assets. Employee future benefits are based on estimates of future obligations to the Division. Actual results could differ from management's best estimates, as additional information becomes available in the future.

h) Financial instruments

Fair values:

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. Their classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the Division's designation of such instruments.

Classification:

Cash and bank, portfolio investments and overdraft	Held-for-trading
Accounts receivable	Loans and receivables
Accounts payable and accrued liabilities, employee future benefits, accrued interest payable, debenture debt, other borrowings, and school generated funds liability	Other financial liabilities

2. **Significant Accounting Policies – Continued**

h) **Financial instruments - Continued**

Held for trading:

Held-for-trading financial assets and liabilities are typically acquired for resale prior to maturity or are designated as held-for-trading. They are measured at fair value at the balance sheet date. Fair value fluctuations including interest earned, interest accrued, gains and losses realized on disposal and unrealized gains and losses are included in investment income.

Loans and receivables:

Financial assets designated as loans and receivables are recorded at amortized cost using the effective interest method. Given the short-term nature of accounts receivable, their carrying value approximates fair value.

Other financial liabilities:

Other liabilities are recorded at amortized cost using the effective interest method and include all financial liabilities. Given the short-term nature of accounts payable and accrued liabilities, employee future benefits, accrued interest payable and school generated funds liability, their carrying value approximates fair value. The carrying value of the debenture debt and other borrowings also approximates their fair value as there have been no significant changes to the underlying characteristics of the parties to the agreements.

Interest, currency and credit risk:

It is management's opinion that the Division is not exposed to significant interest, currency or credit risk from financial instruments. The Division is exposed to some credit risk from the potential non-payment of accounts receivable, however as the majority of the receivables are from local, provincial and federal governments, credit risk is minimal.

i) **Liability for contaminated sites**

A liability for remediation of a contaminated site is recognized at the best estimate of the amount required to remediate the contaminated site when contamination exceeding an environmental standard exists, the School Division is either directly responsible or accepts responsibility, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount is determinable. The best estimate of the liability includes all costs directly attributable to remediation activity and is reduced by expected net recoveries based on information available at June 30, 2017.

At each financial reporting date, the School Division reviews the carrying amount of the liability. Any revisions required to the amount previously recognized is accounted for in the period revisions are made. The School Division continues to recognize the liability until it is settled or otherwise extinguished. Disbursements made to settle the liability are deducted from the reported liability when they are made.

3. **Overdraft**

The Division has an authorized line of credit with the Steinbach Credit Union of $26,750,000 (2016 – $27,000,000) by way of overdrafts and is repayable on demand at prime less 0.875%; interest is paid monthly. Overdrafts are secured by temporary borrowing by-laws. As at June 30, 2017, the prime rate was 2.70%.

4. Employee Future Benefits

The Division sponsors a defined contribution pension plan, run by MSBA. The defined contribution plan is provided to administrative employees based on their age at the beginning of the year and rates of pay. Each age group under the MSBA pension plan has a specific percentage for the employees to contribute. The Division contributions equal the employee contributions to the plan. No pension liability is included in the financial statements.

The employee future benefit expense is a part of the Employee Benefits and Allowances expense account. It includes the Division's contribution of $1,061,509 in 2017 ($1,006,141 in 2016).

Employee future benefits recorded as a liability represents maternity and parental leave payable for administrative employees.

5. Deferred Revenue

The deferral method of accounting is used for revenues received that, pursuant to legislation, regulation or agreement, may only be used for specific purposes. These amounts are recognized as revenue in the fiscal year the related expenses are incurred or services performed. The following is a breakdown of the account balance:

	Balance as at June 30, 2016	Additions for the year	Revenue recognized during year	Balance as at June 30, 2017
Education Property Tax Credit ("EPTC")	$ 2,529,504	$ 1,655,526	$ 2,529,504	$ 1,655,526
Special grant	32,774	-	16,355	16,419
Other amounts	39,465	100,750	17,953	122,262
	$ 2,601,743	$ 1,756,276	$ 2,563,812	$ 1,794,207

6. School Generated Funds Liability

The cash and bank (overdraft) balance in the statement of financial position includes the non-controlled portion of school generated funds in the amount of $145,962 ($146,403 in 2016).

7. Debenture Debt

The debenture debt of the Division is in the form of twenty-year debentures payable, principal and interest, in twenty equal yearly installments and maturing at various dates from 2018 to 2037. Payment of principal and interest is funded entirely by grants from the Province of Manitoba, except for the debt on self-funded capital projects. The debentures carry interest rates that range from 3.000% to 7.250%. Debenture interest expense payable as at June 30, 2017, is accrued and recorded in Accrued Interest Payable, and a grant in an amount equal to the interest accrued on provincially funded debentures is recorded in Due from the Provincial Government. The debenture principal and interest repayments in the next five years are:

	Total
2018	8,904,077
2019	8,859,370
2020	8,816,565
2021	8,389,146
2022	8,114,463
	$ 42,088,645

8. Other Borrowings

Other borrowings are debts other than overdrafts or debentures. This includes two loans to fund the acquisition and renovation of the new Hanover School Division Administration Building.

	2017	2016
RBC Term Loan repaid during the year.	-	$ 200,000
RBC Term Loan repaid during the year.	-	70,000
	-	$ 270,000

9. Net Tangible Capital Assets

The Schedule of Tangible Capital Assets (TCA), page 23 of the audited financial statements, provides a breakdown of cost, accumulated amortization and net book value by class. The amount of interest capitalized in the period included in Assets under Construction was $15,263 in 2017 ($16,590 in 2016).

10. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2017	2016
Operating Fund		
Designated Surplus	$ -	$ -
Undesignated Surplus	3,358,592	3,184,347
	3,358,592	3,184,347
Capital Fund		
Reserved Accounts	$ 601,489	$ 200,000
Equity in Tangible Capital Assets	22,371,801	20,588,963
	22,973,290	20,788,963
Special Purpose Fund		
School Generated Funds	$ 396,354	$ 447,026
Total Accumulated Surplus	$ 26,728,236	$ 24,420,336

11. Municipal Government - Property Tax and related Due from Municipal Government

Education property tax or Special Levy is raised as the Division's contribution to the cost of providing public education for the students' resident in the division. The Municipal Government-Property Tax shown on the consolidated revenue and expense is raised over the two calendar (tax) years; 40% from 2016 tax year and 60% from 2017 tax year. Below are the related revenue and receivable amounts:

	2017	2016
Revenue - Municipal Government - Property Tax	$25,544,931	$ 23,720,824
Receivable - Due from Municipal - Property Tax	$15,302,501	$ 14,177,382

12. Interest Received and Paid

The Division received interest during the year of $3,995 ($2,683 in 2016) and interest paid during the year was $4,098,528 ($4,186,329 in 2016). Interest paid is comprised of interest expense of $4,083,265 ($4,169,739 in 2016) as outlined below, plus capitalized interest of $15,263 ($16,590 in 2016) included in construction in progress on the consolidated statement of financial position.

Interest expense is included in Fiscal and is comprised of the following:

	2017	2016
Operating Fund		
Fiscal-short term loan, interest and bank charges	$ 111,005	$ 135,396
Capital Fund		
Debenture interest	3,979,279	4,028,556
Other interest	8,244	22,377
Total	$ 4,098,528	$ 4,186,329

The accrual portion of debenture debt interest expense of $1,842,131 (2016 - $1,908,200) included under the Capital Fund – Debenture interest, is offset by an accrual of the debt servicing grant from the Province of Manitoba.

13. Expenses by Object

Expenses in the consolidated statement of revenue, expenses and accumulated surplus are reported by function as defined by FRAME. Below is the detail of expenses by object:

	Actual 2017	Budget 2017	Actual 2016
Salaries	$ 63,979,178	$63,879,400	$ 60,950,428
Employees benefits and allowances	4,621,201	4,701,000	4,584,377
Services	4,457,697	4,517,000	4,696,459
Supplies, materials and minor equipment	7,725,995	7,677,400	6,623,289
Interest	4,098,528	145,900	4,186,329
Payroll tax	1,354,399	1,369,300	1,302,998
Amortization	4,930,300	-	4,724,011
Transfers	1,618,649	1,489,300	1,415,081
Other capital items	(28,406)	-	(19,402)
School generated funds	2,173,050	-	1,878,652
Other special purpose funds	-	-	-
	$94,930,591	$83,779,300	$ 90,342,222

14. Non Financial Information

The 2017 student enrolments (FRAME) and transportation statistics, full time equivalent personnel, and senior staff allocations are unaudited and have been presented for information purposes only.

15. Capital management

The Division's objective when managing capital is to ensure that its expenditures closely match their revenues. Capital consists of the various fund balances in the amount of $26,728,236 ($24,420,336 in 2016). The Division is not subject to externally imposed capital requirements. There have been no changes in the Division's approach to capital management during the period.

16. Special Levy Raised for la Division scolaire franco-manitobaine

In accordance with Section 190.1 of The Public Schools Act, the Division is required to collect a special levy on behalf of la Division scolaire franco-manitobaine. As at June 30, 2017 the amount of this special levy was $246,108 ($199,450 in 2016). These amounts are not included in the Division's consolidated financial statements.

17. Commitments

The Division has equipment lease agreements. Future annual minimum operating lease commitments as at June 30, 2017 are as follows:

2018	103,747
2019	87,971
2020	45,923
2021	24,612
2022	9,331
Thereafter	nil

MANAGEMENT REPORT

Management's Responsibility for the Financial Statements

The accompanying consolidated financial statements of Interlake School Division ("Division") are the responsibility of the Division's management and have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board of the Chartered Professional Accountants Canada. A summary of the significant accounting policies are described in Note 2 to the consolidated financial statements.

The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. School Division management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The Board of Trustees of the Division met with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by BDO Canada LLP, independent external auditors, appointed by the Board of Trustees. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Division's consolidated financial statements.

Original Document Signed	Original Document Signed
Chairperson	**Secretary-Treasurer**

October 10, 2017

BDO

Tel/Tél.: 204 956 7200
Fax/Téléc.: 204 926 7201
Toll-free/Sans frais: 800 268 3337
www.bdo.ca

BDO Canada LLP/s.r.l.
700 - 200 Graham Avenue
Winnipeg MB R3C 4L5 Canada

Independent Auditor's Report

To the Chairperson and Board of Trustees of Interlake School Division

We have audited the accompanying consolidated financial statements of Interlake School Division ("Division"), which comprise the consolidated statement of financial position as at June 30, 2017, and the consolidated statement of revenue, expenses and accumulated surplus, statement of change in net debt and statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the 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.

Auditor's 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 auditor's 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.

Our Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Interlake School Division as at June 30, 2017, and the results of its operations, net debt and its cash flow for the year then ended in accordance with Canadian public sector accounting standards.

BDO Canada LLP

Chartered Professional Accountants

Winnipeg, Manitoba
October 10, 2017

I hereby certify that this report and the statements, schedules and reports referenced herein have been presented to the Members of the Board of Trustees of the above-mentioned School Division.

October 10. 2017
Date

Original Document Signed
Chairperson

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2017	2016
	Financial Assets		
	Cash and Bank	-	-
	Due from - Provincial Government	1,380,768	1,459,347
	- Federal Government	25,347	17,102
10	- Municipal Government	7,259,629	6,728,594
	- Other School Divisions	9,579	10,419
	- First Nations	-	-
	Accounts Receivable	78,076	95,783
	Accrued Investment Income	-	-
	Portfolio Investments	2,801	3,672
		8,756,200	8,314,917
	Liabilities		
3	Overdraft	703,883	3,010
	Accounts Payable	226,817	787,422
	Accrued Liabilities	2,851,871	2,746,410
4	Employee Future Benefits	1,703,783	1,888,001
	Accrued Interest Payable	295,895	319,767
	Due to - Provincial Government	-	-
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
5	Deferred Revenue	1,796,152	1,839,070
7	Borrowings from the Provincial Government	17,895,415	18,216,826
	Other Borrowings	900,000	1,500,000
6	School Generated Funds Liability	73,985	77,731
		26,447,801	27,378,237
	Net Debt	(17,691,601)	(19,063,320)
	Non-Financial Assets		
8	Net Tangible Capital Assets (TCA Schedule)	22,204,655	22,967,856
	Inventories	108,279	89,976
	Prepaid Expenses	65,582	62,383
		22,378,516	23,120,215
9	**Accumulated Surplus**	4,686,915	4,056,895

See accompanying notes to the Financial Statements

Interlake School Division

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes			2017	2016
	Revenue			
	Provincial Government		25,208,753	24,888,401
	Federal Government		-	4,000
10	Municipal Government	- Property Tax	13,864,468	12,886,005
		- Other	18,500	13,500
	Other School Divisions		68,668	101,226
	First Nations		-	-
	Private Organizations and Individuals		171,225	218,163
	Other Sources		201,246	150,801
	School Generated Funds		440,571	368,643
	Other Special Purpose Funds		1,196	1,286
			39,974,627	38,632,025
	Expenses			
	Regular Instruction		20,957,944	20,655,441
	Student Support Services		5,956,669	5,751,852
	Adult Learning Centres		-	-
	Community Education and Services		226,250	248,213
	Divisional Administration		1,348,764	1,378,157
	Instructional and Other Support Services		1,342,833	1,297,284
	Transportation of Pupils		2,078,914	2,076,127
	Operations and Maintenance		3,794,501	3,479,148
11	Fiscal	- Interest	874,714	856,094
		- Other	601,869	585,798
	Amortization		1,573,951	1,442,081
	Other Capital Items		133,242	-
	School Generated Funds		426,869	361,698
	Other Special Purpose Funds		1,196	1,286
			39,317,716	38,133,179
	Current Year Surplus (Deficit) before Non-vested Sick Leave		656,911	498,846
	Less: Non-vested Sick Leave Expense (Recovery)		26,891	(37,223)
	Net Current Year Surplus (Deficit)		630,020	536,069
	Opening Accumulated Surplus		4,056,895	3,520,826
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	-
		Other than Tangible Cap. Assets	-	-
		Non-vested sick leave - prior years	-	-
	Opening Accumulated Surplus, as adjusted		4,056,895	3,520,826
	Closing Accumulated Surplus		4,686,915	4,056,895

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2017

	2017	2016
Net Current Year Surplus (Deficit)	630,020	536,069
Amortization of Tangible Capital Assets	1,573,951	1,442,081
Acquisition of Tangible Capital Assets	(811,499)	(1,512,353)
(Gain) / Loss on Disposal of Tangible Capital Assets	(6,998)	(1,294)
Proceeds on Disposal of Tangible Capital Assets	7,747	1,294
	763,201	(70,272)
Inventories (Increase)/Decrease	(18,303)	(2,107)
Prepaid Expenses (Increase)/Decrease	(3,199)	(58)
	(21,502)	(2,165)
(Increase)/Decrease in Net Debt	1,371,719	463,632
Net Debt at Beginning of Year	(19,063,320)	(19,526,952)
Adjustments Other than Tangible Cap. Assets	-	-
	(19,063,320)	(19,526,952)
Net Debt at End of Year	(17,691,601)	(19,063,320)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2017

	2017	2016
Operating Transactions		
Net Current Year Surplus (Deficit)	630,020	536,069
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	1,573,951	1,442,081
(Gain)/Loss on Disposal of Tangible Capital Assets	(6,998)	(1,294)
Employee Future Benefits Increase/(Decrease)	(184,218)	133,700
Due from Other Organizations (Increase)/Decrease	(459,861)	(436,898)
Accounts Receivable & Accrued Income (Increase)/Decrease	17,707	(56,782)
Inventories and Prepaid Expenses - (Increase)/Decrease	(21,502)	(2,165)
Due to Other Organizations Increase/(Decrease)	-	-
Accounts Payable & Accrued Liabilities Increase/(Decrease)	(479,016)	1,818,854
Deferred Revenue Increase/(Decrease)	(42,918)	137,179
School Generated Funds Liability Increase/(Decrease)	(3,746)	(10,363)
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by (Applied to) Operating Transactions	1,023,419	3,560,381
Capital Transactions		
Acquisition of Tangible Capital Assets	(811,499)	(1,512,353)
Proceeds on Disposal of Tangible Capital Assets	7,747	1,294
Cash Provided by (Applied to) Capital Transactions	(803,752)	(1,511,059)
Investing Transactions		
Portfolio Investments (Increase)/Decrease	871	841
Cash Provided by (Applied to) Investing Transactions	871	841
Financing Transactions		
Borrowings from the Provincial Government Increase/(Decrease)	(321,411)	481,327
Other Borrowings Increase/(Decrease)	(600,000)	(300,000)
Cash Provided by (Applied to) Financing Transactions	(921,411)	181,327
Cash and Bank / Overdraft (Increase)/Decrease	(700,873)	2,231,490
Cash and Bank (Overdraft) at Beginning of Year	(3,010)	(2,234,500)
Cash and Bank (Overdraft) at End of Year	(703,883)	(3,010)

Interlake School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2017

	Buildings and Leasehold Improvements		School	Other	Furniture / Fixtures &	Computer Hardware &		Land	Assets Under	2017	2016
	School	Non-School	Buses	Vehicles	Equipment	Software *	Land	Improvements	Construction	TOTALS	TOTALS
Tangible Capital Asset Cost											
Opening Cost, as previously reported	33,092,273	1,214,424	4,997,949	296,426	394,239	2,216,531	170,631	-	1,379,811	43,762,284	42,385,072
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	33,092,273	1,214,424	4,997,949	296,426	394,239	2,216,531	170,631	-	1,379,811	43,762,284	42,385,072
Add: Additions during the year	-	-	250,398	32,332	-	-	-	-	528,769	811,499	1,512,353
Less: Disposals and write downs	-	-	274,543	13,953	111,434	-	-	-	-	399,930	135,141
Closing Cost	33,092,273	1,214,424	4,973,804	314,805	282,805	2,216,531	170,631	-	1,908,580	44,173,853	43,762,284
Accumulated Amortization											
Opening, as previously reported	15,149,192	669,359	4,057,777	258,921	326,699	332,480		-		20,794,428	19,487,488
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	15,149,192	669,359	4,057,777	258,921	326,699	332,480		-		20,794,428	19,487,488
Add: Current period Amortization	983,748	44,043	280,716	21,095	22,696	221,653		-		1,573,951	1,442,081
Less: Accumulated Amortization on Disposals and Writedowns	-	-	274,543	13,953	110,685	-		-		399,181	135,141
Closing Accumulated Amortization	16,132,940	713,402	4,063,950	266,063	238,710	554,133		-		21,969,198	20,794,428
Net Tangible Capital Asset	16,959,333	501,022	909,854	48,742	44,095	1,662,398	170,631	-	1,908,580	22,204,655	22,967,856
Proceeds from Disposal of Capital Assets	-	-	7,474	273	-	-				7,747	1,294

* Includes network infrastructure.

1. Nature of Organization and Economic Dependence

The Interlake School Division (Division) is a public body that provides education services to residents within its geographic location. The division is funded mainly by grants from the Province of Manitoba (Province), and a special levy on the property assessment included in the Division's boundaries. The Division is exempt from income tax and is a registered charity under the Income Tax Act.

The Division is economically dependent on the Province for the majority of its revenue and capital financing requirements. Without this funding, the Division would not be able to continue its operations.

2. Significant Accounting Policies

The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards established by Public Sector Accounting Board (PSAB) of Chartered Professional Accountants Canada (CPA Canada).

Reporting Entity and Consolidation

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the operating fund, capital fund, and special purpose fund of the Division. The Division reporting entity includes school generated funds controlled by the Division.

All inter-fund accounts and transactions are eliminated upon consolidation.

Trust Funds

The school division does not administer trust funds. As such, a separate schedule has not been attached to the notes to financial statements.

Basis of Accounting

Revenues and expenses are reported on the accrual basis of accounting except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable. 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.

Fund Accounting

The fund method of accounting is employed by the Division to record financial transactions in separate funds as defined by Financial Reporting and Accounting in Manitoba Education (FRAME) in accordance with the purpose for which the funds have been created.

The Operating Fund is maintained to record all the day to day operating revenues and expenses. The Capital Fund is used to account for the acquisition, amortization, disposal and financing of capital assets. The Special Purpose Fund is used to account for school generated funds and charitable foundations controlled by the Division.

School Generated Funds

School generated funds are moneys raised by the school, or under the auspices of the school, through extra curricular activities for the sole use of the school that the principal of each school, subject to the rules of the school board, may raise, hold, administer and expend for the purposes of the school.

Only revenue and expenses of school generated funds controlled by the Division are included in the Consolidated Statement of Revenue, Expenses and Accumulated Surplus. To be deemed as controlled, a school must have the unilateral authority to make the decisions as to when, how and on what the funds are to be spent.

Period end cash balances of all school generated funds are included in the Consolidated Statement of Financial Position. The uncontrolled portion of this amount is reflected in the School Generated Funds Liability account. Examples of uncontrolled school generated funds are parent council funds, other parent group funds, student council funds and travel club funds. Revenues and expenses of uncontrolled school generated funds are not included in the consolidated financial statements.

Tangible Capital Assets

Tangible capital assets are non-financial assets that are used by the Division to provide services to the public and have an economic life beyond one fiscal year. Tangible capital assets include land, buildings, buses, other vehicles, furniture and equipment, computers, capital leases, leasehold improvements, and assets under construction.

To be classified as tangible capital assets, each asset other than land must individually meet the capitalization threshold for its class as prescribed by FRAME.

Asset Description	Capitalization Threshold ($)	Estimated Useful Life
Land Improvements	50,000	10 years
Buildings – bricks, mortar, steel	50,000	40 years
Buildings – wood frame	50,000	25 years
School buses	50,000	10 years
Vehicles	10,000	5 years
Equipment	10,000	5 years
Network Infrastructure	25,000	10 years
Computer Hardware, Servers, Peripherals	10,000	4 years
Computer Software	10,000	4 years
Furniture & Fixtures	10,000	10 years
Leasehold Improvements	25,000	Over term of lease

Grouping of assets is not permitted except for computer work stations.

With the exception of land, all tangible capital assets, are recorded at historical cost, which includes purchase price, installation costs and other costs incurred to put the asset into service.

Buildings are recorded at historical cost when known. For buildings acquired prior to June 30, 2005 where the actual cost was not known, the replacement value for insurance purposes as at June 30, 2005 was regressed to the date of acquisition using a regression index based on Southam and CanaData construction cost indices.

All land acquired prior to June 30, 2006 has been valued by the Crown Lands and Property Agency, except for the land at 192 2nd Avenue North, which is valued at historical cost as management believes the Crown Lands and Property Agency to have overvalued this land by $221,867.

All tangible capital assets, except for land, and assets under construction, are amortized on a straight-line basis over their estimated useful lives as prescribed by FRAME. Land is not amortized.

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal if not fully amortized.

Assets under construction are not amortized until the date of substantial completion.

Employee Future Benefits

The Province of Manitoba pays the employer portion of the Teachers' Retirement Allowances Fund (TRAF), the pension plan for all certified teachers of the Division. The Division does not contribute to TRAF, and no costs relating to this plan are included in the Division's financial statements.

However, the Division provides retirement and other future benefits to its non-teaching employees. These benefits include pension, sick leave payouts, and supplementary unemployment benefits.

The Division adopted the following policy with respect to accounting for these employee future benefits:

Defined Contribution Plans

Under these plans, specific fixed amounts are contributed by the Division each period for services rendered by the employees. No responsibility is assumed by the Division to make any further contribution.

Pension - No amounts are recorded in the financial statements for future pension costs. The Division participates in the Manitoba School Boards Association (MSBA) Pension Plan for non-teaching employees. Contributions are made by the Division and each eligible employee. Contributions are immediately vested. The Division pays the operating costs of the plan and investment management fees for the plan for all active employees. Contribution costs are calculated as a percentage of salary, which ranges from 9.00% to 12.65%, depending upon the employees age, less the employees contributions to the Canada Pension Plan in that particular year.

Long-term Disability - Long term disability benefits are covered by a defined contribution/ insured plan fully financed by employees. The costs of salary compensation paid to employees on long-term disability leave are fully insured and are not included in the financial statements.

Life Insurance - The Division participates in the Manitoba Public School Employee Life Insurance Plan, underwritten by Canada Life. Costs for the compulsory 200% x salary coverage are shared equally by the employee and the Division. Expenses are recorded as incurred. No future obligation is recorded on the financial statements.

Defined Benefit Plans

Under these plans, benefits to be received by employees or the method for determining those benefits have been specified by the Division. The actuarial risk (with respect to the amount of the benefit that each employee will receive) and the investment risk (with respect to the investment returns on any assets set aside to pay for the cost of these benefits) are assumed by the Division.

Sick Leave Allowance

The Division offers a sick leave allowance to employees, of which unused days are accumulated to maximum of 90-130 days, depending upon the employee group. Non-teaching employees with five years of continuous year's employment are eligible upon their retirement, death or severance to receive a lump sum payment equal to one half of their accumulated allowance. The lump sum is paid out at the rate of pay in effect at the time of payment. Costs recorded in the financial statements are based on current earnings of employees.

For non-vesting accumulated sick days, the benefit costs are recognized, if deemed material, based on a projection of expected future utilization of sick time, discounted using net present value techniques.

Supplemental Employment Benefits Plan

The Division offers Teachers a Supplemental Employment Benefits (SEB) plan for members taking parenting leave, which provides a top up to employment insurance for seventeen weeks. The Division has also agreed to, in the collective agreement with the Interlake Teachers' Association, the entitlement to receive pay for an additional ten (10) weeks in the amount of ninety percent of their salary less any benefits received from Human Resources Development Canada. Benefit costs are expensed as incurred. Future obligations for employees who have commenced their leaves are recorded in the financial statements based on current earnings of employees.

Capital Reserve

Certain amounts, as approved by the Board of Trustees and the Public Schools Finance Board (PSFB), have been set aside in reserve accounts for future capital purposes. These Capital Reserve accounts are internally restricted funds that form part of the Accumulated Surplus presented in the Consolidated Statement of Financial Position.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates, as additional information becomes available in the future.

Financial Instruments

There are no significant terms and conditions related to financial instruments (cash, accounts receivable, investments, and bank indebtedness, accounts payable and long-term debt) that may affect the amount, timing and certainty of future cash flows. The Division is exposed to credit risk from the potential non-payment of accounts receivable. However, the majority of the receivables are from local, provincial and federal governments, and therefore, the credit risk is minimal. The carrying amounts of the financial instruments approximate their carrying values, unless otherwise noted.

3. Overdraft

The Division has an authorized revolving demand facility with Sunova Credit Union of $8,000,000 by way of overdrafts. Overdrafts bear interest at Prime less 0.75% and are secured by a borrowing by-law supporting the facility. As at June 30, 2017, the Division's operating line of credit was being utilized.

4. Employee Future Benefits

The Division sponsors a defined contribution pension plan, run by the Manitoba School Boards Association (MSBA). The defined contribution plan is provided to administrative employees based on their age at the beginning of the year and rates of pay. Each age group under the MSBA pension plan has a specific percentage for the employees to contribute. The Division contributions equal the employee contributions to the plan. No pension liability is included in the financial statements. Employee benefits and allowances for expenses by object include the Division's contribution of $483,150 in 2017 ($484,357 in 2016).

Employee future benefits recorded as a liability represents vested sick leave payable and Supplemental Employment Benefits Plan payable for eligible employees of $1,464,975 in 2017 ($1,676,083 in 2016).

Non-vested accumulated sick leave benefits are measured using net present value techniques on the expected future utilization of excess sick benefits used over earned per year, to maximum entitlement. The total accrued non-vested sick leave benefit liability as at June 30, 2017 is $238,808 ($211,918 in 2016).

5. Deferred Revenue

The deferral method of accounting is used for revenues received that, pursuant to legislation, regulation or agreement, may only be used for specific purposes. These amounts are recognized as revenue in the fiscal year the related expenses are incurred or services performed. The following is a breakdown of the account balance:

Operating Fund	Balance as at June 30, 2016	Additions in period	Revenue recognized in period	Balance as at June 30, 2017
Education Property Tax Credit (EPTC)	$ 1,731,165	$ 3,572,595	$ 3,583,622	$ 1,720,138
Manitoba Textbook Bureau	91,555	161,165	187,956	64,764
Education for Sustainable Development	5,100	-	5,100	-
STAR Revenue	11,250	34,300	34,300	11,250
	$ 1,839,070	$ 3,768,060	$ 3,810,978	$ 1,796,152

6. School Generated Funds Liability

The School Generated Funds liability includes the non-controlled portion of school generated funds consolidated in the cash and bank balances in the amount of $73,985 in 2017 ($77,731 in 2016).

7. Debenture Debt/Promissory Notes

The borrowings from Provincial Government of the Division is in the form of twenty-year debentures/promissory notes payable, principal and interest, in twenty equal yearly instalments and maturing at various dates from 2017 to 2037. Payment of principal and interest is funded entirely by grants from the Province of Manitoba, except for the debenture debt on self-funded capital projects. The debentures and promissory notes carry interest rates that range from 3.00% to 7.38%. Interest expense payable as at June 30, 2017, is accrued and recorded in Accrued Interest Payable, and a grant in an amount equal to the interest accrued on provincially funded debentures/promissory notes is recorded in Due from the Provincial Government. The debt principal and interest repayments in the next five years and thereafter:

	Interest	Principal	Total
2017 / 2018	$ 790,091	$ 1,222,551	$ 2,012,642
2018 / 2019	726,635	1,203,158	1,929,793
2019 / 2020	664,956	1,228,353	1,893,309
2020 / 2021	602,132	1,067,621	1,669,753
2021 / 2022	551,924	1,101,722	1,653,646
Thereafter	3,123,444	12,072,010	15,195,454
	$ 6,495,182	$17,895,415	$24,354,597

8. Net Tangible Capital Assets

The Schedule of Tangible Capital Assets (TCA), page 23 of the audited financial statements, provides a breakdown of cost, accumulated amortization and net book value by class. The amount of interest capitalized in the period included in Assets under Construction was nil in 2017 (2016 nil).

9. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2017	2016
Operating Fund		
Designated Surplus	$ -	$ -
Undesignated Surplus	1,123,098	906,455
	1,123,098	906,455
Capital Fund		
Reserve Accounts	47,370	1,294
Equity in Tangible Capital Assets	3,375,438	3,021,839
	3,422,808	3,023,133
Special Purpose Fund		
School Generated Funds	141,009	127,307
Other Special Purpose Funds	-	-
	141,009	127,307
Total Accumulated Surplus	$ 4,686,915	$ 4,056,895

10. Municipal Government – Property Tax and related Due from Municipal Government

Education property tax or Special Levy is raised as the Division's contribution to the cost of providing public education for the students' resident in the division. The Municipal Government-Property Tax shown on the consolidated revenue and expense is raised over the two calendar (tax) years; 48% from 2016 tax year and 52% from 2017 tax year. Below are the related revenue and receivable amounts:

	2017	2016
Revenue – Municipal Government – Property Tax	$ 13,864,468	$12,886,005
Receivable – Due from Municipal – Property Tax	$ 7,259,629	$ 6,728,594

11. Interest Received and Paid

The Division received interest during the year of $17,744 in 2017 ($8,239 in 2016); interest paid during the year was $874,714 in 2017 ($856,094 in 2016).

Interest expense is included in Fiscal and is comprised of the following:

	2017	2016
Operating Fund		
Fiscal-short term loan, interest and bank charges	$ -	$ 1,417
Capital Fund		
Interest on Fibre Liability	28,273	35,344
Debenture interest	846,441	819,333
	$ 874,714	$ 856,094

The accrual portion of debenture debt interest expense of $295,895 ($319,767 in 2016) included under the Capital Fund-Debenture debt interest is offset by an accrual of the debt servicing grant from the Province of Manitoba.

12. Expenses by Object

Expenses in the consolidated statement of revenue, expenses and accumulated surplus are reported by function as defined by FRAME. Below is the detail of expenses by object:

	Actual 2017	Budget 2017	Actual 2016
Salaries	$ 28,294,272	$ 28,606,000	$ 27,521,318
Employees benefits and allowances	2,078,862	2,220,810	2,172,936
Services	2,782,070	2,567,114	2,509,059
Supplies, materials & minor equipment	2,210,806	2,304,761	2,332,818
Interest	874,714	58,000	856,094
Bad debts	-	-	-
Payroll tax	601,869	615,000	585,798
Amortization	1,573,951	-	1,442,081
Transfers	339,865	335,315	350,091
School generated funds	426,869	-	361,698
Other special purpose funds	1,196	-	1,286
Other capital items	133,242	-	-
	$ 39,317,716	$ 36,707,000	$ 38,133,179

KELSEY
SCHOOL DIVISION

P.O. Box 4700
The Pas, Manitoba R9A 1R4
WEBSITE: www.ksd.mb.ca
PHONE (204) 623-6421
FAX (204) 623-7704

November 27, 2017

MANAGEMENT REPORT

Management's Responsibility for the Financial Statements

The accompanying consolidated financial statements of Kelsey School Division are the responsibility of the Division management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants. A summary of the significant accounting policies are described in Note 2 to the consolidated financial statements.

The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current account period cannot be finalized with certainty until future periods. Division maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The Board of Trustees of the Division met with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by Collins Barrow HMA LLP, independent, external auditors appointed by the Board. The accompanying Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Division's consolidated financial statements.

Original Document Signed

Vaughn Wadelius
Chairperson

Original Document Signed

Jeannette Freese
Secretary Treasurer

COLLINS BARROW

Collins Barrow HMA LLP
334 Ross Avenue, Box 1200
The Pas, MB R9A 1L2
T: 204.623.5437
F: 204.623.6390
TF: 1.800.663.2679
www.collinsbarrow.com

INDEPENDENT AUDITORS' REPORT

To The Board of Trustees
Kelsey School Division

We have audited the accompanying consolidated financial statements of the Kelsey School Division, which comprise the consolidated statement of financial position as at June 30, 2017, the consolidated statements of revenue, expenses and accumulated surplus, change in net debt and cash flow for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information. These consolidated financial statements have been prepared to comply with the Public Schools Act.

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 our 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, we consider 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.

COLLINS BARROW

Collins Barrow HMA LLP
334 Ross Avenue, Box 1200
The Pas, MB R9A 1L2
T: 204.623.5437
F: 204.623.6390
TF: 1.800.663.2679
www.collinsbarrow.com

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Kelsey School Division as at June 30, 2017, and its consolidated results of operations, its consolidated change in net debt and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Other Matters

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

Collins Barrow HMA LLP
Chartered Professional Accountants

The Pas, Manitoba
November 27, 2017

I hereby certify that the preceding report has been presented to the members of the Board of Kelsey School Division.

Original Document Signed
Chairperson of the Board

2017 Nov 27
Date

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2017	2016
	Financial Assets		
	Cash and Bank	604,843	71,328
	Due from - Provincial Government	1,196,108	1,168,718
	- Federal Government	146,501	266,956
	- Municipal Government	1,876,959	1,874,034
	- Other School Divisions	14,918	24,354
	- First Nations	105,280	135,280
	Accounts Receivable	16,073	13,827
	Accrued Investment Income	-	-
	Portfolio Investments	-	-
		3,960,682	3,554,497
	Liabilities		
	Overdraft	-	-
	Accounts Payable	947,038	1,321,724
	Accrued Liabilities	1,033,090	978,425
*	Employee Future Benefits	158,693	126,989
	Accrued Interest Payable	-	-
	Due to - Provincial Government	-	-
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
*	Deferred Revenue	4,670	352,683
*	Borrowings from the Provincial Government	20,842,965	19,042,237
	Other Borrowings	-	-
	School Generated Funds Liability	56,169	50,907
		23,042,625	21,872,965
	Net Debt	(19,081,943)	(18,318,468)
	Non-Financial Assets		
*	Net Tangible Capital Assets (TCA Schedule)	39,322,631	21,826,227
	Inventories	-	-
	Prepaid Expenses	18,938	23,165
		39,341,569	21,849,392
*	**Accumulated Surplus**	20,259,626	3,530,924

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes			2017	2016
	Revenue			
	Provincial Government		18,490,598	18,337,036
	Federal Government		-	-
	Municipal Government	- Property Tax	3,398,014	3,382,562
		- Other	-	-
	Other School Divisions		14,918	24,354
	First Nations		23,100	19,190
	Private Organizations and Individuals		272,041	-
	Other Sources		16,554,235	155,129
	School Generated Funds		394,896	400,280
	Other Special Purpose Funds		-	-
			39,147,802	22,318,551
	Expenses			
	Regular Instruction		10,380,808	9,977,475
	Student Support Services		4,442,900	4,703,325
	Adult Learning Centres		623,926	595,368
	Community Education and Services		55,868	55,690
	Divisional Administration		793,501	842,146
	Instructional and Other Support Services		479,909	468,849
	Transportation of Pupils		559,703	553,972
	Operations and Maintenance		2,402,452	2,476,069
*	Fiscal	- Interest	826,654	778,506
		- Other	344,724	339,587
	Amortization		966,292	561,971
	Other Capital Items		62,600	17,027
	School Generated Funds		448,059	360,944
	Other Special Purpose Funds		-	-
			22,387,396	21,730,929
	Current Year Surplus (Deficit) before Non-vested Sick Leave		16,760,406	587,622
	Less: Non-vested Sick Leave Expense (Recovery)		31,704	24,128
	Net Current Year Surplus (Deficit)		16,728,702	563,494
	Opening Accumulated Surplus		3,530,924	2,967,430
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	-
		Other than Tangible Cap. Assets	-	-
		Non-vested sick leave - prior years	-	-
	Opening Accumulated Surplus, as adjusted		3,530,924	2,967,430
	Closing Accumulated Surplus		20,259,626	3,530,924

See accompanying notes to the Financial Statements

* NOTE REQUIRED

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2017

	2017	2016
Net Current Year Surplus (Deficit)	16,728,702	563,494
Amortization of Tangible Capital Assets	966,292	561,971
Acquisition of Tangible Capital Assets	(19,440,800)	(1,157,702)
(Gain) / Loss on Disposal of Tangible Capital Assets	(16,393,896)	(25,000)
Proceeds on Disposal of Tangible Capital Assets	17,372,000	25,000
	(17,496,404)	(595,731)
Inventories (Increase)/Decrease	-	-
Prepaid Expenses (Increase)/Decrease	4,227	(6,978)
	4,227	(6,978)
(Increase)/Decrease in Net Debt	(763,475)	(39,215)
Net Debt at Beginning of Year	(18,318,468)	(18,279,253)
Adjustments Other than Tangible Cap. Assets	-	-
	(18,318,468)	(18,279,253)
Net Debt at End of Year	(19,081,943)	(18,318,468)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2017

	2017	2016
Operating Transactions		
Net Current Year Surplus (Deficit)	16,728,702	563,494
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	966,292	561,971
(Gain)/Loss on Disposal of Tangible Capital Assets	(16,393,896)	(25,000)
Employee Future Benefits Increase/(Decrease)	31,704	24,128
Due from Other Organizations (Increase)/Decrease	129,576	(226,408)
Accounts Receivable & Accrued Income (Increase)/Decrease	(2,246)	34,467
Inventories and Prepaid Expenses - (Increase)/Decrease	4,227	(6,978)
Due to Other Organizations Increase/(Decrease)	-	-
Accounts Payable & Accrued Liabilities Increase/(Decrease)	(320,021)	145,326
Deferred Revenue Increase/(Decrease)	(348,013)	95,371
School Generated Funds Liability Increase/(Decrease)	5,262	(6,400)
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by (Applied to) Operating Transactions	801,587	1,159,971
Capital Transactions		
Acquisition of Tangible Capital Assets	(19,440,800)	(1,157,702)
Proceeds on Disposal of Tangible Capital Assets	17,372,000	25,000
Cash Provided by (Applied to) Capital Transactions	(2,068,800)	(1,132,702)
Investing Transactions		
Portfolio Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
Financing Transactions		
Borrowings from the Provincial Government Increase/(Decrease)	1,800,728	384,296
Other Borrowings Increase/(Decrease)	-	-
Cash Provided by (Applied to) Financing Transactions	1,800,728	384,296
Cash and Bank / Overdraft (Increase)/Decrease	533,515	411,565
Cash and Bank (Overdraft) at Beginning of Year	71,328	(340,237)
Cash and Bank (Overdraft) at End of Year	604,843	71,328

Kelsey School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2017

	Buildings and Leasehold Improvements		School	Other	Furniture / Fixtures &	Computer Hardware &		Land	Assets Under	2017	2016
	School	Non-School	Buses	Vehicles	Equipment	Software *	Land	Improvements	Construction	TOTALS	TOTALS
Tangible Capital Asset Cost											
Opening Cost, as previously reported	33,989,257	303,458	1,002,295	124,821	530,733	153,123	196,213	-	811,436	37,111,336	36,039,395
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	33,989,257	303,458	1,002,295	124,821	530,733	153,123	196,213	-	811,436	37,111,336	36,039,395
Add: Additions during the year	20,175,495	-	-	-	60,744	15,997	-	-	(811,436)	19,440,800	1,157,702
Less: Disposals and write downs	2,821,965	-	95,830	-	-	-	-	-	-	2,917,795	85,761
Closing Cost	51,342,787	303,458	906,465	124,821	591,477	169,120	196,213	-	-	53,634,341	37,111,336
Accumulated Amortization											
Opening, as previously reported	13,587,818	303,458	736,366	100,254	423,169	134,044		-		15,285,109	14,808,899
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	13,587,818	303,458	736,366	100,254	423,169	134,044		-		15,285,109	14,808,899
Add: Current period Amortization	850,660	-	53,338	8,206	47,715	6,373		-		966,292	561,971
Less: Accumulated Amortization on Disposals and Writedowns	1,843,861	-	95,830	-	-	-		-		1,939,691	85,761
Closing Accumulated Amortization	12,594,617	303,458	693,874	108,460	470,884	140,417		-		14,311,710	15,285,109
Net Tangible Capital Asset	38,748,170	-	212,591	16,361	120,593	28,703	196,213	-	-	39,322,631	21,826,227
Proceeds from Disposal of Capital Assets	17,367,000	-	5,000	-	-	-				17,372,000	25,000

* Includes network infrastructure.

1. NATURE OF ORGANIZATION AND ECONOMIC DEPENDENCE

Kelsey School Division (Division) is a public body that provides education services to residents within its geographic location. The Division is funded mainly by grants from the Province of Manitoba (Province), and a special levy on the property assessment included in the Division's boundaries. The Division is exempt from income tax

The Division is economically dependent on the Province for the majority of its revenue and capital financing requirements. Without this funding, the Division would not be able to continue its operations.

2. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

a) Reporting Entity and Consolidation

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the operating fund, capital fund, and special purpose fund of the Division. The Division reporting entity includes school generated funds controlled by the Division.

All inter-fund accounts and transactions are eliminated upon consolidation.

b) Basis of Accounting

Revenues and expenses are reported on the accrual basis of accounting except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable. 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.

c) Fund Accounting

The fund method of accounting is employed by the Division to record financial transactions in separate funds as defined by Financial Reporting and Accounting in Manitoba Education (FRAME) in accordance with the purpose for which the funds have been created.

The Operating Fund is maintained to record all the day to day operating revenues and expenses. The Capital Fund is used to account for the acquisition, amortization, disposal and financing of capital assets. The Special Purpose Fund is used to account for school generated funds controlled by the Division.

d) School Generated Funds

School generated funds are moneys raised by the school, or under the auspices of the school, through extra curricular activities for the sole use of the school that the principal of each school, subject to the rules of the school board, may raise, hold, administer and expend for the purposes of the school.

Only revenue and expenses of school generated funds controlled by the Division are included in the Consolidated Statement of Revenue, Expenses and Accumulated Surplus. To be deemed as controlled, a school must have the unilateral authority to make the decisions as to when, how and on what the funds are to be spent.

Period end cash balances of all school generated funds are included in the Consolidated Statement of Financial Position. The uncontrolled portion of this amount is reflected in the School Generated Funds Liability account. Examples of uncontrolled school generated funds are parent council funds, other parent group funds, student council funds and travel club funds. Revenues and expenses of uncontrolled school generated funds are not included in the consolidated financial statements.

e) *Tangible Capital Assets*

Tangible capital assets are non-financial assets that are used by the Division to provide services to the public and have an economic life beyond one fiscal year. Tangible capital assets include land, buildings, buses, other vehicles, furniture and equipment, computers, capital leases, leasehold improvements, and assets under construction.

To be classified as tangible capital assets, each asset other than land must individually meet the capitalization threshold for its class as prescribed by FRAME.

Asset Description	Capitalization Threshold ($)	Estimated Useful Life (years)
Land improvements	25,000	10
Buildings - bricks, mortar and steel	25,000	40
Buildings - wood frame	25,000	25
School buses	20,000	10
Vehicles	10,000	5
Equipment	10,000	5
Network infrastructure	25,000	10
Computer Hardware, Servers & Peripherals	5,000	4
Computer Software	10,000	4
Furniture & Fixtures	5,000	10
Leasehold improvements	25,000	Over term of lease

Grouping of assets is not permitted except for computer work stations.

With the exception of land, donated capital assets and capital leases, all tangible capital assets, are recorded at historical cost, which includes purchase price, installation costs and other costs incurred to put the asset into service.

Buildings are recorded at historical cost when known. For buildings acquired prior to June 30, 2005 where the actual cost was not known, the replacement value for insurance purposes as at June 30, 2005 was regressed to the date of acquisition using a regression index based on Southam and CanaData construction cost indices.

Capital leases are recorded at the present value of the minimum lease payments excluding executory costs (e.g. insurance, maintenance costs, etc.). The discount rate used to determine the present value of the lease payments is the lower of the Division's rate for incremental borrowing or the interest rate implicit in the lease.

Donated tangible capital assets are recorded at fair market value at the date of donation. Deferred revenue is recorded in an equivalent amount, for all donated assets except land. The deferred revenue will be recognized as revenue over the useful life of the related asset, on the same basis that the asset is amortized.

All land acquired prior to June 30, 2006 has been valued by the Crown Lands and Property Agency.

All tangible capital assets, except for land, capital leases, and assets under construction, are amortized on a straight-line basis over their estimated useful lives as prescribed by FRAME. Land is not amortized. Capital leases with lease terms that have a bargain purchase option or allow ownership to pass to the Division are

amortized over the useful life of the asset class. All other capital leases are amortized over the lesser of the lease term and the useful life of the asset class.

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal if not fully amortized.

Assets under construction are not amortized until the date of substantial completion. Interest on funds used to finance school buildings under construction is capitalized for the periods preceding the date of substantial completion.

f) Employee Future Benefits

The Province of Manitoba pays the employer portion of the Teachers' Retirement Allowances Fund (TRAF), the pension plan for all certified teachers of the Division. The Division does not contribute to TRAF, and no costs relating to this plan are included in the Division's financial statements.

The Division adopted the following policy(ies) with respect to accounting for these employee future benefits:

I) Defined contribution / insured benefit plans

Under these plans, specific fixed amounts are contributed by the Division each period for services rendered by the employees. No responsibility is assumed by the Division to make any further contribution:

TRAF pension is determined by number of years of service and salary. Contributions are 6.8% of salary and 8.4% when you reach your yearly maximum pensionable earnings amount.

The employee future benefits liability is the difference between the contribution owing for the period and what has been paid; while the employee future benefits expense is the Division's fixed contribution for the period.

For non-vesting accumulating sick days, the benefit costs are recognized, if deemed material, based on a projection of expected future utilization of sick time discounted using net present value techniques.

g) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

h) Financial Instruments

There are no significant terms and conditions related to financial instruments (cash, accounts receivable, investments, bank indebtedness, accounts payable and long-term debt) that may affect the amount, timing and certainty of future cash flows. The Division is exposed to credit risk from the potential non-payment of accounts receivable. However, the majority of the receivables are from local, provincial and federal governments, and therefore, the credit risk is minimal. The carrying amounts of the financial instruments approximate their carrying values, unless otherwise noted.

3. OVERDRAFT

The Division has an authorized borrowing agreement with the Toronto Dominion Bank of $3,050,000 by way of overdrafts and is repayable on demand at prime less .05%, interest is paid monthly. Overdrafts are secured by the assignment of all taxes levied or to be levied by the School Division for the current year.

4. EMPLOYEE FUTURE BENEFITS

Non-vested accumulated sick leave benefits are measured using net present value techniques on the expected future utilization of excess sick benefits used over earned per year, to a maximum entitlement. The liability for employee future benefits for accumulated non-vested sick leave recorded at June 30, 2017 is $158,693 (2016 - $126,989).

5. DEFERRED REVENUE

The deferral method of accounting is used for revenues received that, pursuant to legislation, regulation or agreement, may only be used for specific purposes. These amounts are recognized as revenue in the fiscal year the related expenses are incurred or services performed. The following is a breakdown of the account balance:

	Balance as at June 30, 2016	Additions in the period	Transferred to Revenue	Balance as at June 30, 2017
Western Financial Group Insurance Solutions	$ 348,013	$	$ 348,013	$
Regional Science Fair Funds	4,670			4,670
	$ 352,683	$	$ 348,013	$ 4,670

6. SCHOOL GENERATED FUNDS LIABILITY

School Generated Funds Liability includes the non-controlled portion of school generated funds consolidated in the cash and bank balances in the amount of $271,575 (2016 - $319,476).

7. DEBENTURE DEBT

The debenture debt of the Division is in the form of twenty-year debentures payable, principal and interest, in twenty equal yearly installments and maturing at various dates from 2017 to 2037. Payment of principal and interest is funded entirely by grants from the Province of Manitoba. The debentures carry interest rates that range from 3.250% to 8.75%. Debenture interest expense payable as at June 30, 2017 is accrued and recorded in accrued interest payable and a grant in an amount equal to the interest accrued on provincially funded debentures is recorded in due from provincial government.

The debenture principal and interest repayments in the next five years are:

	Principal	Interest	Total
2018	$ 1,039,476	$ 830,349	$ 1,869,825
2019	1,069,583	786,364	1,855,947
2020	1,106,630	741,302	1,847,932
2021	1,150,192	694,750	1,844,942
2022	1,182,382	646,360	1,828,742
	$ 5,548,263	$ 3,699,125	$ 9,247,388

8. NET TANGIBLE CAPITAL ASSETS

The Schedule of Tangible Capital Assets (TCA), page 23 of the audited financial statements, provides a breakdown of cost, accumulated amortization and net book value by class.

	Gross Amount	Accumulated Amortization	2017 Net Book Value	2016 Net Book Value
Owned-tangible capital assets	$ 53,634,341	$ 14,311,710	$ 39,322,631	$ 21,826,227

9. ACCUMULATED SURPLUS (DEFICIT)

The consolidated accumulated surplus is comprised of the following:

	2017	2016
Operating Fund		
Designated Surplus	$ -	$ -
Undesignated Surplus	1,714,915	1,295,501
	1,714,915	1,295,501
Capital Fund		
Reserve Accounts	-	-
Equity in Tangible Capital Assets	18,329,305	1,966,854
	18,329,305	1,966,854
Special Purpose Fund		
School Generated Funds	215,406	268,569
Other Special Purpose Funds	-	-
	215,406	268,569
Total Accumulated Surplus (Deficit)	$ 20,259,626	$ 3,530,924

10. MUNICIPAL GOVERNMENT - PROPERTY TAX AND RELATED DUE FROM MUNICIPAL GOVERNMENT

Education property tax or Special Levy is raised as the Division's contribution to the cost of providing public education for the students resident in the Division. The Municipal Government-Property Tax shown on the consolidated revenue and expense is raised over the two calendar (tax) years; 40% for 2016 and 60% for 2017. Below are the related revenue and receivable amounts:

	2017	2016
Revenue-Municipal Government-Property Tax	$ 3,398,014	$ 3,382,562
Receivable-Due from Municipal-Property Tax	$ 1,876,959	$ 1,874,034

11. INTEREST RECEIVED AND PAID

The Division received interest during the year of $17,608 (previous year $17,748; interest paid during the year was $826,654 (previous year $778,506).

Interest expense is included in Fiscal and is comprised of the following:

	2017	2016
Operating Fund		
Fiscal-short term loan, interest and bank charges	$ 7,501	$ 2,180
Capital Fund		
Debenture debt interest	819,153	776,326
	$ 826,654	$ 778,506

The accrual portion of debenture debt interest expense of $449,074 (2016 - $410,749) included under the capital fund - debenture debt interest is offset by an accrual of the debt servicing grant from the Province of Manitoba.

12. EXPENSES BY OBJECT

Expenses in the consolidated statement of revenue, expenses and accumulated surplus are reported by function as defined by FRAME. Below is the detail of expenses by object:

	Actual 2017	Budget 2017	Actual 2016
Salaries	$ 15,926,849	$ 16,115,806	$ 15,664,994
Employees benefits & allowances	1,434,533	1,591,219	1,475,583
Services	1,437,271	1,748,442	1,520,630
Supplies, materials & minor equipment	920,409	1,011,572	982,072
Interest	826,654	15,000	778,506
Bad debts			
Payroll tax	344,724	345,000	339,587
Amortization	966,292		561,971
Other capital items	62,600		17,027
School generated funds	448,059		360,944
Transfers	20,005	18,000	29,615
	$ 22,387,396	$ 20,845,039	$ 21,730,929

13. INSURANCE PROCEEDS

In October, 2014 a significant fire struck Mary Duncan School, a facility owned and operated by the Division. The Division received insurance proceeds related to this loss and accordingly a significant gain on disposal of the old facility was recognized.

Included within the results of operations are the following amounts of insurance proceeds:

2017

Operating	$ 3,055,153
Capital	17,367,000

2016

Operating	$ 189,888

MANAGEMENT REPORT

Management's Responsibility for the Financial Statements

The accompanying consolidated financial statements of Lakeshore School Division (the "Division") are the responsibility of the Division management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. A summary of the significant accounting policies are described in Note 2 to the consolidated financial statements.

The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. Division management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The Board of Trustees of the Division met with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by MNP LLP, independent external auditors appointed by the Board. The accompanying Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Division's consolidated financial statements.

Original Document Signed	Original Document Signed
Chairperson	Secretary-Treasurer

September 26, 2017

Independent Auditors' Report

To the Board of Trustees of Lakeshore School Division:

We have audited the accompanying consolidated financial statements of Lakeshore School Division, which comprise the consolidated statement of financial position as at June 30, 2017, the consolidated statements of revenue, expenses, and accumulated surplus, change in net debt and cash flow for the year then ended, 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 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 financial position of Lakeshore School Division as at June 30, 2017 and the results of its operations, changes in net debt and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Other Matter
Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental information presented in the attached schedules is presented for the purpose of additional analysis and is not a required part of the consolidated financial statements. Such supplemental information has been subjected only to auditing procedures applied in the audit of the consolidated financial statements, taken as a whole.

MNP LLP

Winnipeg, Manitoba

September 26, 2017

Chartered Professional Accountants

I hereby certify that this report and the statements and reports referenced herein have been presented to the members of the board of the Lakeshore School Division.

Sept 26/17
DATE

Original Document Signed
CHAIRPERSON

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2017	2016
	Financial Assets		
3	Cash and Bank	806,746	1,830,228
	Due from - Provincial Government	1,361,033	761,103
	- Federal Government	40,911	33,913
9	- Municipal Government	2,112,696	2,063,131
	- Other School Divisions	6,146	14,187
	- First Nations	509,337	356,881
	Accounts Receivable	33,100	67,627
	Accrued Investment Income	-	-
	Portfolio Investments	-	-
		4,869,969	5,127,070
	Liabilities		
3	Overdraft	-	-
	Accounts Payable	774,743	794,264
	Accrued Liabilities	1,445,356	1,557,819
4	Employee Future Benefits	204,133	140,981
	Accrued Interest Payable	229,015	244,289
	Due to - Provincial Government	66,255	77,670
	- Federal Government	9,226	-
	- Municipal Government	11,324	10,863
	- Other School Divisions	-	-
	- First Nations	-	-
5	Deferred Revenue	94,890	62,180
6	Borrowings from the Provincial Government	9,735,828	10,265,470
	Other Borrowings	-	-
	School Generated Funds Liability	-	-
		12,570,770	13,153,536
	Net Debt	(7,700,801)	(8,026,466)
	Non-Financial Assets		
7	Net Tangible Capital Assets (TCA Schedule)	13,219,659	13,428,544
	Inventories	-	-
	Prepaid Expenses	24,299	20,048
		13,243,958	13,448,592
8	**Accumulated Surplus**	5,543,157	5,422,126

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes			2017	2016
	Revenue			
	Provincial Government		13,405,969	13,387,263
	Federal Government		210,319	-
9	Municipal Government	- Property Tax	3,531,212	3,438,551
		- Other	-	-
	Other School Divisions		95,733	104,078
	First Nations		1,104,415	1,076,444
	Private Organizations and Individuals		251,561	138,725
	Other Sources		278,765	398,312
	School Generated Funds		331,105	389,197
	Other Special Purpose Funds		7,617	6,517
			19,216,696	18,939,087
	Expenses			
	Regular Instruction		9,212,995	8,436,468
	Student Support Services		2,770,478	2,619,488
	Adult Learning Centres		307,357	264,121
	Community Education and Services		353,566	299,298
	Divisional Administration		698,976	693,866
	Instructional and Other Support Services		541,731	478,269
	Transportation of Pupils		1,711,561	1,595,431
	Operations and Maintenance		1,527,084	1,550,990
10	Fiscal	- Interest	536,971	576,750
		- Other	260,994	258,196
	Amortization		858,843	887,679
	Other Capital Items		-	-
	School Generated Funds		307,228	407,635
	Other Special Purpose Funds		7,881	7,375
			19,095,665	18,075,566
	Current Year Surplus (Deficit) before Non-vested Sick Leave		121,031	863,521
	Less: Non-vested Sick Leave Expense (Recovery)		0	0
	Net Current Year Surplus (Deficit)		121,031	863,521
	Opening Accumulated Surplus		5,422,126	4,558,605
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	-
		Other than Tangible Cap. Assets	-	-
		Non-vested sick leave - prior years	-	-
	Opening Accumulated Surplus, as adjusted		5,422,126	4,558,605
	Closing Accumulated Surplus		5,543,157	5,422,126

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2017

	2017	2016
Net Current Year Surplus (Deficit)	121,031	863,521
Amortization of Tangible Capital Assets	858,843	887,679
Acquisition of Tangible Capital Assets	(649,958)	(738,932)
(Gain) / Loss on Disposal of Tangible Capital Assets	(17,130)	-
Proceeds on Disposal of Tangible Capital Assets	17,130	-
	208,885	148,747
Inventories (Increase)/Decrease	-	-
Prepaid Expenses (Increase)/Decrease	(4,251)	(4,633)
	(4,251)	(4,633)
(Increase)/Decrease in Net Debt	325,665	1,007,635
Net Debt at Beginning of Year	(8,026,466)	(9,034,101)
Adjustments Other than Tangible Cap. Assets	-	-
	(8,026,466)	(9,034,101)
Net Debt at End of Year	(7,700,801)	(8,026,466)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2017

	2017	2016
Operating Transactions		
Net Current Year Surplus (Deficit)	121,031	863,521
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	858,843	887,679
(Gain)/Loss on Disposal of Tangible Capital Assets	(17,130)	-
Employee Future Benefits Increase/(Decrease)	63,152	(48,571)
Due from Other Organizations (Increase)/Decrease	(800,908)	806,085
Accounts Receivable & Accrued Income (Increase)/Decrease	34,527	(30,580)
Inventories and Prepaid Expenses - (Increase)/Decrease	(4,251)	(4,633)
Due to Other Organizations Increase/(Decrease)	(1,728)	76,535
Accounts Payable & Accrued Liabilities Increase/(Decrease)	(147,258)	208,738
Deferred Revenue Increase/(Decrease)	32,710	(55,970)
School Generated Funds Liability Increase/(Decrease)	-	-
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by (Applied to) Operating Transactions	138,988	2,702,804
Capital Transactions		
Acquisition of Tangible Capital Assets	(649,958)	(738,932)
Proceeds on Disposal of Tangible Capital Assets	17,130	-
Cash Provided by (Applied to) Capital Transactions	(632,828)	(738,932)
Investing Transactions		
Portfolio Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
Financing Transactions		
Borrowings from the Provincial Government Increase/(Decrease)	(529,642)	(749,521)
Other Borrowings Increase/(Decrease)	-	-
Cash Provided by (Applied to) Financing Transactions	(529,642)	(749,521)
Cash and Bank / Overdraft (Increase)/Decrease	(1,023,482)	1,214,351
Cash and Bank (Overdraft) at Beginning of Year	1,830,228	615,877
Cash and Bank (Overdraft) at End of Year	806,746	1,830,228

Lakeshore School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2017

	Buildings and Leasehold Improvements		School	Other	Furniture / Fixtures &	Computer Hardware &		Land	Assets Under	2017	2016
	School	Non-School	Buses	Vehicles	Equipment	Software *	Land	Improvements	Construction	TOTALS	TOTALS
Tangible Capital Asset Cost											
Opening Cost, as previously reported	23,818,310	531,023	3,650,318	64,111	1,306,281	-	50,115	-	-	29,420,158	28,681,226
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	23,818,310	531,023	3,650,318	64,111	1,306,281	-	50,115	-	-	29,420,158	28,681,226
Add: Additions during the year	725	-	416,461	500	165,039	-	-	-	67,233	649,958	738,932
Less: Disposals and write downs	-	-	319,699	-	-	-	-	-	-	319,699	-
Closing Cost	23,819,035	531,023	3,747,080	64,611	1,471,320	-	50,115	-	67,233	29,750,417	29,420,158
Accumulated Amortization											
Opening, as previously reported	11,842,722	492,459	2,682,241	29,575	944,617	-		-		15,991,614	15,103,935
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	11,842,722	492,459	2,682,241	29,575	944,617	-		-		15,991,614	15,103,935
Add: Current period Amortization	537,156	2,711	193,367	7,725	117,884	-		-		858,843	887,679
Less: Accumulated Amortization on Disposals and Writedowns	-	-	319,699	-	-	-		-		319,699	-
Closing Accumulated Amortization	12,379,878	495,170	2,555,909	37,300	1,062,501	-		-		16,530,758	15,991,614
Net Tangible Capital Asset	11,439,157	35,853	1,191,171	27,311	408,819	-	50,115	-	67,233	13,219,659	13,428,544
Proceeds from Disposal of Capital Assets	-	-	17,130	-	-	-				17,130	-

* Includes network infrastructure.

1. Nature of Organization and Economic Dependence

The School Division (the "Division") is a public body that provides education services to residents within its geographic location. The Division is funded mainly by grants from the Province of Manitoba (the "Province"), and a special levy on the property assessment included in the Division's boundaries. The Division is exempt from income tax.

The Division is economically dependent on the Province for the majority of its revenue and capital financing requirements. Without this funding, the Division would not be able to continue its operations.

2. Significant Accounting Policies

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles established by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants of Canada ("CPA").

a) Reporting Entity and Consolidation

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the Operating Fund, Capital Fund, and Special Purpose Fund of the Division. The Division reporting entity includes school generated funds and The Lakeshore Scholarship Fund controlled by the Division.

All inter-fund accounts and transactions are eliminated upon consolidation.

Trust Funds

The Division administers various trust funds. Trust funds and their related operations are not included in the consolidated financial statements as they are not owned or controlled by the Division. A schedule of trust funds is attached as part of the notes to the consolidated financial statements.

Trust funds, under PSAB are properties assigned to a trustee (the Division) under a trust agreement or statue. The trustee merely administers the terms and conditions embodied in the agreement, and it has no unilateral authority to change the conditions set out in the trust indenture.

b) Basis of Accounting

Revenues and expenses are reported on the accrual basis of accounting except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable. 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.

c) Fund Accounting

The fund method of accounting is employed by the Division to record financial transactions in separate funds as defined by Financial Reporting and Accounting in Manitoba Education ("FRAME") in accordance with the purpose for which the funds have been created.

The Operating Fund is maintained to record all the day to day operating revenues and expenses. The Capital Fund is used to account for the acquisition, amortization, disposal and financing of capital assets. The Special Purpose Fund is used to account for school generated funds and charitable foundations controlled by the Division.

2. Significant Accounting Policies - Continued

d) School Generated Funds

School generated funds are moneys raised by the school, or under the auspices of the school, through extracurricular activities for the sole use of the school that the Principal of each school, subject to the rules of the school board, may raise, hold, administer and expend for the purposes of the school.

Only revenue and expenses of school generated funds controlled by the Division are included in the Consolidated Statement of Revenue, Expenses and Accumulated Surplus. To be deemed as controlled, a school must have the unilateral authority to make the decisions as to when, how and on what the funds are to be spent.

Year end cash balances of all school generated funds are included in the Consolidated Statement of Financial Position. The uncontrolled portion of this amount is reflected in the School Generated Funds Liability account. Examples of uncontrolled school generated funds are student council funds, yearbook funds, graduation funds and specified sports and cultural funds. Revenues and expenses of uncontrolled school generated funds are not included in the consolidated financial statements.

e) Tangible Capital Assets

Tangible capital assets are non-financial assets that are used by the Division to provide services to the public and have an economic life beyond one fiscal year. Tangible capital assets include land, buildings, buses, other vehicles, furniture and equipment and assets under construction.

To be classified as tangible capital assets, each asset other than land must individually meet the capitalization threshold for its class.

Asset Description	Capitalization Threshold ($)	Estimated Useful Life (Years)
Land Improvements	50,000	10
Buildings - bricks, mortar and steel	50,000	40
Buildings - wood frame	50,000	25
School buses	50,000	10
Vehicles	10,000	5
Equipment	10,000	5
Network Infrastructure	25,000	10
Computer Hardware, Servers & Peripherals	10,000	4
Computer Software	10,000	4
Furniture and Fixtures	10,000	10
Leasehold Improvements	25,000	Over term of lease

Grouping of assets is not permitted except for computer work stations.

With the exception of land and buildings acquired before June 30, 1995, all tangible capital assets, are recorded at historical cost, which includes purchase price, installation costs and other costs incurred to put the asset into service.

All land acquired prior to June 30, 1995 has been valued using information provided by the Crown Lands and Property Agency and adjusted by the Division where further information was available.

Buildings are recorded at historical cost when known. For buildings acquired prior to June 30, 2005 where the actual cost was not known, the replacement value for insurance purposes as at June 30, 2005 was regressed to the date of acquisition using a regression index based on Southam and CanaData construction cost indices.

2. Significant Accounting Policies - Continued

e) Tangible Capital Assets - Continued

All tangible capital assets, except for land and assets under construction, are amortized on a straight-line basis over their estimated useful lives as prescribed by FRAME. Land is not amortized.

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal if not fully amortized.

Assets under construction are not amortized until the date of substantial completion. Interest on funds used to finance school buildings under construction is capitalized for the periods preceding the date of substantial completion.

f) Employee Future Benefits

The Province of Manitoba pays the employer portion of the Teachers' Retirement Allowances Fund ("TRAF"), the pension plan for all certified teachers of the Division. The Division does not contribute to TRAF, and no costs relating to this plan are included in the Division's financial statements.

The Division provides retirement and other future benefits to its administrative and school support employees as a defined contribution plan, under the Manitoba School Boards Association ("MSBA"). The Division adopted the following policy with respect to accounting for these employee future benefits:

Defined contribution plan

Under this plan, specific fixed amounts are contributed by the Division each year for services rendered by the employees. No responsibility is assumed by the Division to make any further contribution.

For those defined benefit plans that accumulate but do not vest such as sick pay, the benefit costs are recognized and recorded only in the period when employees feel sick.

g) Capital Reserve

Certain amounts, as approved by the Board of Trustees and the Public Schools Finance Board ("PSFB"), have been set aside in reserve accounts for future capital purposes. These Capital Reserve accounts are internally restricted funds that form part of the Accumulated Surplus presented in the Consolidated Statement of Financial Position.

h) Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting year.

Accounts receivable are stated after evaluation as to their collectability, and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization of tangible capital assets is based on their estimated useful lives as prescribed by FRAME which approximates their useful lives. Non-vested sick leave benefits are measured based on management's best estimate of projected future utilization of sick time in a given year over sick time earned in that year.

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

2. Significant Accounting Policies – Continued

i) Financial instruments

Fair values:

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. Their classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the Division's designation of such instruments.

Classification:

Cash and bank, and overdraft	Held-for-trading
Accounts receivable	Loans and receivables
Accounts payable and accrued liabilities, employee future benefits, accrued interest payable and debenture debt	Other financial liabilities

Held for trading:

Held-for-trading financial assets are typically acquired for resale prior to maturity or are designated as held-for-trading. They are measured at fair value at the balance sheet date. Fair value fluctuations including interest earned, interest accrued, gains and losses realized on disposal and unrealized gains and losses are included in investment income.

Loans and receivables:

Financial assets designated as loans and receivables are recorded at amortized cost using the effective interest method. Given the short-term nature of accounts receivable, their carrying value approximates fair value.

Other financial liabilities:

Other liabilities are recorded at amortized cost using the effective interest method and include all financial liabilities. Given the short-term nature of accounts payable and accruals, employee future benefits and accrued interest payable, their carrying value approximates fair value. The fair value of the debenture debt also approximates its carrying value as there have been no significant changes to the underlying credit characteristics of the parties to the debenture agreements.

Interest, currency and credit risk:

It is management's opinion that the Division is not exposed to significant interest, currency or credit risk from financial instruments. The Division is exposed to some credit risk from the potential non-payment of accounts receivable, however as the majority of the receivables are from local, provincial and federal governments, credit risk is minimal.

j) Liability for contaminated sites

A liability for remediation of a contaminated site is recognized at the best estimate of the amount required to remediate the contaminated site when contamination exceeding an environmental standard exists, the School Division is either directly responsible or accepts responsibility, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount is determinable. The best estimate of the liability includes all costs directly attributable to remediation activity and is reduced by expected net recoveries based on information available at June 30, 2017.

At each financial reporting date, the School Division reviews the carrying amount of the liability. Any revisions required to the amount previously recognized is accounted for in the period revisions are made. The School Division continues to recognize the liability until it is settled or otherwise extinguished. Disbursements made to settle the liability are deducted from the reported liability when they are made.

3. Overdraft

The Division has an authorized line of credit with the Canadian Imperial Bank of Commerce of $3,000,000 by way of overdrafts and is repayable on demand at prime less 0.25% (2016 – prime less 0.25%); interest is paid monthly. $3,000,000 remains available on this line of credit. Overdrafts are secured by temporary borrowing by-laws.

4. Employee Future Benefits

The Division provides retirement and other future benefits to its administrative and support staff as a defined contribution plan, run by MSBA. The defined contribution plan is provided to support staff employees based on their age at the beginning of the year and rates of pay. Each age group under the MSBA pension plan has a specific percentage for the employees to contribute. The Division contributions equal the employee contributions to the plan. No pension liability is included in the financial statements.

The employee future benefit expense is a part of the Employee Benefits and Allowances expense account. It includes the Division's contribution of $249,663 in 2017 (2016 - $245,205).

Employee future benefits recorded as a liability represents maternity and parental leave payable for teaching employees.

Non-vested accumulated sick leave benefits are measured based on estimated future utilization of excess sick benefits used over earned per year, to maximum entitlement. The impact of the estimated non-vested sick leave benefit cost for 2017 is $nil (2016 - $nil).

5. Deferred Revenue

The deferral method of accounting is used for revenues received that, pursuant to legislation, regulation or agreement, may only be used for specific purposes. These amounts are recognized as revenue in the fiscal year the related expenses are incurred or services performed. The following is a breakdown of the account balance:

	Balance as at June 30, 2016	Additions in year	Revenue recognized in year	Balance as at June 30, 2017
Lakeshore Recreation Commission	50,340	31,710	-	82,050
Other amounts	11,840	1,000	-	12,840
	$ 62,180	$ 32,710	$ -	$ 94,890

6. Debenture Debt

The debenture debt of the Division is in the form of twenty-year debentures payable, principal and interest, in twenty equal yearly installments and maturing at various dates from 2018 to 2036. Payment of principal and interest is funded entirely by grants from the Province of Manitoba. The debentures carry interest rates that range from 3.250% to 7.000%. Debenture interest expense payable as at June 30, 2017, is accrued and recorded in Accrued Interest Payable, and a grant in an amount equal to the interest accrued on provincially funded debentures is recorded in Due from the Provincial Government. The debenture repayments in the next five years are:

	Principal	Interest	Total
2018	846,200	512,521	1,358,721
2019	850,820	465,893	1,316,713
2020	871,588	419,213	1,290,801
2021	919,273	371,528	1,290,801
2022	914,101	323,736	1,237,837
	$4,401,982	$2,092,891	$6,494,873

7. Net Tangible Capital Assets

The Schedule of Tangible Capital Assets (TCA), page 23 of the audited financial statements, provides a breakdown of cost, accumulated amortization and net book value by class.

	Gross Amount	Accumulated Amortization	2017 Net Book Value	2016 Net Book Value
Owned-tangible capital assets	$ 29,750,417	$ 16,530,758	$13,219,659	$ 13,428,544

8. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2017	2016
Operating Fund		
Designated Surplus	$ 0	$ 0
Undesignated Surplus	782,646	1,050,171
	782,646	1,050,171
Capital Fund		
Reserve Accounts	1,149,717	1,298,372
Equity in Tangible Capital Assets	3,428,684	2,915,086
	4,578,401	4,213,458
Special Purpose Fund		
School Generated Funds	162,713	138,836
Other Special Purpose Funds	19,397	19,661
	182,110	158,497
Total Accumulated Surplus	$ 5,543,157	$ 5,422,126

Designated Surplus under the Operating Fund represents internally restricted amounts appropriated by the board or, in the case of school budget carryovers, by board policy.

Reserve Accounts under the Capital Fund represents internally restricted reserves for specific purposes approved by the Board of Trustees and PSFB. A Schedule of Capital Reserve Accounts is provided on page 24 of the audited financial statements.

School Generated Funds and Other Special Purpose Funds are externally restricted moneys for school use, Scholarship Awards and donations for school projects.

9. Municipal Government - Property Tax and related Due from Municipal Government

Education property tax or Special Levy is raised as the Division's contribution to the cost of providing public education for the students' resident in the division. The Municipal Government-Property Tax shown on the consolidated revenue and expense is raised over the two calendar (tax) years; 40% from 2016 tax year and 60% from 2017 tax year. Below are the related revenue and receivable amounts:

	2017	2016
Revenue-Municipal Government-Property Tax	$3,531,212	$3,438,551
Receivable-Due from Municipal-Property Tax	$2,112,696	$2,063,131

10. Interest Received and Paid

The Division received interest during the year of $11,891 (2016 - $9,919); interest paid during the year was $536,971 (2016 - $576,750).

Interest expense is included in Fiscal and is comprised of the following:

	2017	2016
Operating Fund		
Fiscal-short term loan, interest and bank charges	$ 2,438	$ 2,865
Capital Fund		
Debenture debt interest	534,533	573,885
	$ 536,971	$ 576,750

The accrual portion of debenture debt interest expense of $229,015 (2016 - $244,289) included under the Capital Fund-Debenture debt interest, is offset by an accrual of the debt servicing grant from the Province of Manitoba.

11. Expenses by Object

Expenses in the consolidated statement of revenue, expenses and accumulated surplus are reported by function as defined by FRAME. Below is the detail of expenses by object:

	Actual 2017	Budget 2017	Actual 2016
Salaries	$ 12,186,715	$ 12,332,325	$ 11,814,464
Employees benefits and allowances	1,162,386	1,259,965	1,162,723
Services	1,826,306	1,551,040	1,542,304
Supplies, materials and minor equipment	1,858,508	1,394,421	1,357,124
Interest	536,971	5,000	576,750
Payroll tax	260,994	250,000	258,196
Transfers	89,833	35,700	61,316
Amortization	858,843	-	887,679
Loss (Gain) and disposal of capital assets	-	-	-
School generated funds	307,228	-	407,635
Other capital items	-	-	-
Other special purpose funds	7,881	-	7,375
	$ 19,095,665	$ 16,828,451	$ 18,075,566

12. Non Financial Information

The 2016 student enrolment (FRAME) and transportation statistics, full time equivalent personnel, and senior staff allocations are unaudited and have been presented for information purposes only.

13. Capital management

Operating and special purpose funds
The Division's objective when managing capital is to ensure that its expenditures closely match their revenues. Capital consists of the two fund balances in the amount of $964,756 (2016 - $1,208,668).

Capital fund
The capital fund is managed with the long term objective of acquiring and maintaining the capital assets acquired to facilitate the Division's operations. Capital consists of the various fund balances in the amount of $4,578,401 (2016 - $4,213,458).

The Division is not subject to externally imposed capital requirements. There have been no changes in the Division's approach to capital management during the year.

Lord Selkirk School Division

205 MERCY STREET, SELKIRK, MANITOBA R1A 2C8
PH. (204) 482-5942 • TOLL FREE 1-866-433-5942 • FAX (204) 482-3000
E-mail: lssd.boardoffice@lssd.ca Website: www.lssd.ca

MANAGEMENT REPORT

Management's Responsibility for the Financial Statements

The accompanying consolidated financial statements of Lord Selkirk School Division ("Division") are the responsibility of the Division's management and have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board of Chartered Professional Accountants Canada. A summary of the significant accounting policies are described in Note 2 to the consolidated financial statements.

The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. Division management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The Board of Trustees of the Division met with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by BDO Canada LLP, independent external auditors, appointed by the Board of Trustees. The accompanying Independent Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Division's consolidated financial statements.

Original Document Signed	Original Document Signed
Chairperson	Secretary-Treasurer

October 17, 2017

EDUCATIONAL CARE
AND EXCELLENCE

Tel.: 204 956 7200
Fax.: 204 926 7201
Toll-free: 800 268 3337
www.bdo.ca

BDO Canada LLP
700 - 200 Graham Avenue
Winnipeg MB R3C 4L5 Canada

Independent Auditor's Report

To the Chairperson and Board of Trustees of
Lord Selkirk School Division

We have audited the accompanying consolidated financial statements of **Lord Selkirk School Division**, which comprise the consolidated statement of financial position as at June 30, 2017, and the consolidated statement of revenue, expenses and accumulated surplus, consolidated statement of change in net debt and consolidated statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the 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.

Auditor's 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 auditor's 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 financial position of **Lord Selkirk School Division** as at June 30, 2017, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

BDO Canada LLP

Chartered Professional Accountants

Winnipeg, Manitoba
October 17, 2017

I hereby certify that this report and the statements, schedules and reports referenced herein have been presented to the Members of the Board of Trustees of the above-mentioned School Division.

Oct 27/17
Date

Original Document Signed
Chairperson

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2017	2016
	Financial Assets		
	Cash and Bank	-	-
	Due from - Provincial Government	2,965,163	2,952,098
	- Federal Government	58,340	60,552
	- Municipal Government	13,976,966	12,827,904
	- Other School Divisions	8,956	972
	- First Nations	267,655	171,563
	Accounts Receivable	120,356	274,517
	Accrued Investment Income	-	-
	Portfolio Investments	-	-
		17,397,436	16,287,606
	Liabilities		
3	Overdraft	3,413,868	2,513,842
	Accounts Payable	4,370,534	4,673,983
	Accrued Liabilities	4,035,496	3,987,165
4	Employee Future Benefits	296,489	295,639
	Accrued Interest Payable	553,632	579,027
	Due to - Provincial Government	223,203	193,136
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
5	Deferred Revenue	1,193,823	1,265,858
7	Borrowings from the Provincial Government	27,370,958	27,264,085
	Other Borrowings	-	-
	School Generated Funds Liability	61,395	56,867
		41,519,398	40,829,602
	Net Debt	(24,121,962)	(24,541,996)
	Non-Financial Assets		
8	Net Tangible Capital Assets (TCA Schedule)	36,584,093	35,977,577
	Inventories	58,620	39,068
	Prepaid Expenses	62,985	57,321
		36,705,698	36,073,966
9	**Accumulated Surplus**	12,583,736	11,531,970

See accompanying notes to the Financial Statements

Lord Selkirk School Division

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes			2017	2016
	Revenue			
	Provincial Government		37,557,834	37,389,250
	Federal Government		57,140	40,604
	Municipal Government	- Property Tax	23,303,569	21,409,178
		- Other	-	-
	Other School Divisions		176,231	179,650
	First Nations		455,455	497,408
	Private Organizations and Individuals		603,387	618,997
	Other Sources		322,702	291,873
	School Generated Funds		996,920	1,164,434
	Other Special Purpose Funds		-	-
			63,473,238	61,591,394
	Expenses			
	Regular Instruction		33,940,131	32,908,017
	Student Support Services		9,189,743	8,675,347
	Adult Learning Centres		345,726	376,563
	Community Education and Services		524,643	518,283
	Divisional Administration		1,990,092	1,942,473
	Instructional and Other Support Services		1,574,637	1,496,566
	Transportation of Pupils		2,486,717	2,401,547
	Operations and Maintenance		6,436,555	6,573,836
11	Fiscal	- Interest	1,307,905	1,364,613
		- Other	955,978	939,366
	Amortization		2,648,069	2,649,543
	Other Capital Items		3,941	-
	School Generated Funds		1,016,485	1,123,251
	Other Special Purpose Funds		-	-
			62,420,622	60,969,405
	Current Year Surplus (Deficit) before Non-vested Sick Leave		1,052,616	621,989
	Less: Non-vested Sick Leave Expense (Recovery)		850	49,926
	Net Current Year Surplus (Deficit)		1,051,766	572,063
	Opening Accumulated Surplus		11,531,970	10,994,874
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	-
		Other than Tangible Cap. Assets	-	(34,967)
		Non-vested sick leave - prior years	-	-
	Opening Accumulated Surplus, as adjusted		11,531,970	10,959,907
	Closing Accumulated Surplus		12,583,736	11,531,970

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2017

	2017	2016
Net Current Year Surplus (Deficit)	1,051,766	572,063
Amortization of Tangible Capital Assets	2,648,069	2,649,543
Acquisition of Tangible Capital Assets	(3,274,463)	(2,587,731)
(Gain) / Loss on Disposal of Tangible Capital Assets	(5,295)	(13,259)
Proceeds on Disposal of Tangible Capital Assets	25,173	31,023
	(606,516)	79,576
Inventories (Increase)/Decrease	(19,552)	(8,559)
Prepaid Expenses (Increase)/Decrease	(5,664)	(4,504)
	(25,216)	(13,063)
(Increase)/Decrease in Net Debt	420,034	638,576
Net Debt at Beginning of Year	(24,541,996)	(25,145,605)
Adjustments Other than Tangible Cap. Assets	-	(34,967)
	(24,541,996)	(25,180,572)
Net Debt at End of Year	(24,121,962)	(24,541,996)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2017

	2017	2016
Operating Transactions		
Net Current Year Surplus (Deficit)	1,051,766	572,063
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	2,648,069	2,649,543
(Gain)/Loss on Disposal of Tangible Capital Assets	(5,295)	(13,259)
Employee Future Benefits Increase/(Decrease)	850	49,926
Due from Other Organizations (Increase)/Decrease	(1,263,991)	(573,406)
Accounts Receivable & Accrued Income (Increase)/Decrease	154,161	(151,111)
Inventories and Prepaid Expenses - (Increase)/Decrease	(25,216)	(13,063)
Due to Other Organizations Increase/(Decrease)	30,067	13,907
Accounts Payable & Accrued Liabilities Increase/(Decrease)	(280,513)	71,436
Deferred Revenue Increase/(Decrease)	(72,035)	330,504
School Generated Funds Liability Increase/(Decrease)	4,528	6,889
Adjustments Other than Tangible Cap. Assets	-	(34,967)
Cash Provided by (Applied to) Operating Transactions	2,242,391	2,908,462
Capital Transactions		
Acquisition of Tangible Capital Assets	(3,274,463)	(2,587,731)
Proceeds on Disposal of Tangible Capital Assets	25,173	31,023
Cash Provided by (Applied to) Capital Transactions	(3,249,290)	(2,556,708)
Investing Transactions		
Portfolio Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
Financing Transactions		
Borrowings from the Provincial Government Increase/(Decrease)	106,873	(356,363)
Other Borrowings Increase/(Decrease)	-	-
Cash Provided by (Applied to) Financing Transactions	106,873	(356,363)
Cash and Bank / Overdraft (Increase)/Decrease	(900,026)	(4,609)
Cash and Bank (Overdraft) at Beginning of Year	(2,513,842)	(2,509,233)
Cash and Bank (Overdraft) at End of Year	(3,413,868)	(2,513,842)

Lord Selkirk School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2017

	Buildings and Leasehold Improvements		School	Other	Furniture / Fixtures &	Computer Hardware &		Land	Assets Under	2017	2016
	School	Non-School	Buses	Vehicles	Equipment	Software *	Land	Improvements	Construction	TOTALS	TOTALS
Tangible Capital Asset Cost											
Opening Cost, as previously reported	54,485,001	5,772,667	5,792,815	266,096	2,819,349	1,705,667	480,378	2,562,630	568,208	74,452,811	72,491,716
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	54,485,001	5,772,667	5,792,815	266,096	2,819,349	1,705,667	480,378	2,562,630	568,208	74,452,811	72,491,716
Add: Additions during the year	482,039	-	525,700	89,890	233,713	-	-	372,214	1,570,907	3,274,463	2,587,731
Less: Disposals and write downs	-	-	455,598	-	122,095	-	-	-	-	577,693	626,636
Closing Cost	54,967,040	5,772,667	5,862,917	355,986	2,930,967	1,705,667	480,378	2,934,844	2,139,115	77,149,581	74,452,811
Accumulated Amortization											
Opening, as previously reported	27,520,690	2,701,572	3,225,398	165,124	2,181,067	783,456		1,897,927		38,475,234	36,434,563
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	27,520,690	2,701,572	3,225,398	165,124	2,181,067	783,456		1,897,927		38,475,234	36,434,563
Add: Current period Amortization	1,443,660	170,732	506,140	38,703	190,749	148,628		149,457		2,648,069	2,649,543
Less: Accumulated Amortization on Disposals and Writedowns	-	-	455,598	-	102,217	-		-		557,815	608,872
Closing Accumulated Amortization	28,964,350	2,872,304	3,275,940	203,827	2,269,599	932,084		2,047,384		40,565,488	38,475,234
Net Tangible Capital Asset	26,002,690	2,900,363	2,586,977	152,159	661,368	773,583	480,378	887,460	2,139,115	36,584,093	35,977,577
Proceeds from Disposal of Capital Assets	-		23,730	1,443	-	-				25,173	31,023

* Includes network infrastructure.

1. Nature of Organization and Economic Dependence

The Lord Selkirk School Division (Division) is a public body that provides education services to residents within its geographic location. The division is funded mainly by grants from the Province of Manitoba (Province), and a special levy on the property assessment included in the Division's boundaries. The Division is exempt from income tax and is a registered charity under the Income Tax Act.

The Division is economically dependent on the Province for the majority of its revenue and capital financing requirements. Without this funding, the Division would not be able to continue its operations.

2. Significant Accounting Policies

The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants Canada (CPAC).

Reporting Entity and Consolidation

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the operating fund, capital fund, and special purpose fund of the Division. The Division reporting entity includes school generated funds controlled by the Division.

All inter-fund accounts and transactions are eliminated upon consolidation.

Trust Funds

The Division administers various trust funds. Trust funds and their related operations are not included in the consolidated financial statements as they are not owned or controlled by the Division. A schedule of trust funds is attached as part of the notes to the consolidated financial statements.

Trust funds, under PSAB are properties assigned to a trustee (school division) under a trust agreement or statute; the trustee merely administers the terms and conditions embodied in the agreement, and it has no unilateral authority to change the conditions set out in the trust indenture.

Basis of Accounting

Revenues and expenses are reported on the accrual basis of accounting except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable. 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.

Fund Accounting

The fund method of accounting is employed by the Division to record financial transactions in separate funds as defined by Financial Reporting and Accounting in Manitoba Education (FRAME) in accordance with the purpose for which the funds have been created.

The Operating Fund is maintained to record all the day to day operating revenues and expenses. The Capital Fund is used to account for the acquisition, amortization, disposal and financing of capital assets. The Special Purpose Fund is used to account for school generated funds and charitable foundations controlled by the Division.

School Generated Funds

School generated funds are moneys raised by the school, or under the auspices of the school, through extra curricular activities for the sole use of the school that the principal of each school, subject to the rules of the school board, may raise, hold, administer and expend for the purposes of the school.

Only revenue and expenses of school generated funds controlled by the Division are included in the Consolidated Statement of Revenue, Expenses and Accumulated Surplus. To be deemed as controlled, a school must have the unilateral authority to make the decisions as to when, how and on what the funds are to be spent.

Period end cash balances of all school generated funds are included in the Consolidated Statement of Financial Position. The uncontrolled portion of this amount is reflected in the School Generated Funds Liability account. Examples of uncontrolled school generated funds are parent council funds, other parent group funds, student council funds and travel club funds. Revenues and expenses of uncontrolled school generated funds are not included in the consolidated financial statements.

Tangible Capital Assets

Tangible capital assets are non-financial assets that are used by the Division to provide services to the public and have an economic life beyond one fiscal year. Tangible capital assets include land, buildings, buses, other vehicles, furniture and equipment, computers, capital leases, leasehold improvements, and assets under construction.

To be classified as tangible capital assets, each asset other than land must individually meet the capitalization threshold for its class as prescribed by FRAME.

Asset Description	Capitalization Threshold ($)	Estimated Useful Life
Land Improvements	50,000	10 years
Buildings – bricks, mortar, steel	50,000	40 years
Buildings – wood frame	50,000	25 years
School buses	50,000	10 years
Vehicles	10,000	5 years
Equipment	10,000	5 years
Network Infrastructure	25,000	10 years
Computer Hardware, Servers, Peripherals	10,000	4 years
Computer Software	10,000	4 years
Furniture & Fixtures	10,000	10 years
Leasehold Improvements	25,000	Over term of lease

Grouping of assets is not permitted except for computer work stations.

With the exception of land, all tangible capital assets, are recorded at historical cost, which includes purchase price, installation costs and other costs incurred to put the asset into service.

Buildings are recorded at historical cost when known. For buildings acquired prior to June 30, 2005 where the actual cost was not known, the replacement value for insurance purposes as at June 30, 2005 was regressed to the date of acquisition using a regression index based on Southam and CanaData construction cost indices.

All land acquired prior to June 30, 2006 has been valued by the Crown Lands and Property Agency.

All tangible capital assets, except for land, and assets under construction, are amortized on a straight-line basis over their estimated useful lives as prescribed by FRAME. Land is not amortized.

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal if not fully amortized.

Assets under construction are not amortized until the date of substantial completion. Interest on funds used to finance school buildings under construction is capitalized for the periods preceding the date of substantial completion.

Employee Future Benefits

The Province of Manitoba pays the employer portion of the Teachers' Retirement Allowances Fund (TRAF), the pension plan for all certified teachers of the Division. The Division does not contribute to TRAF, and no costs relating to this plan are included in the Division's financial statements.

The Division provides retirement benefits to its administrative employees in the form of a defined contribution pension plan. The Division pays the employer portion of the defined contribution plan administered by the Manitoba School Boards Association (MSBA). Under this plan, specific fixed amounts are contributed by the Division each period for services rendered, matching employee contributions. No responsibility is assumed by the Division to make any further contribution.

For those defined benefit self-insured plans that are event driven such as non-vesting parental leave, the benefit costs are recognized and recorded only in the period when the event occurs.

For non-vesting accumulating sick days, the benefit costs are recognized, if deemed material, based on a projection of expected future utilization of sick time, discounted using net present value techniques.

Capital Reserve

Certain amounts, as approved by the Board of Trustees and the Public Schools Finance Board (PSFB), have been set aside in reserve accounts for future capital purposes. These Capital Reserve accounts are internally restricted funds that form part of the Accumulated Surplus presented in the Consolidated Statement of Financial Position.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates, as additional information becomes available in the future.

Financial Instruments

There are no significant terms and conditions related to financial instruments (cash, accounts receivable, investments, and bank indebtedness, accounts payable and long-term debt) that may affect the amount, timing and certainty of future cash flows. The Division is exposed to credit risk from the potential non-payment of accounts receivable. However, the majority of the receivables are from local, provincial and federal governments, and therefore, the credit risk are minimal. The carrying amounts of the financial instruments approximate their carrying values, unless otherwise noted.

3. Bank Overdraft

The Division has an authorized line of credit with TD Canada Trust of $9,500,000 by way of overdrafts and is repayable on demand at prime less .75% (1.95% as of June 30, 2017); interest is paid monthly. Overdrafts are secured by a borrowing by-law. As at June 30, 2017, the Division's operating line of credit utilized is $3,488,034.

4. Employee Future Benefits

The Division sponsors a defined contribution pension plan, run by the Manitoba School Boards Association (MSBA). The defined contribution plan is provided to administrative employees based on their age at the beginning of the year and rates of pay. Each age group under the MSBA pension plan has a specific percentage for the employees to contribute. The Division contributions equal the employee contributions to the plan. No pension liability is included in the financial statements.

The employee future benefit expense is a part of the Employee Benefits and Allowances expense account. It includes the Division's contribution of $862,394 in 2017 ($838,068 in 2016).

Non-vested accumulating sick leave benefits are measured using net present value techniques on the expected future utilization of excess of sick leave benefits used over earned per year, to maximum entitlement. The non-vested sick leave recovery for the year is $850 (expense of $49,926 in 2016).

Employee future benefits of $269,489 ($295,639 at June 30, 2016) recorded as a liability consists entirely of the Division's sick leave liability.

5. Deferred Revenue

The deferral method of accounting is used for revenues received that, pursuant to legislation, regulation or agreement, may only be used for specific purposes. These amounts are recognized as revenue in the fiscal year the related expenses are incurred or services performed. The following is a breakdown of the account balance:

	Balance as at June 30, 2016	Additions in period	Revenue recognized in period	Balance as at June 30, 2017
Operating Fund				
Education Property Tax Credit (EPTC)	$ 757,046	$ 5,902,749	$ 5,895,648	$ 764,147
START	59,741	60,025	76,268	43,498
Breakfast Programs	2,282	13,400	14,447	1,235
International Students Program	125,849	181,591	167,145	140,295
Community Stadium	31,171	250	-	31,421
Other	153,876	91,712	150,456	95,132
	1,129,965	6,249,727	6,303,964	1,075,728
Capital Fund				
Capital Fund Donations	135,893	-	17,798	118,095
Total	$ 1,265,858	$ 6,249,727	$ 6,321,762	$ 1,193,823

6. School Generated Funds Liability

School Generated Funds Liability includes the non-controlled portion of school generated funds consolidated in the cash and bank balances in the amount of $61,395 in 2017 ($56,867 in 2016).

7. Debenture Debt

The debenture debt of the Division is in the form of twenty-year debentures payable, principal and interest, in twenty equal yearly instalments and maturing at various dates from 2017 to 2037. Payment of principal and interest is funded entirely by grants from the Province of Manitoba, except for the debenture debt on self-funded capital projects. The debentures carry interest rates that range from 3.0% to 7.25%. Debenture interest expense payable as at June 30, 2017, is accrued and recorded in Accrued Interest Payable, and a grant in an amount equal to the interest accrued on provincially funded debentures is recorded in Due from the Provincial Government. The debenture principal and interest repayments in the next five years are:

2017	$ 3,092,804
2018	3,045,642
2019	3,007,419
2020	2,942,551
2021	2,851,892
	$ 14,940,308

8. Net Tangible Capital Assets

The Schedule of Tangible Capital Assets (TCA), page 23 of the audited financial statements, provides a breakdown of cost, accumulated amortization and net book value by class. The amount of interest capitalized in the period included in Assets under Construction was nil (previous year nil).

9. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2017	2016
Operating Fund		
Designated Surplus	$ -	$ 276,000
Undesignated Surplus	2,272,478	2,169,805
Non-vested Sick Leave	(296,489)	(295,639)
	1,975,989	2,150,166
Capital Fund		
Reserve Accounts	1,719,888	918,846
Equity in Tangible Capital Assets	8,544,245	8,099,779
	10,264,133	9,018,625
Special Purpose Fund		
School Generated Funds	343,614	363,179
Other Special Purpose Funds	-	-
	343,614	363,179
Total Accumulated Surplus	$ 12,583,736	$ 11,531,970

Designated Surplus under the Operating Fund represents internally restricted amounts appropriated by the Board of Trustees or, in the case of school budget carryovers, by Board policy. The designated surplus is $nil for the current year.

Reserve Accounts under the Capital Fund represent internally restricted reserves for specific purposes approved by the Board of Trustees and PSFB. A Schedule of Capital Reserve Accounts is provided on page 24 of the consolidated financial statements.

10. Municipal Government – Property Tax and related Due from Municipal Government

Education property tax or Special Levy is raised as the Division's contribution to the cost of providing public education for the students' resident in the division. The Municipal Government - Property Tax shown on the consolidated statement of revenue and expense is raised over the two calendar (tax) years; 40% from 2016 tax year and 60% from 2017 tax year. Below are the related revenue and receivable amounts:

	2017	2016
Revenue – Municipal Government – Property Tax	$ 23,303,569	$ 21,409,178
Receivable – Due from Municipal – Property Tax	$ 13,976,966	$ 12,827,904

11. Interest Received and Paid

The Division received interest during the year of $11,051 (previous year $8,961); interest paid during the year was $1,307,905 (previous year $1,364,613).

Interest expense is included in Fiscal and is comprised of the following:

	2017	2016
Operating Fund		
Fiscal-short term loan, interest and bank charges	$ 53,270	$ 57,272
Capital Fund		
Debenture interest	1,254,635	1,307,341
	$ 1,307,905	$ 1,364,613

The accrual portion of debenture debt interest expense of $ 553,632 included under the Capital Fund-Debenture debt interest is offset by an accrual of the debt servicing grant from the Province of Manitoba.

12. Expenses by Object

Expenses in the consolidated statement of revenue, expenses and accumulated surplus are reported by function as defined by FRAME. Below is the detail of expenses by object:

	Actual 2017	Budget 2017	Actual 2016
Salaries	$ 44,462,421	$ 44,570,567	$ 42,929,049
Employees benefits and allowances	3,691,375	3,930,425	3,659,844
Services	4,109,170	4,275,425	4,280,494
Supplies, materials & minor equipment	4,053,899	4,330,760	3,835,422
Interest	1,307,905	60,000	1,364,613
Payroll tax	955,978	940,000	939,366
Amortization	2,648,069	-	2,649,543
Transfers	171,379	177,865	187,823
Other capital items	3,941	-	-
School generated funds	1,016,485	-	1,123,251
	$ 62,420,622	$ 58,285,042	$ 60,969,405

KPMG LLP
Suite 2000 - One Lombard Place
Winnipeg MB R3B 0X3
Canada

Telephone (204) 957-1770
Fax (204) 957-0808
Internet www kpmg.ca

MANAGEMENT REPORT

Management's Responsibility for the Financial Statements

The accompanying consolidated financial statements of Louis Riel School Division are the responsibility of the Division's management and have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards. A summary of the significant accounting policies are described in note 2 to the consolidated financial statements.

The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. The Division's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The Board of Trustees of the Division met with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by KPMG LLP, independent external auditors appointed by the Board. The accompanying Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Division's consolidated financial statements.

Original Document Signed
Chairperson

Original Document Signed
Secretary-Treasurer

October 17, 2017

KPMG LLP
Suite 2000 - One Lombard Place
Winnipeg MB R3B 0X3
Canada

Telephone (204) 957-1770
Fax (204) 957-0808
Internet www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees

We have audited the accompanying consolidated financial statements of Louis Riel School Division, which comprise the consolidated statement of financial position as at June 30, 2017, the consolidated statements of revenue, expenses and accumulated surplus, change in net debt and cash flow for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information. These consolidated financial statements have been prepared to comply with the Public Schools Act.

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 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 our 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, we consider 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 Louis Riel School Division as at June 30, 2017, and its consolidated results of operations, its consolidated change in net debt and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Other Matters

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

KPMG LLP

Chartered Professional Accountants

October 17, 2017

Winnipeg, Canada

I hereby certify that the preceding report has been presented to the members of the Board of Louis Riel School Division.

Original Document Signed	OCT 17 2017
Chairperson of the Board	Date

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2017	2016
	Financial Assets		
	Cash and Bank	-	-
	Due from - Provincial Government	6,229,219	5,975,127
	- Federal Government	467,160	479,632
	- Municipal Government	39,669,789	37,379,813
	- Other School Divisions	17,731	27,389
	- First Nations	35,000	35,000
	Accounts Receivable	1,013,240	999,574
	Accrued Investment Income	-	-
	Portfolio Investments	-	-
		47,432,139	44,896,535
	Liabilities		
3	Overdraft	9,922,053	6,506,207
	Accounts Payable	14,107,615	15,440,289
	Accrued Liabilities	4,116,031	4,446,920
4	Employee Future Benefits	1,235,781	1,102,444
	Accrued Interest Payable	584,478	503,076
	Due to - Provincial Government	15,401	14,279
	- Federal Government	8,304	8,412
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
7	Deferred Revenue	11,358,395	10,895,140
9	Borrowings from the Provincial Government	50,538,735	38,075,316
15	Other Borrowings	181,274	269,579
	School Generated Funds Liability	628,106	500,222
		92,696,173	77,761,884
	Net Debt	(45,264,034)	(32,865,349)
	Non-Financial Assets		
10	Net Tangible Capital Assets (TCA Schedule)	76,260,842	62,893,187
	Inventories	64,772	49,561
	Prepaid Expenses	898,483	940,584
		77,224,097	63,883,332
11	**Accumulated Surplus**	31,960,063	31,017,983

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT
OF REVENUE, EXPENSES
AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes			2017	2016
	Revenue			
	Provincial Government		113,042,103	108,531,682
	Federal Government		223,089	244,684
	Municipal Government	- Property Tax	66,093,992	62,617,639
		- Other	-	-
	Other School Divisions		578,333	589,980
	First Nations		42,900	22,000
	Private Organizations and Individuals		5,176,566	4,307,309
	Other Sources		370,244	377,627
	School Generated Funds		2,676,801	2,300,857
	Other Special Purpose Funds		-	-
			188,204,028	178,991,778
	Expenses			
	Regular Instruction		98,078,950	94,039,323
	Student Support Services		36,955,810	34,372,657
	Adult Learning Centres		1,047,354	1,096,791
	Community Education and Services		1,743,488	1,522,347
	Divisional Administration		5,949,315	5,537,437
	Instructional and Other Support Services		8,391,833	7,793,960
	Transportation of Pupils		4,141,296	3,816,729
	Operations and Maintenance		19,102,341	18,011,606
13	Fiscal	- Interest	1,912,396	1,508,896
		- Other	2,950,432	2,790,711
	Amortization		4,374,222	3,995,796
	Other Capital Items		-	-
	School Generated Funds		2,481,174	2,175,207
	Other Special Purpose Funds		-	-
			187,128,611	176,661,460
	Current Year Surplus (Deficit) before Non-vested Sick Leave		1,075,417	2,330,318
	Less: Non-vested Sick Leave Expense (Recovery)		133,337	(106,877)
	Net Current Year Surplus (Deficit)		942,080	2,437,195
	Opening Accumulated Surplus		31,017,983	28,580,788
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	-
		Other than Tangible Cap. Assets	-	-
		Non-vested sick leave - prior years	-	-
	Opening Accumulated Surplus, as adjusted		31,017,983	28,580,788
	Closing Accumulated Surplus		31,960,063	31,017,983

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2017

	2017	2016
Net Current Year Surplus (Deficit)	942,080	2,437,195
Amortization of Tangible Capital Assets	4,374,222	3,995,796
Acquisition of Tangible Capital Assets	(17,741,877)	(18,337,568)
(Gain) / Loss on Disposal of Tangible Capital Assets	-	(14,012)
Proceeds on Disposal of Tangible Capital Assets	-	79,500
	(13,367,655)	(14,276,284)
Inventories (Increase)/Decrease	(15,211)	6,657
Prepaid Expenses (Increase)/Decrease	42,101	(166,937)
	26,890	(160,280)
(Increase)/Decrease in Net Debt	(12,398,685)	(11,999,369)
Net Debt at Beginning of Year	(32,865,349)	(20,865,980)
Adjustments Other than Tangible Cap. Assets	-	-
	(32,865,349)	(20,865,980)
Net Debt at End of Year	(45,264,034)	(32,865,349)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2017

	2017	2016
Operating Transactions		
Net Current Year Surplus (Deficit)	942,080	2,437,195
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	4,374,222	3,995,796
(Gain)/Loss on Disposal of Tangible Capital Assets	-	(14,012)
Employee Future Benefits Increase/(Decrease)	133,337	(106,877)
Due from Other Organizations (Increase)/Decrease	(2,521,938)	(4,894,911)
Accounts Receivable & Accrued Income (Increase)/Decrease	(13,666)	42,724
Inventories and Prepaid Expenses - (Increase)/Decrease	26,890	(160,280)
Due to Other Organizations Increase/(Decrease)	1,014	5,148
Accounts Payable & Accrued Liabilities Increase/(Decrease)	(1,582,161)	2,869,223
Deferred Revenue Increase/(Decrease)	463,255	662,342
School Generated Funds Liability Increase/(Decrease)	127,884	(240,011)
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by (Applied to) Operating Transactions	1,950,917	4,596,337
Capital Transactions		
Acquisition of Tangible Capital Assets	(17,741,877)	(18,337,568)
Proceeds on Disposal of Tangible Capital Assets	-	79,500
Cash Provided by (Applied to) Capital Transactions	(17,741,877)	(18,258,068)
Investing Transactions		
Portfolio Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
Financing Transactions		
Borrowings from the Provincial Government Increase/(Decrease)	12,463,419	12,767,084
Other Borrowings Increase/(Decrease)	(88,305)	204,429
Cash Provided by (Applied to) Financing Transactions	12,375,114	12,971,513
Cash and Bank / Overdraft (Increase)/Decrease	(3,415,846)	(690,218)
Cash and Bank (Overdraft) at Beginning of Year	(6,506,207)	(5,815,989)
Cash and Bank (Overdraft) at End of Year	(9,922,053)	(6,506,207)

Louis Riel School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2017

	Buildings and Leasehold Improvements		School	Other	Furniture / Fixtures &	Computer Hardware &		Land	Assets Under	2017	2016
	School	Non-School	Buses	Vehicles	Equipment	Software *	Land	Improvements	Construction	TOTALS	TOTALS
Tangible Capital Asset Cost											
Opening Cost, as previously reported	118,119,474	3,342,617	3,039,271	293,291	3,998,169	6,561,011	5,099,286	309,405	14,339,612	155,102,136	137,953,879
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	118,119,474	3,342,617	3,039,271	293,291	3,998,169	6,561,011	5,099,286	309,405	14,339,612	155,102,136	137,953,879
Add: Additions during the year	4,905,610	-	414,357	-	578,451	311,088	-	-	11,532,371	17,741,877	18,337,568
Less: Disposals and write downs	-	-	-	-	-	-	-	-	-	-	1,189,311
Closing Cost	123,025,084	3,342,617	3,453,628	293,291	4,576,620	6,872,099	5,099,286	309,405	25,871,983	172,844,013	155,102,136
Accumulated Amortization											
Opening, as previously reported	80,940,404	2,982,506	1,508,439	243,255	2,346,005	3,925,342		262,998		92,208,949	89,336,976
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	80,940,404	2,982,506	1,508,439	243,255	2,346,005	3,925,342		262,998		92,208,949	89,336,976
Add: Current period Amortization	2,809,376	80,024	262,946	14,296	435,726	740,913		30,941		4,374,222	3,995,796
Less: Accumulated Amortization on Disposals and Writedowns	-	-	-	-	-	-		-		-	1,123,823
Closing Accumulated Amortization	83,749,780	3,062,530	1,771,385	257,551	2,781,731	4,666,255		293,939		96,583,171	92,208,949
Net Tangible Capital Asset	39,275,304	280,087	1,682,243	35,740	1,794,889	2,205,844	5,099,286	15,466	25,871,983	76,260,842	62,893,187
Proceeds from Disposal of Capital Assets	-	-	-	-	-	-				-	79,500

* Includes network infrastructure.

1. Nature of organization and economic dependence:

The Louis Riel School Division (Division) is a public body that provides education services to residents within its geographic location. The Division is funded mainly by grants from the Province of Manitoba (Province), and a special levy on the property assessment included in the Division's boundaries. The Division is exempt from income tax and is a registered charity under the *Income Tax Act.*

The Division is economically dependent on the Province for the majority of its revenue and capital financing requirements. Without this funding, the Division would not be able to continue its operations.

2. Significant accounting policies:

The significant accounting policies of the Division include:

(a) Reporting entity and consolidation:

The Division's reporting entities are comprised of the Division and school generated funds.

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the Operating Fund, Capital Fund, and Special Purpose Fund of the Division.

All inter-fund accounts and transactions are eliminated upon consolidation.

(b) Basis of accounting:

The consolidated financial statements have been prepared by management in accordance with generally accepted accounting principles established by the Canadian Public Sector Accounting Board. Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they are earned and measurable; expenditures are recognized as they are incurred and measurable as a result of the receipt of goods and services acquired in the period.

(c) Trust funds:

The Division administers various trust funds. Trust funds and their related operations are not included in the consolidated financial statements as they are not owned or controlled by the Division. Total funds under administration as at June 30, 2017 totaled $261,709 (2016 - $226,938).

2. Significant accounting policies (continued):

(d) Fund accounting:

The Division records financial transactions in separate funds as defined by Financial Reporting and Accounting in Manitoba Education (FRAME) in accordance with the purpose for which the funds have been created.

The Operating Fund is maintained to record all the day to day operating revenues and expenses. The Capital Fund is used to account for the acquisition, amortization, disposal and financing of capital assets. The Special Purpose Fund is used to account for school generated funds controlled by the Division.

(e) Deferred revenue:

The deferral method of accounting is used for revenues received that, pursuant to legislation, regulation or agreement, may only be used for specific purposes. These amounts are recognized as revenue in the fiscal year the related expenses are incurred or services performed.

(f) School generated funds:

School generated funds are moneys raised by the school, or under the auspices of the school, through extra curricular activities for the sole use of the school that the principal of each school, subject to the rules of the school board, may raise, hold, administer and expend for the purposes of the school.

Only revenue and expenses of school generated funds controlled by the Division are included in the consolidated statement of revenue, expenses and accumulated surplus. To be deemed as controlled, a school must have the unilateral authority to make the decisions as to when, how and on what the funds are to be spent.

Period end cash balances of all school generated funds are included in the consolidated statement of financial position. The uncontrolled portion of this amount is reflected in the school generated funds liability account. Examples of uncontrolled school generated funds are parent council funds, other parent group funds, student council funds and travel club funds. Revenues and expenses of uncontrolled school generated funds are not included in the consolidated financial statements.

2. Significant accounting policies (continued):

(g) Tangible capital assets:

Tangible capital assets are non-financial assets that are used by the Division to provide services to the public and have an economic life beyond one fiscal year. Tangible capital assets include land, buildings, buses, other vehicles, furniture and equipment, computers, capital leases, leasehold improvements, and assets under construction.

To be classified as tangible capital assets, each asset other than land must individually meet the capitalization threshold for its class as prescribed by FRAME.

Asset	Capitalization threshold	Estimated useful life (years)
Land improvements	$ 50,000	10
Buildings:		
Bricks, mortar and steel	50,000	40
Wood frame	50,000	25
School buses	50,000	10
Vehicles	10,000	5
Equipment	10,000	5
Network infrastructure	25,000	10
Computer hardware, servers and peripherals	10,000	4
Computer software	10,000	4
Furniture and fixtures	10,000	10
Leasehold improvements	25,000	Over term of lease

Grouping of assets is not permitted except for computer work stations.

With the exception of buildings, all tangible capital assets, are recorded at historical cost, which includes purchase price, installation costs and other costs incurred to put the asset into service.

Buildings are recorded at historical cost when known. For buildings acquired prior to June 30, 2005 where the actual cost was not known, the replacement value for insurance purposes as at June 30, 2005 was regressed to the date of acquisition using a regression index based on Southam and CanaData construction cost indices.

2. Significant accounting policies (continued):

Donated tangible capital assets are recorded at fair market value at the date of donation. Deferred revenue is recorded in an equivalent amount, for all donated assets except land. The deferred revenue will be recognized as revenue over the useful life of the related asset, on the same basis that the asset is amortized.

All land acquired prior to June 30, 2006 has been valued by the Crown Lands and Property Agency.

All tangible capital assets, except for land, and assets under construction, are amortized on a straight-line basis over their estimated useful lives as prescribed by FRAME. Land is not amortized.

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal if not fully amortized.

Assets under construction are not amortized until the date of substantial completion. Interest on funds used to finance school buildings under construction is capitalized for the periods preceding the date of substantial completion.

(h) Employee future benefits:

The Province of Manitoba pays the employer portion of the Teachers' Retirement Allowances Fund (TRAF), the pension plan for all certified teachers of the Division. The Division does not contribute to TRAF, and no costs relating to this plan are included in the Division's financial statements.

However, the Division provides retirement and other future benefits to its employees. These benefits include pension and supplemental unemployment benefits.

2. **Significant accounting policies (continued):**

The Division adopted the following policies with respect to accounting for these employee future benefits:

(i) Defined contribution plan:

The Division provides retirement benefits to its administrative employees through a defined contribution plan under the Manitoba School Boards Association Pension Plan (MSBA). Under this plan, specific fixed amounts are contributed by the Division each period for services rendered by the employees. No responsibility is assumed by the Division to make any further contributions.

(ii) Self-insured employee future benefits plan:

For those self-insured benefit obligations that are event driven (e.g. supplemental unemployment benefits; non-vesting parental leave), the benefit costs are recognized and recorded only in the period when the event occurs.

(iii) Non-vesting accumulated sick days:

For non-vesting accumulating sick days, the benefit costs are recognized, if deemed material, based on a projection of expected future utilization of sick time, discounted using net present value techniques.

(i) Capital reserve:

Certain amounts, as approved by the Board of Trustees and the Public Schools Finance Board (PSFB), have been set aside in reserve accounts for future capital purposes. These capital reserve accounts are internally restricted funds that form part of the accumulated surplus presented in the consolidated statement of financial position.

(j) Government transfers:

Government transfers, including legislative grants, are recognized in the consolidated financial statements in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met and reasonable estimates of the amount can be made.

2. Significant accounting policies (continued):

(k) Investment income:

Investment income is reported as revenue in the period earned.

(l) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenditures and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements during the reporting period. Significant items subject to estimates include the carrying amount of capital assets. Actual results could differ from these estimates.

(m) Liability for contaminated sites:

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of contaminated sites is recognized when a site is not in productive use all the following criteria are met:

(i) An environmental standard exists;

(ii) Contamination exceeds the environmental standard;

(iii) The Division is directly responsible or accepts responsibility;

(iv) Is expected that the future economic benefits will be given up; and

(v) A reasonable estimate of the amount can be made.

The liability is recognized as management's estimate of the cost of post-remediation including operation, maintenance and monitoring that are an integral part of the remediation strategy for a contaminated site.

2. Significant accounting policies (continued):

(n) Financial instruments:

There are no significant terms and conditions related to financial instruments (cash, accounts receivable, bank indebtedness, accounts payable and long-term debt) that may affect the amount, timing and certainty of future cash flows. The Division's exposure to credit risk from the potential non-payment of accounts receivable is minimal as the majority of receivables are from local, provincial and federal governments. The carrying amounts of the financial instruments approximate their carrying values, unless otherwise noted.

3. Overdraft:

The Division has authorized revolving lines of credit with the Royal Bank of Canada (RBC) of $45,000,000 by way of overs, flex financing, and Bankers' Acceptances, and a $2,000,000 revolving lease line of credit, by way of leases. The loans are repayable on demand at RBC prime less .75 percent. Interest is paid monthly.

4. Non-vested accumulated sick leave benefits:

Non vested accumulated sick leave benefits are measured using net present value techniques on the expected future utilization of excess of sick benefits used over earner per year, to maximum entitlement. The impact of the estimated non-vested sick leave benefit cost for the year ended June 30, 2017 is an increase of $133,337 (2016 - decrease of $106,877). At June 30, 2017, the Division has recorded an estimated liability of $1,235,781 (2016 - $1,102,444) in respect of these benefits.

The significant assumptions adopted in measuring the non-vested accumulated sick leave benefit liability include a discount rate of 4 percent (June 30, 2016 - 4 percent) and a rate of salary increase of 2 to 2.17 percent (June 30, 2016 - 2 percent).

5. Employee future benefits:

The Division sponsors a defined contribution pension plan run by the Manitoba School Boards Association (MSBA). The defined contribution plan is provided to administrative employees based on their age at the beginning of the year and rates of pay. Each age group under the MSBA pension plan has a specific percentage for the employee to contribution. The Division contributions equal the employee contributions to the plan. No pension liability is included in the financial statements.

The employee benefit expense is part of the employee benefits and allowances expense account. It includes the Division's contribution of $2,430,822 for fiscal 2017 (2016 - $2,358,365).

Long-term disability benefits are covered by a defined contribution/ insured plan. The costs of salary compensation paid to employees on long-term disability leave are fully insured and are not included in the financial statements.

Supplemental unemployment benefits are defined benefits that are recognized and recorded only in the period when the events occur (e.g. maternity top up).

6. Commitments:

On August 12, 2014, the Division received approval from the Province of Manitoba for the construction of a new Dual Track School to be named Ecole Sage Creek School. The projected completion date of construction is August 2017 and is projected to cost $25,000,000.

7. Deferred revenue:

	Balance, June 30, 2016	Additions in the year	Revenue recognized in the year	Balance, June 30, 2017
Education property tax credit	$ 8,839,153	$ 22,275,321	$ 22,215,692	$ 8,898,782
Other	2,055,987	4,475,232	4,071,606	2,459,613
	$ 10,895,140	$ 26,750,553	$ 26,287,298	$ 11,358,395

8. School generated funds:

School generated funds are monies raised by the school, or under the auspices of the school, which each school's principal may raise, hold, administer or expend subject to the rules of the Division. At June 30, 2017, school funds held in the Special Purpose Fund totaled $2,085,364 (2016 - $1,853,792).

The school generated funds liability (asset) includes the non-controlled portion of school generated funds consolidated in the cash and bank balances as noted below:

	2017	2016
Parent council funds	$ 12,858	$ 9,622
Lunch/snack funds	179,745	142,110
Students council funds	441	2,083
Graduation funds	37,562	6,407
Activity/sports fees	135,019	101,675
Other	259,345	222,642
Travel club funds	3,136	15,683
	$ 628,106	$ 500,222

9. Debenture debt:

The debenture debt of the Division is in the form of twenty-year debentures payable, principal and interest, in twenty equal yearly installments and maturing at various dates from fiscal 2018 to 2037. Payment of principal and interest is funded entirely by grants from the Province of Manitoba. The debentures carry interest rates that range from 3.00 percent to 8.38 percent. The debenture principal and interest repayments in the next five years and thereafter are:

	Principal	Interest	Total
2018	$ 2,955,074	$ 2,096,015	$ 5,051,089
2019	2,998,383	1,950,403	4,948,786
2020	3,087,753	1,803,758	4,891,511
2021	2,931,253	1,652,848	4,584,101
2022	2,741,409	1,515,585	4,256,994
Thereafter	35,824,863	10,144,526	45,969,389
	$ 50,538,735	$ 19,163,135	$ 69,701,870

9. Debenture debt (continued):

During 2017, the Division had submitted claims for capital projects to the Public Schools Finance Branch totaling $14,796,200 (2016 - $14,576,300) and received debenture proceeds of this amount in 2017.

10. Net tangible capital assets:

The Schedule of Tangible Capital Assets (TCA) on page 23 of the consolidated financial statements provides a breakdown of cost, accumulated amortization and net book value by class.

	Gross amount	Accumulated amortization	Net book value
Tangible capital assets	$ 172,075,166	$ 96,037,052	$ 76,038,114
Capital lease	768,847	546,119	222,728
	$ 172,844,013	$ 96,583,171	$ 76,260,842

11. Accumulated surplus:

The consolidated accumulated surplus is comprised of the following:

Operating Fund:	
Designated surplus	$ 915,116
Undesignated surplus	5,882,667
Non-vested sick leave to date	(1,235,781)
	5,562,002
Capital Fund:	
Reserve accounts	7,052,917
Equity in tangible capital assets	18,286,616
	25,339,533
Special purpose Fund:	
School generated funds	1,058,528
Total accumulated surplus	$ 31,960,063

11. Accumulated surplus:

Designated surplus under the Operating Fund represents internally restricted amounts appropriated by the board or, in the case of school budget carryovers, by board policy. See page 5 of the consolidated financial statements for a breakdown of the designated surplus.

School budget carryovers by board policy	$	289,143
Board approved appreciation by motion		625,973
Designated surplus	$	915,116

Reserve accounts under the Capital Fund represents internally restricted reserves for specific purposes approved by the Board of Trustees and PSFB. A schedule of capital reserve accounts is provided on page 24 of the consolidated financial statements.

Bus reserves	$	1,190,926
Other reserves		5,861,991
Capital reserve	$	7,052,917

School generated funds and other special purpose funds are externally restricted funds for schools.

12. Municipal government - property tax and related due from Municipal government:

Education property tax or special levy is raised as the Division's contribution to the cost of providing public education for the students resident in the division. The Municipal government-property tax shown on the consolidated statement of revenue, expenses and accumulated surplus is raised over the two calendar (tax) years; 40 percent from 2016 tax year and 60 percent from 2017 tax year. Below are the related revenue and receivable amounts:

		2017		2016
Revenue - Municipal Government - property tax	$	66,093,992	$	62,617,639
Receivable - due from Municipal Government - property tax		39,669,789		37,379,813

13. Interest received and paid:

The Division received interest during the year of $77,516 (2016 - $77,972); interest paid during the year was $1,912,396 (2016 - $1,508,896).

Interest paid during the year (included in "Fiscal" on pages 7, 11 and 22) is comprised of the following:

		2017		2016
Operating Fund:				
Interest and bank charges	$	149,724	$	137,291
Capital Fund:				
Debenture debt interest		1,757,954		1,363,592
Other interest		4,718		8,020
	$	1,912,396	$	1,508,903

14. Expenditures by type:

Expenditures by type not otherwise disclosed in these consolidated financial statements are listed on page 11.

15. Other borrowing:

The other borrowing of the Division is in the form of a capital lease arrangement on certain photocopying equipment with an implied interest rate of 8.00 percent. Capital lease payments is as follows:

	Principal	Interest	Total
2018	$ 89,851	$ 3,172	$ 93,023
2019	91,423	1,600	93,023
	$ 181,274	$ 4,772	$ 186,046

Manitoba Institute of Trades and Technology
7 Fultz Blvd.
Winnipeg, MB R3Y 1G4

September 26, 2017

Grant Thornton LLP
Chartered Accountants
94 Commerce Drive
Winnipeg, MB R3P 0Z3

Dear Sir/Madam:

We are providing this letter in connection with your audit of the consolidated financial statements of Manitoba Institute of Trades and Technology as of June 30, 2017, and for the year then ended, for the purpose of expressing an opinion as to whether the consolidated financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows of Manitoba Institute of Trades and Technology in accordance with Canadian public sector accounting standards.

We acknowledge that we have fulfilled our responsibilities for the preparation of the consolidated financial statements in accordance with Canadian public sector accounting standards and for the design and implementation of internal controls to prevent and detect fraud and error. We have assessed the risk that the consolidated financial statements may be materially misstated as a result of fraud, and have determined such risk to be low. Further, we acknowledge that your examination was planned and conducted in accordance with Canadian generally accepted auditing standards (GAAS) so as to enable you to express an opinion on the consolidated financial statements. We understand that while your work includes an examination of the accounting system, internal controls and related data to the extent you considered necessary in the circumstances, it is not designed to identify, nor can it necessarily be expected to disclose, fraud, shortages, errors and other irregularities, should any exist.

Certain representations in this letter are described as being limited to matters that are material. An item is considered material, regardless of its monetary value, if it is probable that its omission from or misstatement in the consolidated financial statements would influence the decision of a reasonable person relying on the consolidated financial statements.

We confirm, to the best of our knowledge and belief, as of September 26, 2017, the following representations made to you during your audit.

Financial statements

1 The consolidated financial statements referred to above present fairly, in all material respects, the financial position of the entity as at June 30, 2017 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards, as agreed to in the terms of the audit engagement.

Completeness of information

2 We have made available to you all financial records and related data and all minutes of the meetings of shareholders, directors, and committees of directors, as agreed in the terms of the audit engagement. Summaries of actions of recent meetings for which minutes have not yet been prepared have been provided to you. All significant board and committee actions are included in the summaries.

3 We have provided you with unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

4 There are no material transactions that have not been properly recorded in the accounting records underlying the consolidated financial statements. The adjusting journal entries which have been proposed by you are approved by us and will be recorded on the books of the entity.

5 There were no restatements made to correct a material misstatement in the prior period consolidated financial statements that affect the comparative information.

6 We are unaware of any known or probable instances of non-compliance with the requirements of regulatory or governmental authorities, including their financial reporting requirements.

7 We are unaware of any violations or possible violations of laws or regulations the effects of which should be considered for disclosure in the consolidated financial statements or as the basis of recording a contingent loss.

8 We have disclosed to you all known deficiencies in the design or operation of internal control over financial reporting of which we are aware.

9 We have identified to you all known related parties and related party transactions, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements guarantees, non-monetary transactions and transactions for no consideration.

Fraud and error

10 We have no knowledge of fraud or suspected fraud affecting the entity involving management; employees who have significant roles in internal control; or others, where the fraud could have a non-trivial effect on the consolidated financial statements.

11 We have no knowledge of any allegations of fraud or suspected fraud affecting the entity's consolidated financial statements communicated by employees, former employees, analysts, regulators or others.

12 We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

Recognition, measurement and disclosure

13 We believe that the significant assumptions used by us in making accounting estimates, including those used in arriving at the fair values of financial instruments as measured and disclosed in the consolidated financial statements, are reasonable and appropriate in the circumstances.

14 We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities, both financial and non-financial, reflected in the consolidated financial statements.

15 All related party transactions have been appropriately measured and disclosed in the consolidated financial statements.

16 The nature of all material measurement uncertainties has been appropriately disclosed in the consolidated financial statements, including all estimates where it is reasonably possible that the estimate will change in the near term and the effect of the change could be material to the consolidated financial statements.

17 Any business combination that occurred during the year has been properly accounted for with appropriate consideration of amounts that should be allocated to goodwill and other intangible assets.

18 All outstanding and possible claims, whether or not they have been discussed with legal counsel, have been disclosed to you and are appropriately reflected in the consolidated financial statements.

19 All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the consolidated financial statements.

20 All "off-balance sheet" financial instruments have been properly recorded or disclosed in the consolidated financial statements.

21 With respect to environmental matters:

a) at year end, there were no liabilities or contingencies that have not already been disclosed to you;

b) liabilities or contingencies have been recognized, measured and disclosed, as appropriate, in the consolidated financial statements; and

c) commitments have been measured and disclosed, as appropriate, in the consolidated financial statements.

22 The entity has satisfactory title to (or lease interest in) all assets, and there are no liens or encumbrances on the entity's assets nor has any been pledged as collateral.

23 We have disclosed to you, and the entity has complied with, all aspects of contractual agreements that could have a material effect on the consolidated financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

24 The Goods and Services Tax (GST) transactions recorded by the entity are in accordance with the federal and provincial regulations. The GST liability/receivable amounts recorded by the entity are considered complete.

25 Employee future benefit costs, assets, and obligations have been determined, accounted for and disclosed in accordance with the requirements of Section PS 3255 *Post-Employment Benefits, Compensated Absences and Termination Benefits* of the Canadian Institute of Chartered Accountants (CICA) Public Sector Accounting Handbook.

26 There have been no events subsequent to the balance sheet date up to the date hereof that would require recognition or disclosure in the consolidated financial statements. Further, there have been no events subsequent to the date of the comparative financial statements that would require adjustment of those financial statements and related notes.

Other

27 We have considered whether or not events have occurred or conditions exist which may cast significant doubt on the Company's ability to continue as a going concern and have concluded that no such events or conditions are evident.

Yours very truly,

Manitoba Institute of Trades and Technology

Original Document Signed

Lloyd Orris
Director of Finance & IT

Grant Thornton LLP
94 Commerce Drive
Winnipeg, MB
R3P 0Z3

T +1 204 944 0100
F +1 204 957 5442
www.GrantThornton.ca

Independent Auditors' Report

To The Governing Board of
Manitoba Institute of Trades and Technology

We have audited the accompanying consolidated financial statements of Manitoba Institute of Trades and Technology, which comprise the consolidated financial position as at June 30, 2017, and the consolidated statement of revenue, expenses and accumulated surplus, change in net debt, and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Institute'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 Institute'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 Manitoba Institute of Trades and Technology as at June 30, 2017, and the consolidated statement of revenue, expenses and accumulated surplus, change in net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Grant Thornton LLP

Winnipeg, Manitoba
September 26, 2017

Chartered Professional Accountants

I hereby certify that the preceding report and the statements and reports referenced herein have been presented to the members of the Governing Board of Manitoba Institute of Trades and Technology.

Original Document Signed

Chairperson of the Governing Board

Date

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2017	2016
	Financial Assets		
	Cash and Bank	2,784,088	1,890,066
	Due from - Provincial Government	370,368	440,888
	- Federal Government	1,364,037	1,393,721
	- Municipal Government	-	-
	- Other School Divisions	131,429	27,118
	- First Nations	-	-
	Accounts Receivable	883,628	2,404,641
	Accrued Investment Income	-	-
13	Portfolio Investments	6,418,261	4,284,403
		11,951,811	10,440,837
	Liabilities		
	Overdraft	-	-
	Accounts Payable	894,889	1,457,442
	Accrued Liabilities	375,866	403,235
5	Employee Future Benefits	768,174	432,756
	Accrued Interest Payable	-	29,470
	Due to - Provincial Government	2,400	111
	- Federal Government	-	37,688
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
14	Deferred Revenue	8,010,599	7,041,524
6	Borrowings from the Provincial Government	3,442,683	3,712,093
12	Other Borrowings	140,670	190,099
	School Generated Funds Liability	-	-
		13,635,281	13,304,418
	Net Debt	(1,683,470)	(2,863,581)
	Non-Financial Assets		
7	Net Tangible Capital Assets (TCA Schedule)	11,324,544	11,696,527
	Inventories	-	-
	Prepaid Expenses	204,547	320,079
		11,529,091	12,016,606
8	**Accumulated Surplus**	9,845,621	9,153,025

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes			2017	2016
	Revenue			
	Provincial Government		10,266,749	9,733,119
	Federal Government		4,473,814	4,646,934
	Municipal Government	- Property Tax	-	-
		- Other	-	-
	Other School Divisions		1,628,914	1,330,448
	First Nations		-	-
	Private Organizations and Individuals		14,641,003	12,068,377
	Other Sources		484,372	339,392
	School Generated Funds		-	-
	Other Special Purpose Funds		63,838	75,427
			31,558,690	28,193,697
	Expenses			
	Regular Instruction		5,933,086	5,454,291
	Student Support Services		604,681	542,955
	Adult Learning Centres		2,898,236	3,220,285
	Community Education and Services		10,544,100	9,586,263
	Divisional Administration		4,592,159	4,211,152
	Instructional and Other Support Services		420,568	374,934
	Transportation of Pupils		-	-
	Operations and Maintenance		3,790,957	3,053,699
9	Fiscal	- Interest	337,311	298,376
		- Other	379,417	350,489
	Amortization		1,323,149	1,012,451
	Other Capital Items		-	-
	School Generated Funds		-	-
	Other Special Purpose Funds		34,065	39,251
			30,857,729	28,144,146
	Current Year Surplus (Deficit) before Non-vested Sick Leave		700,961	49,551
	Less: Non-vested Sick Leave Expense (Recovery)		8,365	0
	Net Current Year Surplus (Deficit)		692,596	49,551
	Opening Accumulated Surplus		9,153,025	9,103,474
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	-
		Other than Tangible Cap. Assets	-	-
		Non-vested sick leave - prior years	-	-
	Opening Accumulated Surplus, as adjusted		9,153,025	9,103,474
	Closing Accumulated Surplus		9,845,621	9,153,025

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2017

	2017	2016
Net Current Year Surplus (Deficit)	692,596	49,551
Amortization of Tangible Capital Assets	1,323,149	1,012,451
Acquisition of Tangible Capital Assets	(951,166)	(1,951,726)
(Gain) / Loss on Disposal of Tangible Capital Assets	-	-
Proceeds on Disposal of Tangible Capital Assets	-	-
	371,983	(939,275)
Inventories (Increase)/Decrease	-	-
Prepaid Expenses (Increase)/Decrease	115,532	(53,890)
	115,532	(53,890)
(Increase)/Decrease in Net Debt	1,180,111	(943,614)
Net Debt at Beginning of Year	(2,863,581)	(1,919,967)
Adjustments Other than Tangible Cap. Assets	-	-
	(2,863,581)	(1,919,967)
Net Debt at End of Year	(1,683,470)	(2,863,581)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2017

	2017	2016
Operating Transactions		
Net Current Year Surplus (Deficit)	692,596	49,551
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	1,323,149	1,012,451
(Gain)/Loss on Disposal of Tangible Capital Assets	-	-
Employee Future Benefits Increase/(Decrease)	335,418	(38,251)
Due from Other Organizations (Increase)/Decrease	(4,107)	(205,478)
Accounts Receivable & Accrued Income (Increase)/Decrease	1,521,013	(1,425,625)
Inventories and Prepaid Expenses - (Increase)/Decrease	115,532	(53,890)
Due to Other Organizations Increase/(Decrease)	(35,399)	34,197
Accounts Payable & Accrued Liabilities Increase/(Decrease)	(619,392)	(120,499)
Deferred Revenue Increase/(Decrease)	969,075	2,082,892
School Generated Funds Liability Increase/(Decrease)	-	-
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by (Applied to) Operating Transactions	4,297,885	1,335,348
Capital Transactions		
Acquisition of Tangible Capital Assets	(951,166)	(1,951,726)
Proceeds on Disposal of Tangible Capital Assets	-	-
Cash Provided by (Applied to) Capital Transactions	(951,166)	(1,951,726)
Investing Transactions		
Portfolio Investments (Increase)/Decrease	(2,133,858)	(133,204)
Cash Provided by (Applied to) Investing Transactions	(2,133,858)	(133,204)
Financing Transactions		
Borrowings from the Provincial Government Increase/(Decrease)	(269,410)	(256,424)
Other Borrowings Increase/(Decrease)	(49,429)	53,249
Cash Provided by (Applied to) Financing Transactions	(318,839)	(203,175)
Cash and Bank / Overdraft (Increase)/Decrease	894,022	(952,757)
Cash and Bank (Overdraft) at Beginning of Year	1,890,066	2,842,823
Cash and Bank (Overdraft) at End of Year	2,784,088	1,890,066

Manitoba Institute of Trades and Technology

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2017

	Buildings and Leasehold Improvements		School	Other	Furniture / Fixtures &	Computer Hardware &		Land	Assets Under	2017 TOTALS	2016 TOTALS
	School	Non-School	Buses	Vehicles	Equipment	Software *	Land	Improvements	Construction		
Tangible Capital Asset Cost											
Opening Cost, as previously reported	15,289,101	-	-	16,356	1,604,388	1,542,582	899,310	-	1,150,266	20,502,003	18,550,277
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	15,289,101	-	-	16,356	1,604,388	1,542,582	899,310	-	1,150,266	20,502,003	18,550,277
Add: Additions during the year	1,350,852	-	-	16,435	164,281	96,893	-	-	(677,295)	951,166	1,951,726
Less: Disposals and write downs	-	-	-	-	-	-	-	-	-	-	-
Closing Cost	16,639,953	-	-	32,791	1,768,669	1,639,475	899,310	-	472,971	21,453,169	20,502,003
Accumulated Amortization											
Opening, as previously reported	7,383,271	-	-	16,356	628,587	777,262		-		8,805,476	7,793,025
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	7,383,271	-	-	16,356	628,587	777,262		-		8,805,476	7,793,025
Add: Current period Amortization	874,021	-	-	3,013	165,659	280,456		-		1,323,149	1,012,451
Less: Accumulated Amortization on Disposals and Writedowns	-	-	-	-	-	-		-		-	-
Closing Accumulated Amortization	8,257,292	-	-	19,369	794,246	1,057,718		-		10,128,625	8,805,476
Net Tangible Capital Asset	8,382,661	-	-	13,422	974,423	581,757	899,310	-	472,971	11,324,544	11,696,527
Proceeds from Disposal of Capital Assets	-	-	-	-	-	-				-	-

* Includes network infrastructure.

1. Nature of organization and economic dependence

The Manitoba Institute of Trades and Technology is a public body that provides vocational training to adults and secondary students. The division is funded primarily by the Province of Manitoba. The Pembina Trails School Division contributed $1,016,809 (previous year $987,193) to the revenue recorded in 'Other School Division Revenue' on page 10: Operating Fund – Revenue Detail.

The Institute is exempt from income tax and operates as a registered charity.

The Institute is economically dependent on the Province for the majority of its revenue and capital financing requirements. Without this funding, continued operation of the Institute would be difficult.

2. Significant accounting policies

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles established by PSAB of the Chartered Professional Accountants of Canada (CPA).

Reporting Entity and Consolidation

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the operating fund, capital fund, and special purpose fund of the Institute. The Institute reporting entity includes funds associated with the SWTC Scholarship / Trust Fund controlled by the Institute.

All inter-fund accounts and transactions are eliminated upon consolidation.

Basis of Accounting

Revenues and expenses are reported on the accrual basis of accounting except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable. 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.

Fund accounting

The fund method of accounting is employed by the Institute to record financial transactions in separate funds as defined by Financial Reporting and Accounting in Manitoba Education (FRAME) in accordance with the purpose for which the funds have been created.

The Operating Fund is maintained to record all the day to day operating revenues and expenses. The Capital Fund is used to account for the acquisition, amortization, disposal and financing of capital assets. The Special Purpose Fund is used to account for school generated funds and charitable foundations controlled by the Institute.

School generated funds

School generated funds are moneys raised by the school, or under the auspices of the school, through extra-curricular activities for the sole use of the school that the principal of each school, subject to the rules of the school board, may raise, hold, administer and expend for the purposes of the school.

Only revenue and expenses of school generated funds controlled by the Institute are included in the Consolidated Statement of Revenue, Expenses and Accumulated Surplus. To be deemed as controlled, a school must have the unilateral authority to make the decisions as to when, how and on what the funds are to be spent.

Period end cash balances of all school generated funds are included in the Consolidated Statement of Financial Position. The uncontrolled portion of this amount is reflected in the School Generated Funds Liability account. Examples of uncontrolled school generated funds are parent council funds, other parent group funds, student council funds and travel club funds. Revenues and expenses of uncontrolled school generated funds are not included in the consolidated financial statements.

2. Significant accounting policies (continued)

Tangible capital assets

Tangible capital assets are non-financial assets that are used by the Institute to provide services to the public and have an economic life beyond one fiscal year. Tangible capital assets include land, buildings, buses, other vehicles, furniture and equipment, computers, capital leases, leasehold improvements, and assets under construction.

To be classified as tangible capital assets, each asset other than land must individually meet the capitalization threshold for its class as prescribed by FRAME.

Asset Description	Capitalization Threshold	Estimated Useful Life
Land improvements	$ 25,000	10 years
Buildings – bricks, mortar and steel	25,000	40 years
Buildings – wood frame	25,000	25 years
School buses	20,000	10 years
Vehicles	10,000	5 years
Equipment	10,000	5 years
Network infrastructure	25,000	10 years
Computer hardware, servers and peripherals	5,000	4 years
Computer software	10,000	4 years
Furniture and fixtures	5,000	10 years
Leasehold improvements	25,000	Over term of lease

Grouping of assets is not permitted except for computer work stations.

With the exception of land, donated capital assets and capital leases, all tangible capital assets, are recorded at historical cost, which includes purchase price, installation costs and other costs incurred to put the asset into service.

Buildings are recorded at historical cost when known. For buildings acquired prior to June 30, 2005 where the actual cost was not known, the replacement value for insurance purposes as at June 30, 2005 was regressed to the date of acquisition using a regression index based on Southam and CanaData construction cost indices.

All land acquired prior to June 30, 2006 has been valued by the Crown Lands and Property Agency.

Capital leases are recorded at the present value of the minimum lease payments excluding executor costs (e.g. insurance, maintenance costs, etc.). The discount rate used to determine the present value of the lease payments is the lower of the Institute’s rate for incremental borrowing or the interest rate implicit in the lease.

All tangible capital assets, except for land, capital leases, and assets under construction, are amortized on a straight-line basis over their estimated useful lives as prescribed by FRAME. Land is not amortized.

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal if not fully amortized.

Assets under construction are not amortized until the date of substantial completion. Interest on funds used to finance school buildings under construction is capitalized for the periods preceding the date of substantial completion.

Employee future benefits

The Province of Manitoba pays the employer portion of the Teachers’ Retirement Allowances Fund (TRAF), the pension plan for all certified teachers of the Institute. The Institute does not contribute to TRAF, and no costs relating to this plan are included in the Institute’s financial statements.

2. Significant accounting policies (continued)

Employee future benefits (continued)

The Institute does provide retirement benefits to non-certified personnel and other future benefits to its employees. These benefits include vacation and accumulated sick leave days. The Institute adopts the following policies with respect to accounting for these employee future benefits:

(i) Defined contribution / insured benefit plans

The Retirement Plan offered to non-certified staff is a money-purchase plan administered by the Manitoba Association of School Trustees (MAST). The plan requires the Institute to make a specific fixed contribution each period. The Institute does not assume any actuarial or investment risk in the future, nor responsibility to make further contributions.

(ii) Vacation Days

Non-certified permanent personnel accrue vacation entitlement for service in accordance with Institute policy. General practice is that most days are accumulated through the period July 1- June 30. The unused entitlement balance is recorded as a liability at year end.

Permanent certified personnel do not earn vacation entitlement, however they are paid over 12 months for services performed over ten months. The amount to be paid in July and August for the prior service year is set up as a liability at year end.

(iii) Accumulated Sick Days

The Institute offers sick leave to its employees which do not vest, but accumulate for use by the employee beyond the current period. For non-vesting accumulating sick days, the benefit costs are recognized, if deemed material, based on a projection of expected future utilization of sick time, discounted using net present value techniques. The total accrued benefit obligation is recorded as a liability at year end.

Use of estimates

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

3. Financial instruments

Measurement

Financial instruments are classified into one of the two measurement categories: (a) fair value; or (b) cost or amortized cost.

The Institute records its financial assets at cost, which include cash and bank, short term investments, due from government and accounts receivable. The Institute also records its financial liabilities at cost which include overdraft, accounts payable, accrued liabilities, employee future benefits, due to government, deferred revenue, debenture debt and other borrowings.

Gains and losses on financial instruments measured at fair value are recorded in accumulated surplus as re-measurement gains and losses until realized. Upon disposition of the financial instruments, the cumulative re-measurement gains and losses are reclassified to the consolidated 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.

The Institute did not incur any re-measurement gains and losses during the year (previous year $nil).

3. Financial instruments (continued)

Financial risk management

The Institute has exposure to the following risks from its financial instruments: credit risk and interest rate risk.

Credit risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments which potentially subject the Institute to credit risks consists principally of accounts receivable.

Due from government: The Institute is not exposed to significant credit risk as the balance is due from federal and provincial governments and other school divisions and payment in full is typically collected when it is due.

Accounts receivables: The Institute is not exposed to significant credit risk as the balance is due from a large client base and payment in full is typically collected when it is due. The Institute manages this credit risk through close monitoring of overdue accounts.

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 interest rate exposure relates to debenture debt and short term investments.

The interest rate risk on debenture debt is considered to be low because of their fixed interest rates. The interest rate risk on short term investments is considered low because of their short term nature.

4. Overdraft

The Institute has an authorized demand facility with the TD Bank of Canada of $1,000,000 (previous year $1,000,000) by way of overdraft and loan and is repayable on demand at TD Prime (interest is paid monthly in arrears).

5. Employee future benefits

Employee future benefits are benefits earned by employees in the current period, but will not be paid out until future periods.

The Institute sponsors one defined contribution benefit pension plan that is provided to all non-certified employees. The defined contribution insured plan requires eligible employees to contribute a percentage of their earnings based on their age at the start of each calendar year. Employees contribute from a low of 10.65% to a high of 12.65% less their contribution to the Canada Pension Plan. The Institute contributions equal the employee contributions to the plan. No pension liability is included in the financial statements other than late payment interest owing for the period.

Long term disability benefits are covered by a defined contribution / insured plan. The costs of salary compensation paid to employees on long-term disability leave are fully insured and are not included in the financial statements.

Non-vested accumulated sick leave benefits are measured using net present value techniques on the expected future utilization of excess of sick benefits used over earned per year, to maximum entitlement. The impact of the estimated non-vested sick leave benefit cost for 2016-2017 is $8,365 (previous year $9,756).

6. Debenture debt

The debenture debt of the Institute is in the form of twenty-year debentures payable, principal and interest, in twenty equal yearly instalments and maturing at various dates from 2018 to 2029. Payment of principal and interest is funded entirely by grants from the Province of Manitoba, except for debenture debt on three self-funded capital projects which mature at various dates from 2018 to 2032. The debentures carry interest rates that range from 4.0% to 6.125%. Debenture interest expense payable as at June 30th, is accrued and recorded in Accrued Interest Payable, and a grant in an amount equal to the interest accrued on provincially funded debentures is recorded in Due from the Provincial Government. The debenture principal and interest repayments in the next five years are:

	Principal	Interest	Total
2018	$ 279,146	$ 163,661	$ 442,807
2019	289,437	153,370	442,807
2020	194,859	142,491	337,350
2021	200,142	137,209	337,351
2022	205,715	131,636	337,351
	$ 1,169,299	$ 728,367	$ 1,897,666

7. Tangible capital assets

The Schedule of Tangible Capital Assets (TCA), page 23 of the audited financial statements, provides a breakdown of cost, accumulated amortization and net book value by class.

	Gross Amount	Accumulated Amortization	**2017 Net Book Value**	2016 Net Book Value
Owned-tangible capital assets	$ 21,089,081	$ 10,033,739	**$ 11,055,342**	$ 11,429,084
Capital lease	364,088	94,886	**269,202**	267,443
	$ 21,453,169	$ 10,128,625	**$ 11,324,544**	$ 11,696,527

8. Accumulated surplus

The consolidated accumulated surplus is comprised of the following:

	2017	2016 (Note 15)
Operating Fund		
Designated Surplus	**$ 2,035,868**	$ 2,360,117
Non-vested Sick Leave	**(42,458)**	(34,093)
Undesignated Surplus	**901,729**	-
	2,895,139	2,326,024
Capital Fund		
Reserve Accounts	**-**	-
Equity in Tangible Capital Assets	**6,829,526**	6,735,818
	6,829,526	6,735,818
Special Purpose Fund		
School Generated Funds	**-**	-
Other Special Purpose Funds	**120,956**	91,183
	120,956	91,183
Total Accumulated Surplus	**$ 9,845,621**	$ 9,153,025

8. Accumulated surplus (continued)

Designated Surplus under the Operating Fund represents internally restricted amounts appropriated by the board or, in the case of school budget carryovers, by board policy. See page 5 of the audited financial statements for a breakdown of the Designated Surplus.

	2017	2016
Board approved appropriation by motion	**$ 2,035,868**	$ 2,360,117
Designated surplus	**$ 2,035,868**	$ 2,360,117

School Generated Funds and Other Special Purpose Funds are externally restricted moneys for school use.

	2017	2016
Foundation-Scholarship	**$ 120,956**	$ 91,183
Other Special Purpose Funds	**$ 120,956**	$ 91,183

9. Interest received and paid

The Institute received interest during the year of $115,887 (previous year $104,256); interest paid during the year was $337,311 (previous year $298,376).

Interest expense is included in Fiscal and is comprised of the following

	2017	2016
Operating Fund		
Fiscal-short term loan, interest and bank charges	**$ 154,858**	$ 100,929
Capital Fund		
Debenture debt interest	**171,364**	184,514
Other interest	**11,089**	12,933
	$ 337,311	$ 298,376

The accrual portion of debenture debt interest expense of $25,308 (previous year $29,470) included under the Capital Fund-Debenture debt interest is offset by an accrual of the debt servicing grant from the Province of Manitoba.

10. Expenses by object

Expenses in the consolidated statement of revenue, expenses and accumulated surplus are reported by function as defined by FRAME. Below is the detail of expenses by object:

	Actual 2017	**Budget 2017**	Actual 2016
Salaries	**$ 17,152,378**	**$ 17,039,904**	$ 15,556,778
Employees benefits & allowances	**1,646,397**	**1,434,855**	1,540,058
Services	**6,892,075**	**7,427,125**	6,329,171
Supplies, materials & minor equipment	**2,791,926**	**3,204,259**	2,635,117
Interest	**154,858**	**90,000**	100,929
Bad debts	**4,577**	**-**	518
Payroll tax	**374,840**	**366,358**	349,971
Amortization	**1,323,149**	**-**	1,012,451
Other capital items	**182,453**	**-**	197,447
School generated funds	**-**	**-**	-
Other special purpose funds	**34,065**	**-**	39,251
Transfers	**301,011**	**374,928**	382,455
	$ 30,857,729	**$ 29,937,429**	$ 28,144,146

11. Contractual obligations

The Institute has entered into an operating lease agreements for certain properties and equipment used in operations with lease terms ending at various dates from 2017 to 2027. Under the terms of these lease agreements, minimum lease payments, excluding variable rent and charges, in each of the next five years are as follows:

2018	$ 1,486,828
2019	1,373,705
2020	1,262,767
2021	1,178,772
2022	1,158,761
	$ 6,460,833

12. Other borrowings

The Institute has capital lease obligations for IT infrastructure bearing interest rates ranging from 4.18% to 7.45% and with a lease term ending between August 2018 and September 2020. Under the term of the lease agreement, principal payments in each of the next three years are as follows:

2018	$ 97,855
2019	29,512
2020	10,052
2021	3,251
	$ 140,670

13. Portfolio investments

Portfolio investments include guaranteed investment certificates, and a savings account bearing interest at 1.65% (2016: 1.45%). The guaranteed investment certificates mature at various dates from November 2017 to April 2018. These investments bear interest that range from 1.75% to 1.95% (2016: 1.95% to 2.10%).

	2017	2016
Steinbach Credit Union – Savings account	**$ 3,323,201**	$ 1,304,547
North Winnipeg Credit Union – GIC	**3,003,644**	2,924,597
TD Direct Investing Account	**91,416**	55,259
	$ 6,418,261	$ 4,284,403

14. Deferred revenue

Deferred revenue includes tuition fees invoiced but not yet earned, student deposits for future program intakes, leasehold incentives received from landlords of leased facilities and any other receipt of proceeds for services or products to be delivered in future periods. These revenues will be recognized in that future period when the courses, service or products are provided. Deferred leasehold incentives will be realized at a rate consistent with the amortization of the related leasehold improvements.

	2017	2016
Deferred tuition revenue	**$ 3,642,324**	$ 2,850,043
Student deposits	**3,219,514**	3,400,708
Deferred leasehold incentives	**611,795**	676,920
Other deferred revenues	**536,965**	113,853
	$ 8,010,598	$ 7,041,524

15. Comparative figures

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current period.

MANAGEMENT REPORT

Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of Mountain View School Division are the responsibility of the Division management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants. A summary of the significant accounting policies are described in Note 2 to the consolidated financial statements.

The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. Division management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The Board of Trustees of the Division met with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by MNP LLP independent external auditors appointed by the Board. The accompanying Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Division's consolidated financial statements.

Original Document Signed	Original Document Signed
Chairperson	Secretary-Treasurer

October 10, 2017

MANAGEMENT REPORT

Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of Mountain View School Division are the responsibility of the Division management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants. A summary of the significant accounting policies are described in Note 2 to the consolidated financial statements.

The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. Division management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The Board of Trustees of the Division met with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by MNP LLP independent external auditors appointed by the Board. The accompanying Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Division's consolidated financial statements.

Original Document Signed	Original Document Signed
Chairperson	Secretary-Treasurer

October 10, 2017

Independent Auditors' Report

To the Board of Trustees of Mountain View School Division:

We have audited the accompanying consolidated financial statements of Mountain View School Division, which comprise the consolidated statement of financial position as at June 30, 2017, and the consolidated statements of revenue, expenses and accumulated surplus, change in net debt and cash flow for the year then ended, 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 generally accepted accounting principles established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants, 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 Mountain View School Division as at June 30, 2017 and the consolidated results of its operations, consolidated changes in net assets and its consolidated cash flow for the year then ended in accordance with Canadian generally accepted accounting principles established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

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

MNP LLP

Brandon, Manitoba
October 10, 2017

Chartered Professional Accountants

I hereby certify that the preceding report and the statements and reports referenced herein have been presented to the members of the Board of Mountain View School Division.

Original Document Signed
Chairperson of the Board

Oct 10/17
Date

MNP

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2017	2016
	Financial Assets		
	Cash and Bank	-	-
	Due from - Provincial Government	1,622,172	1,435,473
	- Federal Government	87,481	104,210
	- Municipal Government	7,249,529	6,628,327
	- Other School Divisions	27,185	29,498
	- First Nations	20,482	188,093
	Accounts Receivable	107,595	69,033
	Accrued Investment Income	-	-
4	Portfolio Investments	27,551	25,194
		9,141,995	8,479,828
	Liabilities		
5	Overdraft	3,279,602	5,194,629
	Accounts Payable	2,726,018	1,904,632
	Accrued Liabilities	2,062,101	2,451,737
6	Employee Future Benefits	512,693	564,168
	Accrued Interest Payable	563,067	464,893
	Due to - Provincial Government	-	-
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
7	Deferred Revenue	981,535	701,603
9	Borrowings from the Provincial Government	28,990,449	23,353,561
10	Other Borrowings	3,130,612	3,546,134
	School Generated Funds Liability	(5,870)	20,001
		42,240,207	38,201,358
	Net Debt	(33,098,212)	(29,721,530)
	Non-Financial Assets		
11	Net Tangible Capital Assets (TCA Schedule)	36,392,368	32,628,601
	Inventories	508,273	381,532
	Prepaid Expenses	1,486,094	1,649,228
		38,386,735	34,659,361
12	**Accumulated Surplus**	5,288,523	4,937,831

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes			2017	2016
	Revenue			
	Provincial Government		30,006,878	29,376,830
	Federal Government		15,953	-
	Municipal Government	- Property Tax	12,095,975	11,037,624
		- Other	-	-
	Other School Divisions		482,593	534,653
	First Nations		992,194	985,853
	Private Organizations and Individuals		634,440	576,653
	Other Sources		146,143	102,974
	School Generated Funds		634,802	663,063
	Other Special Purpose Funds		-	-
			45,008,978	43,277,650
	Expenses			
	Regular Instruction		23,431,057	22,618,544
	Student Support Services		5,550,643	5,483,772
	Adult Learning Centres		-	-
	Community Education and Services		104,002	100,909
	Divisional Administration		1,423,221	1,453,809
	Instructional and Other Support Services		1,341,765	1,256,424
	Transportation of Pupils		3,133,779	3,002,080
	Operations and Maintenance		5,251,349	5,004,841
14	Fiscal	- Interest	1,251,428	1,059,825
		- Other	652,839	603,650
	Amortization		1,965,599	1,894,204
	Other Capital Items		-	-
	School Generated Funds		591,240	675,503
	Other Special Purpose Funds		-	-
			44,696,922	43,153,561
	Current Year Surplus (Deficit) before Non-vested Sick Leave		312,056	124,089
	Less: Non-vested Sick Leave Expense (Recovery)		(38,636)	79,091
	Net Current Year Surplus (Deficit)		350,692	44,998
	Opening Accumulated Surplus		4,937,831	4,892,833
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	-
		Other than Tangible Cap. Assets	-	-
		Non-vested sick leave - prior years	-	-
	Opening Accumulated Surplus, as adjusted		4,937,831	4,892,833
	Closing Accumulated Surplus		5,288,523	4,937,831

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2017

	2017	2016
Net Current Year Surplus (Deficit)	350,692	44,998
Amortization of Tangible Capital Assets	1,965,599	1,894,204
Acquisition of Tangible Capital Assets	(5,742,240)	(10,004,053)
(Gain) / Loss on Disposal of Tangible Capital Assets	(45,319)	(2,964)
Proceeds on Disposal of Tangible Capital Assets	58,193	2,964
	(3,763,767)	(8,109,849)
Inventories (Increase)/Decrease	(126,741)	33,782
Prepaid Expenses (Increase)/Decrease	163,134	140,719
	36,393	174,501
(Increase)/Decrease in Net Debt	(3,376,682)	(7,890,350)
Net Debt at Beginning of Year	(29,721,530)	(21,831,180)
Adjustments Other than Tangible Cap. Assets	-	-
	(29,721,530)	(21,831,180)
Net Debt at End of Year	(33,098,212)	(29,721,530)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2017

	2017	2016
Operating Transactions		
Net Current Year Surplus (Deficit)	350,692	44,998
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	1,965,599	1,894,204
(Gain)/Loss on Disposal of Tangible Capital Assets	(45,319)	(2,964)
Employee Future Benefits Increase/(Decrease)	(51,475)	115,798
Due from Other Organizations (Increase)/Decrease	(621,248)	(480,729)
Accounts Receivable & Accrued Income (Increase)/Decrease	(38,562)	80,985
Inventories and Prepaid Expenses - (Increase)/Decrease	36,393	174,501
Due to Other Organizations Increase/(Decrease)	-	-
Accounts Payable & Accrued Liabilities Increase/(Decrease)	529,924	(148,763)
Deferred Revenue Increase/(Decrease)	279,932	562,544
School Generated Funds Liability Increase/(Decrease)	(25,871)	(10,164)
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by (Applied to) Operating Transactions	2,380,065	2,230,410
Capital Transactions		
Acquisition of Tangible Capital Assets	(5,742,240)	(10,004,053)
Proceeds on Disposal of Tangible Capital Assets	58,193	2,964
Cash Provided by (Applied to) Capital Transactions	(5,684,047)	(10,001,089)
Investing Transactions		
Portfolio Investments (Increase)/Decrease	(2,357)	14,373
Cash Provided by (Applied to) Investing Transactions	(2,357)	14,373
Financing Transactions		
Borrowings from the Provincial Government Increase/(Decrease)	5,636,888	6,553,658
Other Borrowings Increase/(Decrease)	(415,522)	(411,338)
Cash Provided by (Applied to) Financing Transactions	5,221,366	6,142,320
Cash and Bank / Overdraft (Increase)/Decrease	1,915,027	(1,613,986)
Cash and Bank (Overdraft) at Beginning of Year	(5,194,629)	(3,580,643)
Cash and Bank (Overdraft) at End of Year	(3,279,602)	(5,194,629)

Mountain View School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2017

	Buildings and Leasehold Improvements		School	Other	Furniture / Fixtures &	Computer Hardware &		Land	Assets Under	2017	2016
	School	Non-School	Buses	Vehicles	Equipment	Software *	Land	Improvements	Construction	TOTALS	TOTALS
Tangible Capital Asset Cost											
Opening Cost, as previously reported	47,414,489	4,909,850	5,921,252	616,359	2,673,126	347,103	570,392	276,659	7,781,979	70,511,209	60,512,625
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	47,414,489	4,909,850	5,921,252	616,359	2,673,126	347,103	570,392	276,659	7,781,979	70,511,209	60,512,625
Add: Additions during the year	913	-	255,337	31,601	11,504	67,559	-	-	5,375,326	5,742,240	10,004,053
Less: Disposals and write downs	-	-	542,048	130,376	-	-	-	-	-	672,424	5,469
Closing Cost	47,415,402	4,909,850	5,634,541	517,584	2,684,630	414,662	570,392	276,659	13,157,305	75,581,025	70,511,209
Accumulated Amortization											
Opening, as previously reported	29,129,535	1,606,393	3,960,032	439,437	2,311,285	308,003		127,923		37,882,608	35,993,873
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	29,129,535	1,606,393	3,960,032	439,437	2,311,285	308,003		127,923		37,882,608	35,993,873
Add: Current period Amortization	1,087,514	320,764	369,147	64,781	63,715	34,512		25,166		1,965,599	1,894,204
Less: Accumulated Amortization on Disposals and Writedowns	-	-	532,681	126,869	-	-		-		659,550	5,469
Closing Accumulated Amortization	30,217,049	1,927,157	3,796,498	377,349	2,375,000	342,515		153,089		39,188,657	37,882,608
Net Tangible Capital Asset	17,198,353	2,982,693	1,838,043	140,235	309,630	72,147	570,392	123,570	13,157,305	36,392,368	32,628,601
Proceeds from Disposal of Capital Assets	-	-	31,358	26,835	-	-				58,193	2,964

* Includes network infrastructure.

1. Nature of Organization and Economic Dependence

The School Division (Division) is a public body that provides education services to residents within its geographic location. The division is funded mainly by grants from the Province of Manitoba (Province), and a special levy on the property assessment included in the Division's boundaries. The Division is exempt from income tax and is a registered charity under the Income Tax Act.

The Division is economically dependent on the Province for the majority of its revenue and capital financing requirements. Without this funding, the Division would not be able to continue its operations.

2. Significant Accounting Policies

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles established by PSAB of the Canadian Institute of Chartered Accountants (CICA).

a) Reporting Entity and Consolidation

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the operating fund, capital fund, and special purpose fund of the Division. The Division reporting entity includes school generated funds.

All inter-fund accounts and transactions are eliminated upon consolidation.

b) Trust funds

The Division administers various trust funds. Trust funds and their related operations are not included in the consolidated financial statements as they are not owned or controlled by the Division. A schedule of trust funds is attached as part of the notes to the consolidated financial statements.

Trust funds, under PSAB are properties assigned to a trustee (school division) under a trust agreement or statute; the trustee merely administers the terms and conditions embodied in the agreement, and it has no unilateral authority to change the conditions set out in the trust indenture.

c) Basis of Accounting

Revenues and expenses are reported on the accrual basis of accounting except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable. 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.

d) Fund Accounting

The fund method of accounting is employed by the Division to record financial transactions in separate funds as defined by Financial Reporting and Accounting in Manitoba Education (FRAME) in accordance with the purpose for which the funds have been created.

The Operating Fund is maintained to record all the day to day operating revenues and expenses. The Capital Fund is used to account for the acquisition, amortization, disposal and financing of capital assets. The Special Purpose Fund is used to account for school generated funds and charitable foundations controlled by the Division.

e) School Generated Funds

School generated funds are moneys raised by the school, or under the auspices of the school, through extra curricular activities for the sole use of the school that the principal of each school, subject to the rules of the school board, may raise, hold, administer and expend for the purposes of the school.

Only revenue and expenses of school generated funds controlled by the Division are included in the Consolidated Statement of Revenue, Expenses and Accumulated Surplus. To be deemed as controlled, a school must have the unilateral authority to make the decisions as to when, how and on what the funds are to be spent.

Period end cash balances of all school generated funds are included in the Consolidated Statement of Financial Position. The uncontrolled portion of this amount is reflected in the School Generated Funds Liability account. Examples of uncontrolled school generated funds are parent council funds, other parent group funds, student council funds and travel club funds. Revenues and expenses of uncontrolled school generated funds are not included in the consolidated financial statements.

f) Tangible Capital Assets

Tangible capital assets are non-financial assets that are used by the Division to provide services to the public and have an economic life beyond one fiscal year. Tangible capital assets include land, buildings, buses, other vehicles, furniture and equipment, computers, capital leases, leasehold improvements, and assets under construction.

To be classified as tangible capital assets, each asset other than land must individually meet the capitalization threshold for its class as prescribed by FRAME.

Asset Description	Capitalization Threshold	Estimated Useful Life
Land	N/A	N/A
Land Improvements	$50,000	10 years
Buildings - bricks, mortar and steel	$50,000	40 years
Buildings - wood frame	$50,000	25 years
School buses	$50,000	10 years
Vehicles	$10,000	5 years
Equipment	$10,000	5 years
Network Infrastructure	$25,000	10 years
Computer Hardware, Servers & Peripherals	$10,000	4 years
Computer Software	$10,000	4 years
Furniture & Fixtures	$10,000	10 years
Leasehold Improvements	$25,000	Over term of lease

Grouping of assets is not permitted except for computer workstations.

With the exception of land, donated capital assets and capital leases, all tangible capital assets, are recorded at historical cost, which includes purchase price, installation costs and other costs incurred to put the asset into service.

Buildings are recorded at historical cost when known. For buildings acquired prior to June 30, 2005 where the actual cost was not known, the replacement value for insurance purposes as at June 30, 2005 was regressed to the date of acquisition using a regression index based on Southam and CanaData construction cost indices.

Capital leases are recorded at the present value of the minimum lease payments excluding executory costs (e.g. insurance, maintenance costs, etc.). The discount rate used to determine the present value of the lease payments is the lower of the Division's rate for incremental borrowing or the interest rate implicit in the lease.

Donated tangible capital assets are recorded at fair market value at the date of donation. Deferred revenue is recorded in an equivalent amount, for all donated assets except land. The deferred revenue will be recognized as revenue over the useful life of the related asset, on the same basis that the asset is amortized.

All land acquired prior to June 30, 2006 has been valued by the Crown Lands and Property Agency.

All tangible capital assets, except for land, capital leases, and assets under construction, are amortized on a straight-line basis over their estimated useful lives as prescribed by FRAME. Land is not amortized. Capital leases with lease terms that have a bargain purchase option or allow ownership to pass to the Division are amortized over the useful life of the asset class. All other capital leases are amortized over the lesser of the lease term and the useful life of the asset class.

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal if not fully amortized.

Assets under construction are not amortized until the date of substantial completion. Interest on funds used to finance school buildings under construction is capitalized for the periods preceding the date of substantial completion.

g) Employee Future Benefits

The Province of Manitoba pays the employer portion of the Teachers' Retirement Allowances Fund (TRAF), the pension plan for all certified teachers of the Division. The Division does not contribute to TRAF, and no costs relating to this plan are included in the Division's financial statements.

The Division provides retirement benefits to its non-teaching employees. The Division adopted the following policy with respect to accounting for these employee future benefits:

(i) Defined contribution/ insured benefit plans

Under these plans, specific fixed amounts are contributed by the Division each period for services rendered by the employees.

For non-vesting accumulating sick days, the benefit costs are recognized, if deemed material, based on a projection of expected future utilization of sick time, discounted using net present value techniques.

h) Capital Reserve

Certain amounts, as approved by the Board of Trustees and the Public Schools Finance Board (PSFB), have been set aside in reserve accounts for future capital purposes. These Capital Reserve accounts are internally restricted funds that form part of the Accumulated Surplus presented in the Consolidated Statement of Financial Position.

i) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

j) Financial instruments

There are no significant terms and conditions related to financial instruments (cash, accounts receivable, investments, bank indebtedness, accounts payable and long-term debt) that may affect the amount, timing and certainty of future cash flows. The Division is exposed to credit risk from the potential non-payment of accounts receivable. However, the majority of the receivables are from local, provincial and federal governments, and therefore, the credit risk is minimal. The carrying amounts of the financial instruments approximate their carrying values, unless otherwise noted.

3. Conversion to PSAB

Commencing with the 2006/07 fiscal year, the Board has adopted generally accepted accounting principles established by PSAB.

The following changes have been implemented to comply with the PSAB standard:

(i) Tangible capital assets were restated and amortized over their useful lives to reflect net book value. Amortization of tangible capital assets and gain or loss on disposal of capital assets are recorded in the Statement of Revenue, Expenses and Accumulated Surplus.

(ii) The Operating Fund, Capital Fund and Special Purpose Fund are consolidated in the financial statements. The Special Purpose Fund was created to include school generated funds and charitable foundations controlled by the Division.

(iii) The Employee Future Benefits Liability was established to account for the Division's commitment to pay vested future benefits to its employees.

(iv) Accrued Interest Payable was established to account for accrual of interest on Debenture Debt and Other Borrowings from the last payment date. An equal amount is set up as due from the Province to offset the accrued interest payable on debentures.

4. Other Investments

Other investments consist mainly of long-term guaranteed investment certificates and credit union surplus shares.

5. Overdraft

The Division has an authorized line of credit with the Royal Bank of Canada in the amount of $12,500,000 by way of overdrafts and is repayable on demand. Interest is paid monthly at prime less .75%.

6. Employee Future Benefits

Employee future benefits are benefits earned by employees in the current period, but will not be paid out until future periods. The employee future benefit is the annual vacation earned by the twelve month non-teaching employees during the fiscal year. Typically this earned vacation entitlement is taken in the subsequent fiscal year.

Non-vested accumulated sick leave benefits are measured using net present value techniques on the expected future utilization of excess of sick benefits used over earned per year, to maximum entitlement. The impact of the estimated non-vested sick leave benefit cost for 2016-2017 is a decrease of the liability in the amount of $38,636.

	Type of Plan		2017
Employee Future Benefit Liabilities (EFBL)			
Vacation accrual	defined contribution		$ 252,142
Non-vested sick leave	defined benefits		260,551
Accrued EFBL		$ -	
Deduct: Pension plan assets		-	
Unamortized actuarial (gains)/losses		-	-
Long-term disability	defined contribution		-
Continuation benefits-health care, dental or life ins.	defined benefits/ vesting		-
Supplemental unemployment benefits	defined benefits/event driven		-
Total Employee Future Benefit Liability			$ 512,693
Employee future benefit expense (EFB)			$ (51,475)

The Division sponsors a defined contribution and defined benefits plan. The defined contribution plan is provided to non-teaching staff through MAST Pension Plan. Eligible employees contributed a percentage of their regular salary or wage. The percentage varies according to the age of the employee. The Division contributions equal the employee contributions to the plan. No pension liability is included in the financial statements other than late payment interest owing for the period.

Long term disability benefits are covered by a defined contribution/ insured plan. The costs of salary compensation paid to employees on long-term disability leave are fully insured and are not included in the financial statements.

Supplemental unemployment benefits are defined benefits that are recognized and recorded only in the period when the events occur (e.g. maternity top up).

7. Deferred Revenue

The deferral method of accounting is used for revenues received that, pursuant to legislation, regulation or agreement, may only be used for specific purposes. These amounts are recognized as revenue in the fiscal year the related expenses are incurred or services performed. The following is a breakdown of the account balance:

	Balance as at June 30, 2016	Additions in the period	Revenue recognized in the period	Balance as at June 30, 2017
Property Tax Credit	477,920	525,746	477,920	525,746
International Education Revenue	57,532	308,697	57,532	308,697
Playground donations	166,151	0	19,059	147,092
	$ 701,603	$ 834,443	$ 554,511	$ 981,535

8. School Generated Funds Liability

School Generated Funds Liability includes the non-controlled portion of school generated funds consolidated in the cash and bank balances in the amount of $-5,870.

		2017
Parent council funds	$	-
Other parent group funds		-
Students council funds		-5,870
Travel club funds		-
		$ -5,870

As a transition measure in the implementation of the new accounting policies, school generated funds revenue and expenses reported in the Consolidated Statement of Revenue, Expenses and Accumulated Surplus as at June 30, 2017 covers a period of twelve months from April 1, 2016 to March 31, 2017.

9. Borrowings from the Provincial Government

The debenture debt of the Division is in the form of twenty-year debentures payable, principal and interest, in twenty equal yearly installments and maturing at various dates from 2018 to 2038. Payment of principal and interest is funded entirely by grants from the Province of Manitoba, except for the debenture debt on self-funded capital projects. The debentures carry interest rates that range from 3.25% to 7.25%. The debenture principal and interest repayments in the next five years are:

	Principal	Interest	Total
2018	1,616,889	1,188,827	$ 2,805,716
2019	1,675,023	1,113,535	2,788,558
2020	1,722,439	1,035,604	2,758,043
2021	1,704,768	955,702	2,660,470
2022	1,686,466	878,588	2,565,054
	$ 8,405,585	$ 5,172,256	$ 13,577,841

10. Other Borrowings

Other borrowings are debts other than overdrafts or debentures:

On May 8, 2012 Mountain View School Division entered into a loan agreement for $2,200,000 with the Royal Bank of Canada to finance the broadband internet project. The funds were advanced December 17, 2012. The term of the loan is 120 equal principal payments of $18,334 plus interest at a rate of prime minus 0.75%.

On December 4, 2014 Mountain View School Division entered into a loan agreement for $2,400,000 with the Royal Bank of Canada to finance the telecom and fire alarm projects. The term of the loan is 144 fixed payments of $19,587 with an interest rate of prime minus 0.75%.

	2016	2017
Connectivity Loan	$ 1,429,972	$ 1,209,964
Telecom/Fire alarm	$ 2,116,162	$ 1,920,648
	$ 3,546,134	$ 3,130,612

2018	$ 414,754
2019	$ 419,082
2020	$ 423,506
2021	$ 428,028
2022	$ 432,651
Until Maturity	$ 1,012,591
	$ 3,130,612

11. Net Tangible Capital Assets

The Schedule of Tangible Capital Assets (TCA), page 23 of the audited financial statements, provides a breakdown of cost, accumulated amortization and net book value by class. The amount of interest capitalized in the period included in Assets under Construction was $0 (previous year $0).

	Gross Amount	Accumulated Amortization	2017 Net Book Value
Owned-tangible capital assets	$ 75,581,025	$ 39,188,657	$ 36,392,368
Capital lease		-	-
	$ 75,581,025	$ 39,188,657	$ 36,392,368

12. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2017
Operating Fund	
Designated Surplus	-
Undesignated Surplus	1,627,647
Non-vested sick leave	(260,551)
	1,367,096
Capital Fund	
Reserve Accounts	508,383
Equity in Tangible Capital Assets	2,943,884
	3,452,267
Special Purpose Fund	
School Generated Funds	469,160
Other Special Purpose Funds	-
	469,160
Total Accumulated Surplus	$ 5,288,523

Designated Surplus under the Operating Fund represents internally restricted amounts appropriated by the board or, in the case of school budget carryovers, by board policy.

Reserve Accounts under the Capital Fund represents internally restricted reserves for specific purposes approved by the Board of Trustees and PSFB. A Schedule of Capital Reserve Accounts is provided on page 24 of the audited financial statements.

	2017
Bus reserves	324,228
Other reserves	184,155
Capital Reserve	$ 508,383

School Generated Funds and Other Special Purpose Funds are externally restricted moneys for school and restricted for school use.

13. Municipal Government – Property Tax and related Due from Municipal Government

Education property tax or Special Levy is raised as the Division's contribution to the cost of providing public education for the students resident in the division. The Municipal Government-Property Tax shown on the consolidated revenue and expense statement is raised over the two calendar (tax) years; 40% from 2016 tax year and 60% from 2017 tax year. Below are the related revenue and receivable amounts:

	2016	2017
Revenue-Municipal Government-Property Tax	$ 11,037,624	$ 12,095,975
Receivable-Due from Municipal-Property Tax	$ 6,628,327	$ 7,249,529

14. Interest Received and Paid

The Division received interest during the year of $1,314 (previous year $876); interest paid during the year was $1,251,428 (previous year $1,059,825).

Interest expense is included in Fiscal and is comprised of the following:

	2017
Operating Fund	
Fiscal-short term loan, interest and bank charges	$ 76,845
Interest on long-term debt	25,543
Capital Fund	
Debenture debt interest	1,109,640
Other interest	39,400
	$ 1,251,428

15. Expenses by object

Expenses in the consolidated statement of revenue, expenses and accumulated surplus are reported by function as defined by FRAME. Below is the detail of expenses by object:

	Actual 2017	Budget 2017	Actual 2016
Salaries	$ 29,525,199	$ 29,462,612	$ 28,705,751
Employees benefits & allowances	2,834,197	3,046,120	2,852,791
Services	4,060,829	3,858,993	3,859,748
Supplies, materials & minor equipment	3,811,541	3,668,570	3,496,754
Interest	1,251,428	135,000	1,059,825
Bad debts		-	
Payroll tax and transfers	656,889	655,402	608,985
Amortization	1,965,599	-	1,894,204
Other capital items		-	
School generated funds	591,240	-	675,503
Other special purpose funds	-	-	-
	$ 44,696,922	$ 40,826,697	$ 43,153,561

16. Contractual Obligations

High Speed Connectivity Agreement

The Division has entered into a long-term agreement with Manitoba Telephone System Inc. to provide high-speed internet and wide area network connectivity for all community schools. The term of the agreement is ten years commencing July 1, 2014 with a one-time cost of $2,298,275. The agreement provides for fiber optic connectivity to the administration office, Barker School, DRCSS, Ethelbert School, Gilbert Plains Elementary and Collegiate, Goose Lake High, Grandview School, Roblin Elementary School, Winnipegosis Elementary and Collegiate. All remaining sites will receive high-speed service through copper cable access.

17. Contingent Liabilities

There have been no legal actions initiated against the Division.

18. Liability for Contaminated Sites

Effective July 1, 2014, the division has adopted the new Public Sector Accounting Board accounting standard - Liability for Contaminated Sites, Section PS3260. The standard was applied on a retroactive basis to July 1, 2013 and did not result in any adjustments to financial liabilities, tangible capital assets or accumulated surplus of the school division.

Effective July 1, 2016, the division had a change in an estimate.

(a) The nature and source of the liability;
Two underground furnace oil tanks

(b) The basis for the estimate of the liability;
Actual costs of previous sites remediated

(c) The estimated costs of remediation;
Costs estimated at $30,000 each for a total of $60,000 (included in accrued liabilities in 2016)

(d) The actual costs of remediation;
Actual costs were $22,755 for both sites inclusive. The accrual has been removed.

MANAGEMENT REPORT

Management's Responsibility for the Financial Statements

The accompanying consolidated financial statements of Mystery Lake School District are the responsibility of the District's management and have been prepared in compliance with legislation and in accordance with Canadian accounting standards established by the Public Sector Accounting Board of The Canadian Institute of Chartered Professional Accountants. A summary of the significant accounting policies are described in Note 2 to the consolidated financial statements.

The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

District management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are authorized and properly recorded in compliance with legislative and regulatory requirements and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and regularly evaluated by the District's management.

The Board of Trustees of the District met with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by Kendall & Pandya, Chartered Professional Accountants, independent external auditors appointed by the Board. The accompanying Auditors' Report outlines their responsibility, the scope of their examination and their opinion of the District consolidated financial statements.

Original Document Signed
Chairperson

Original Document Signed
Secretary – Treasurer

November 14, 2017

KENDALL & PANDYA
Chartered Professional Accountants

118 Cree Road, Thompson, MB R8N OC1
300-31 Main St., P.O. Box 175, Flin Flon, MB R8A 1M7

Partners: David Kendall, FCPA, FCA*
Manisha Pandya, CPA, CA*
* Operating as professional corporations

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of the
MYSTERY LAKE SCHOOL DISTRICT

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of MYSTERY LAKE SCHOOL DISTRICT, which comprise the consolidated statement of financial position as at June 30, 2017, the consolidated statements of revenue, expenses and accumulated surplus, change in net debt and cash flow for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information. These consolidated financial statements have been prepared to comply with the Public Schools Act.

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 auditing standards, and for such internal controls 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 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 our judgement, 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, we consider 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 the financial position of the Mystery Lake School District as at June 30, 2017, and its consolidated results of operations, its consolidated change in net debt and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Other Matters

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

THOMPSON, MANITOBA

November 14, 2017
DATE

Kendall & Pandya
CHARTERED PROFESSIONAL ACCOUNTANTS

I hereby certify that this report and the statements and reports referenced herein have been presented to the members of the Board of the above-mentioned School District.

Nov 14 /17
DATE

Original Document Signed
CHAIRPERSON

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes			2017	2016
	Financial Assets			
	Cash and Bank		2,374,095	211,767
	Due from	- Provincial Government	2,254,539	2,192,377
		- Federal Government	55,591	145,024
		- Municipal Government	5,076,715	5,260,748
		- Other School Divisions	-	-
		- First Nations	42,088	40,487
	Accounts Receivable		72,063	71,761
	Accrued Investment Income		24,980	21,500
4	Portfolio Investments		6,000,000	4,076,082
			15,900,071	12,019,746
	Liabilities			
	Overdraft		-	-
	Accounts Payable		146,390	381,602
	Accrued Liabilities		6,302,685	6,225,085
5	Employee Future Benefits		5,273,122	4,561,249
	Accrued Interest Payable		163,663	71,463
	Due to	- Provincial Government	4,720	2,730
		- Federal Government	231	244
		- Municipal Government	-	-
		- Other School Divisions	-	-
		- First Nations	-	-
6	Deferred Revenue		403,514	405,004
8	Borrowings from the Provincial Government		11,464,234	7,257,909
	Other Borrowings		-	-
	School Generated Funds Liability		302,906	240,976
			24,061,465	19,146,262
	Net Debt		(8,161,394)	(7,126,516)
	Non-Financial Assets			
9	Net Tangible Capital Assets (TCA Schedule)		19,359,397	16,231,308
	Inventories		73,629	90,515
	Prepaid Expenses		61,486	69,506
			19,494,512	16,391,329
11	**Accumulated Surplus**		11,333,118	9,264,813

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes			2017	2016
	Revenue			
	Provincial Government		35,569,582	32,553,883
	Federal Government		2,299	28,296
	Municipal Government	- Property Tax	6,763,052	6,660,510
		- Other	1,704,718	1,704,337
	Other School Divisions		139,256	158,032
	First Nations		416,540	417,172
	Private Organizations and Individuals		157,584	176,896
	Other Sources		220,343	230,059
	School Generated Funds		300,596	294,853
	Other Special Purpose Funds		-	-
			45,273,970	42,224,038
	Expenses			
	Regular Instruction		23,689,702	24,077,613
	Student Support Services		8,349,761	8,491,077
	Adult Learning Centres		-	-
	Community Education and Services		4,590	-
	Divisional Administration		1,798,905	1,957,923
	Instructional and Other Support Services		1,847,314	1,860,933
	Transportation of Pupils		308,328	245,478
	Operations and Maintenance		4,746,879	4,700,861
13	Fiscal	- Interest	454,894	291,921
		- Other	704,798	678,303
	Amortization		988,786	868,972
	Other Capital Items		-	-
	School Generated Funds		278,399	287,727
	Other Special Purpose Funds		-	-
			43,172,356	43,460,808
	Current Year Surplus (Deficit) before Non-vested Sick Leave		2,101,614	(1,236,770)
	Less: Non-vested Sick Leave Expense (Recovery)		33,309	22,403
	Net Current Year Surplus (Deficit)		2,068,305	(1,259,173)
	Opening Accumulated Surplus		9,264,813	10,523,986
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	-
		Other than Tangible Cap. Assets	-	-
		Non-vested sick leave - prior years	-	-
	Opening Accumulated Surplus, as adjusted		9,264,813	10,523,986
	Closing Accumulated Surplus		11,333,118	9,264,813

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2017

	2017	2016
Net Current Year Surplus (Deficit)	2,068,305	(1,259,173)
Amortization of Tangible Capital Assets	988,786	868,972
Acquisition of Tangible Capital Assets	(4,116,875)	(3,104,691)
(Gain) / Loss on Disposal of Tangible Capital Assets	-	-
Proceeds on Disposal of Tangible Capital Assets	-	-
	(3,128,089)	(2,235,719)
Inventories (Increase)/Decrease	16,886	313
Prepaid Expenses (Increase)/Decrease	8,020	(10,194)
	24,906	(9,881)
(Increase)/Decrease in Net Debt	(1,034,878)	(3,504,773)
Net Debt at Beginning of Year	(7,126,516)	(3,621,743)
Adjustments Other than Tangible Cap. Assets	-	-
	(7,126,516)	(3,621,743)
Net Debt at End of Year	(8,161,394)	(7,126,516)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2017

	2017	2016
Operating Transactions		
Net Current Year Surplus (Deficit)	2,068,305	(1,259,173)
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	988,786	868,972
(Gain)/Loss on Disposal of Tangible Capital Assets	-	-
Employee Future Benefits Increase/(Decrease)	711,873	2,021,788
Due from Other Organizations (Increase)/Decrease	209,703	(825,936)
Accounts Receivable & Accrued Income (Increase)/Decrease	(3,782)	(12,690)
Inventories and Prepaid Expenses - (Increase)/Decrease	24,906	(9,881)
Due to Other Organizations Increase/(Decrease)	1,977	47
Accounts Payable & Accrued Liabilities Increase/(Decrease)	(65,412)	(81,576)
Deferred Revenue Increase/(Decrease)	(1,490)	(20,424)
School Generated Funds Liability Increase/(Decrease)	61,930	58,837
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by (Applied to) Operating Transactions	3,996,796	739,964
Capital Transactions		
Acquisition of Tangible Capital Assets	(4,116,875)	(3,104,691)
Proceeds on Disposal of Tangible Capital Assets	-	-
Cash Provided by (Applied to) Capital Transactions	(4,116,875)	(3,104,691)
Investing Transactions		
Portfolio Investments (Increase)/Decrease	(1,923,918)	(2,025,631)
Cash Provided by (Applied to) Investing Transactions	(1,923,918)	(2,025,631)
Financing Transactions		
Borrowings from the Provincial Government Increase/(Decrease)	4,206,325	89,716
Other Borrowings Increase/(Decrease)	-	-
Cash Provided by (Applied to) Financing Transactions	4,206,325	89,716
Cash and Bank / Overdraft (Increase)/Decrease	2,162,328	(4,300,642)
Cash and Bank (Overdraft) at Beginning of Year	211,767	4,512,409
Cash and Bank (Overdraft) at End of Year	2,374,095	211,767

1. NATURE OF ORGANIZATION AND ECONOMIC DEPENDENCE

The Mystery Lake School District is a public body that provides education services to residents within its geographic location. The District is funded mainly by grants from the Province of Manitoba and a special levy on the property assessment included in the District's boundaries. The District is exempt from income tax under the Income Tax Act.

The District is economically dependent on the Province for the majority of its revenue and capital financing requirements. Without this funding, the District would not be able to continue its operations.

2. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles established by PSAB of the Canadian Institute of Chartered Accountants (CICA).

a) Reporting Entity and Consolidation

The consolidated financial statements reflect the assets, liabilities, revenue and expenses for the operating fund, capital fund, and special purpose fund of the District. The District reporting entity includes school generated funds controlled by the District.

All inter-fund accounts and transactions are eliminated upon consolidation.

b) Basis of Accounting

Revenues and expenses are reported on the accrual basis of accounting except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable. 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.

c) Fund Accounting

The fund method of accounting is employed by the Division to record financial transactions in separate funds as defined by Financial Reporting and Accounting in Manitoba Education (FRAME) in accordance with the purpose for which the funds have been created.

The Operating Fund is maintained to record all the day to day operating revenues and expenses. The Capital Fund is used to account for the acquisition, amortization, disposal and financing of capital assets. The Special Purpose Fund is used to account for school generated funds controlled by the Division.

d) School Generated Funds

School generated funds are moneys raised by the school, or under the auspices of the school, through extracurricular activities for the sole use of the school that the principal of each school, subject to the rules of the school board, may raise, hold, administer and expend for the purposes of the school. Funds raised for this purpose within the District are used for student activities, lunch programs, student council and physical education.

Only revenue and expenses of school generated funds controlled by the District are included in the Consolidated Statement of Revenue, Expenses and Accumulated Surplus. To be deemed as controlled, a school must have the unilateral authority to make the decisions as to when, how and on what the funds are to be spent.

Period end cash balances of all school generated funds are included in the Consolidated Statement of Financial Position. The uncontrolled portion of this amount is reflected in the School Generated Funds Liability account. Examples of uncontrolled school generated funds are parent council funds, other parent group funds, student council funds and travel club funds. Revenues and expenses of uncontrolled school generated funds are not included in the consolidated financial statements.

e) **Tangible Capital Assets**

Tangible capital assets are non-financial assets that are used by the Division to provide services to the public and have an economic life beyond one fiscal year. Tangible capital assets include land, buildings, buses, other vehicles, furniture and equipment, computers, capital leases, leasehold improvements, and assets under construction.

To be classified as tangible capital assets, each asset other than land must individually meet the capitalization threshold for its class as prescribed by FRAME.

Asset Description	Capitalization Threshold ($)	Estimate Useful Life (Years)
Land Improvement	50,000	10
Buildings – bricks, mortar, steel	50,000	40
Buildings – wood frame	50,000	25
Vehicles	10,000	5
Equipment	10,000	5
Network Infrastructure	25,000	10
Computer Hardware, Servers & Peripherals	10,000	4
Computer Software	10,000	4
Furniture & Fixtures	10,000	10
Leasehold Improvements	25,000	Over term of lease

Grouping of assets is not permitted except for computer work stations.

With the exception of land, donated capital assets and capital leases, all tangible capital assets, are recorded at historical cost, which includes purchase price, installation costs and other costs incurred to put the asset into service.

Buildings are recorded at historical cost when known. For buildings acquired prior to June 30, 2005 where the actual cost was not known, the replacement value for insurance purposes as at June 30, 2005 was regressed to the date of acquisition using a regression index based on Southam and Cana Data construction cost indices.

Capital leases are recorded at the present value of the minimum lease payments excluding executory costs (e.g. insurance, maintenance costs, etc.). The discount rate used to determine the present value of the lease payments is the lower of the District's rate for incremental borrowing or the interest rate implicit in the lease.

Donated tangible capital assets are recorded at fair market value at the date of donation. Deferred revenue is recorded in an equivalent amount, for all donated assets except land. The deferred revenue will be recognized as revenue over the useful life of the related asset, on the same basis that the asset is amortized.

All land acquired prior to June 30, 2007 has been valued by the Crown Lands and Property Agency.

All tangible capital assets, except for land, capital leases, and assets under construction, are amortized on a straight-line basis over their estimated useful lives as prescribed by FRAME. Land is not amortized. Capital leases with lease terms that have a bargain purchase option or allow ownership to pass to the District are amortized over the useful life of the asset class. All other capital leases are amortized over the lesser of the lease term and the useful life of the asset class.

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal if not fully amortized.

Assets under construction are not amortized until the date of substantial completion. Interest on funds used to finance school buildings under construction is capitalized for the periods preceding the date of substantial completion.

f) Employee Future Benefits

The Province of Manitoba pays the employer portion of the Teachers' Retirement Allowances Fund (TRAF), the pension plan for all certified teachers of the District. The District does not contribute to TRAF, and no costs relating to this plan are included in the District's financial statements.

However, the District provides retirement and other future benefits to its employees. These benefits include life insurance, extended health benefits, dental, prescription drugs, vision and long term disability. The District has adopted the following policies with respect to accounting for these employee future benefits.

i) Defined Contribution / Insured Benefit Plans

Under these plans, specific fixed amounts are contributed by the District each period for services rendered by the employees. No responsibility is assumed by the District to make any further contribution.

The District fully funds long term, short term disability, vision, dental, prescription drugs and extended health benefits for the teachers. Additionally the District pays 50% of the teacher's life insurance premiums.

The employee future benefits liability is the difference between the contribution owing for the period and what has been paid; while the employee future benefits expense is the District's fixed contribution for the period including interest accrued for late remittance.

As described under the terms of Article 23 of the Collective Agreement, certain teaching staff have been offered an early leave incentive plan. The agreement states that the payment terms under this plan will be based on annual instalments depending on the age of the teacher at the time of acceptance of the offer.

The District makes defined contributions on behalf of non-teaching staff who belong to the School District of Mystery Lake No. 2355 pension plan. The contribution amount is 10% of the total of the employee's gross earnings, employer paid benefits, CPP, and EI premiums. The District fully funds the basic life insurance, long term disability, vision, dental, prescription drugs and extended health benefits for non-teaching staff. The Employee pension contributions for 2017 was $294,979 (2016 - $300,226). The District contributed $673,892 for 2017 (2016 - $639,443).

The defined benefit plan provided to support staff is actuarially valuated every year using a number of assumptions about future events, including interest rates, wage and salary increases, employee turnover and mortality to determine the accrued benefit obligation. The most recent actuarial report was prepared as at June 30, 2017. Pension plan assets are valued at market values and the expected rate of return is 5.0%.

See Appendix 1

The District makes defined contributions on behalf of out of scope staff to the Manitoba School Board Association. The contribution amount is based on age and gross earnings and can vary from 9.65% to 11.65%.

ii) Defined Benefits / Self Insured Employee Future Benefit Plans

Under these plans, benefits to be received by employees or the method for determining those benefits have been specified by the District. The actuarial risk (with respect to the amount of the benefit that each employee will receive) and the investment risk (with respect to the investment returns on any assets set aside to pay for the cost of these benefits) are assumed by the District. As at June 30, 2017, the pension obligation is not fully funded.

The plan has been amended where in the District is liable for the existing identified pensioners as of December 31, 2012.

The actuarial valuation has stated a deficiency of $920,335 as at June 30, 2017. The District set up a provision for this amount in the 2016-2017 fiscal year.

For self-insured employee future benefits other than pension plans, that are vesting and accumulating over the employees' length of service (e.g. vesting sick days;) the benefit costs are accounted for on a full accrual basis determined using management's best estimate of salary escalation, accumulated sick days, insurance & health care costs trends, long-term inflation rates.

The employee self-insured benefit obligations that are event driven (e.g. supplemental unemployment benefits; non-vesting parental leave), the benefit costs are recognized and recorded only in the period when the event occurs.

For those future benefits liability is the total accrued benefit obligation. The employee future benefits expense includes the Districts contribution for the period.

g) Capital Reserves

Certain amounts, as approved by the Board of Trustees and the Public Schools Finance Board (PSFB), have been set aside in reserve accounts for future capital purposes. These Capital Reserve accounts are internally restricted funds that form part of the Accumulated Surplus presented in the Consolidated Statement of Financial Position.

The Mystery Lake School District has $406,338 set aside in Capital Reserves as at June 30, 2017.

h) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

i) Financial Instruments

There are no significant terms and conditions related to financial instruments (cash, accounts receivable, investments, and bank indebtedness, accounts payable and long-term debt) that may affect the amount, timing and certainty of future cash flows. The District is exposed to credit risk from the potential non-payment of accounts receivable. However, the majority of the receivables are from local, provincial and federal governments, and therefore, the credit risk is minimal. The carrying amounts of the financial instruments approximate their carrying values, unless otherwise noted.

3. OVERDRAFT

The District has an authorized line of credit with the CIBC valued at $6,000,000. The line of credit is used as required when inflow of revenues do not match the outflow of expenses. It has generally been used in the latter half of the year as the payment from the City of Thompson for the Municipal Special Levy is not received by the District until November of each year. The District receives funding from the province on the 10th and 25th of each month from September through June. It does not receive any funding in July and August, although the District incurs similar expenses during these months as in the rest of the year.

The District's 'Operating Fund' overdraft position at June 30, 2017 was NIL (2016- $149,145).

4. PORTFOLIO INVESTMENTS

The District has invested in short term flexible GICs in the amount of $6,000,000; comprised of:

- $1,000,000; invest rate 0.8%; maturing November 17, 2017
- $1,000,000; invest rate 0.8%; maturing November 17, 2017
- $2,000,000; invest rate 0.8%; maturing December 4, 2017
- $2,000,000; invest rate 0.8%; maturing February 14, 2018

Note: Subsequent to year end, due to cash flow requirements, $4,000,000 of the GIC's were redeemed. At audit report date there remains one GIC for $2,000,000 maturing February 14, 2018.

5. EMPLOYEE FUTURE BENEFITS

Employee future benefits are benefits earned by employees in the current period, but will not be paid out until future periods. The employee future benefits are comprised of the following:

Employee Future Benefit Liabilities	Type of Plan	2017
Sick Leave Buyout Teachers & Support staff	Defined Contribution	$ 665,199
Early Leave Incentive Plan Teachers	Defined Contribution	4,407,407
Non-vested accumulated sick leave		200,516
		$ 5,273,122

6. DEFERRED REVENUE

Deferred revenue in the amount of $403,514, at June 30, 2017, consisted of the following:

a) Resulting from the change to PSAB effective the 2006 / 2007 financial reporting period, the purchases of playground equipment at Burntwood School, Deerwood School, École Riverside School, Juniper School, Westwood School and Wapanohk School funded by the Playground Committees are considered to have been donated to the Schools. This is reflected on the District's books by decreasing capital assets and increasing deferred revenue. The equipment is considered to have a useful life of ten years. In each of the ten years, one tenth of the value of the assets will be recorded as revenue with an offsetting decrease to deferred revenue. At the end of the ten year time period, the assets will be fully depreciated and the deferred revenue account will have a value of zero. The value of the equipment at the time of the donations was $373,009. The deferred revenue related to the donation of playground equipment and digital signage is $81,494 and $5,490 respectively.

b) During the year a number of grants were received from various sources to be used for specific projects. Grant revenues are recognized as expenditures for the related project are incurred; revenues exceeding the project expenses are deferred until the related expenditures are incurred. Deferred revenue related to specific projects was $241,030.

c) The RDPC Grad committee donated funds to the District to be put towards the purchase and installation of a Digital Sign at RDPC. The asset is considered to have a useful life of ten years. In each of the ten years, one tenth of the value will be recorded as revenue with an offsetting decrease to deferred revenue. The value of the donation was $18,300. The deferred revenue related to the digital signage is $5,490.

d) The Power Mechanic (Heavy Duty) program received a donation of a Rock truck; Scooptram, and Grader. The equipment is considered to have a useful life of five years. In each of the five years, one fifth of the value will be recorded as revenue, with an offsetting decrease to deferred revenue. The combined value of the donations was $35,000 ($15,000 Scooptram; $10,000 Rock truck; $10,000 Grader). The deferred revenue related to the heavy duty equipment is: Scooptram $10,500; Grader $9,000; Rock truck $7,000.

e) The Ecole Riverside Parent Council donated funds to the District for use towards the expansion of their schools gymnasium. The expansion is considered to have a useful life of 25 years. In each year of the 25 years, an equal value will be recorded as revenue with an offsetting decrease to deferred revenue. The value of the donation was $50,000. The deferred revenue related to the gymnasium expansion is $49,000.

7. SCHOOL GENERATED FUNDS LIABILITY

School Generated Funds Liability includes the non-controlled portion of school generated funds consolidated in the cash and bank balances in the amount of $302,906. The breakdown is as follows:

	2017	2016
Parent Council Fund	$ 28,804	$ 34,026
Other Parent Group Funds	128,676	85,801
Student Funds	145,426	121,149
	$ 302,906	$ 240,976

8. DEBENTURE DEBT

Debenture debt is comprised of the following:

Interest Rate %	Maturity Date	Balance (Dollars)
6.125	April 30, 2018	25,726
5.875	February 15, 2019	55,159
5.875	February 15, 2019	71,802
6.750	October 15, 2019	30,749
7.250	February 28, 2020	53,297
6.625	April 15, 2021	151,862
6.500	January 15, 2022	385,075
6.875	May 31, 2022	342,262
6.000	February 15, 2024	450,000
6.125	June 15, 2024	372,487
5.375	June 30, 2025	229,605
5.250	March 15, 2028	324,249
5.750	April 30, 2029	44,510
5.250	March 15, 2030	314,571
5.125	May 15, 2030	80,597
4.875	May 15, 2031	952,400
4.000	May 15, 2032	405,783
3.625	May 31, 2033	737,401
4.125	December 31, 2033	420,320
4.250	May 31, 2034	45,599
3.375	June 30, 2035	462,558
3.500	June 30, 2036	366,756
3.500	June 30, 2036	309,167
3.250	October 15, 2036	2,964,900
3.250	November 30, 2036	1,191,300
3.375	December 31, 2036	676,100
		$ 11,464,234

Debenture interest expense payable at June 30, 2017, is accrued and recorded in Accrued Interest Payable, and a grant in an amount equal to the interest accrued on provincially funded debentures is recorded in Due from the Provincial Government.

The debenture principal and interest repayments in the next five years are:

	Principal	Interest	Total
2018	787,220	481,811	1,269,031
2019	799,950	441,778	1,241,728
2020	771,368	401,233	1,172,601
2021	777,995	362,540	1,140,535
2022	772,064	324,017	1,096,081
	$3,908,597	$2,011,379	$5,919,976

9. NET TANGIBLE CAPITAL ASSETS

The Schedule of Tangible Capital Assets (TCA), page 23 of the audited financial statements, provides a breakdown of cost, accumulated amortization and net book value by class.

	Gross Amount	Accumulated Amortization	2017 Net Book Value	2016 Net Book Value
Owned Tangible Capital Assets	$47,026,995	$27,700,662	**$19,326,333**	$16,185,018
Capital Leased Assets	66,128	33,064	**33,064**	46,290
	$47,093,123	$27,733,726	**$19,359,397**	$16,231,308

The District has a capital lease arrangement with GE Capital; monthly payments of $1,087 beginning April, 2015 with a purchase option on the last day of the 36th month of the term.

10. OBLIGATION UNDER OPERATING LEASES

Operating lease commitments for the next five years:

2018	$ 48,003
2019	38,535
2020	27,738
2021	21,682
2022	10,950
	$ 144,878

11. ACCUMULATED SURPLUS

The consolidated accumulated surplus is comprised of the following:

	2017	2016
Operating Fund		
Undesignated Surplus	**$ 3,449,560**	$ 1,518,234
Capital Fund		
Reserve Accounts	**$ 406,338**	$ 783,984
Equity in Tangible Capital Assets	**7,335,787**	6,843,359
	7,742,125	7,627,343
Special Purpose Fund		
School Generated Funds	**$ 141,433**	$ 119,236
Total Accumulated Surplus	**$ 11,333,118**	$9,264,813

Designated Surplus under the Operating Fund represents internally restricted amounts appropriated by the board or, in the case of school budget carryovers, by board policy. The District does not have any designated surplus at this time.

Reserve accounts under the Capital Fund represents internally restricted reserves for specific purposes approved by the Board of Trustees and PSFB. The District has $406,338 identified in capital reserve accounts at June 30, 2017.

School Generated Funds and Other Special Purpose Funds are externally restricted monies for school use. The District has $141,433 identified in other student activity accounts at June 30, 2017.

12. MUNICIPAL GOVERNMENT – PROPERTY TAX AND RELATED DUE FROM MUNICIPAL GOVERNMENT

Education property tax or Special Levy is raised as the District's contribution to the cost of providing public education for the student residents in the District. The Municipal Government-Property Tax shown on the consolidated revenue and expense is raised over the two calendar (tax) years; 40% from 2016 tax year and 60% from 2017 tax year. The Municipal receivable and revenue does not include the Vale Grant the District receives.

Below are the related revenue and receivable amounts:

		2017	2016
Revenue	Municipal Government Property Tax	**$ 6,763,052**	$6,660,510
Receivable	Due from Municipal Property Tax	**$ 5,076,715**	$5,260,748

13. INTEREST RECEIVED AND PAID

The District received interest during the year of $510,043 (2016-$364,280); interest paid during the year was $454,894 (2016-$291,921).

	2017	2016
Operating Fund		
Fiscal – bank charges	**$ 2,910**	$ 2,479
Capital Fund		
Debenture Debt Interest	**451,984**	289,442
	$454,894	$291,921

The accrual portion of debenture debt interest expense of $163,663 (2016-$71,463) included under the Capital Fund - Debenture debt interest, is offset by an accrual of debt servicing grant from the Province of Manitoba.

14. ALLOWANCE FOR DOUBTFUL ACCOUNTS

All receivables presented on the Consolidated Statement of Financial Position are net of an allowance for doubtful accounts. Allowance for doubtful accounts as at June 30, 2017 was $5,892 (2016 - $13,392).

15. BUDGET FIGURES

Budget figures have been included for information purposes only and have not been audited.

16. CHANGE IN ACCOUNTING POLICY PS-2120

Previously, the District did not recognize an accrued benefit obligation related to sick leave benefits as the benefits do not vest. The benefit costs were only recognized and recorded in the period when an employee was sick. Public Sector Accounting standards require that a liability and an expense be recognized for post-employment benefits and compensated absences that vest or accumulate in the period in which employees render services to the District in return for the benefit. An adjustment was made to recognize a liability and an expense related to accumulated sick leave entitlement. The resulting adjustment to the liability of Employee Future Benefits as at July 1, 2016 was $167,206. The liability for employee future benefits recorded at June 30, 2017 was increased by $33,309 related to the accrual for accumulated sick leave entitlement determined using net present value technique.

17. ADOPTION OF NEW ACCOUNTING POLICY – PS -3260

Effective July 1, 2015, the division has adopted the new Public Sector Accounting Board accounting standard – Liability for Contaminated Sites, Sector PS3260. The standard was applied on a retroactive basis to July 1, 2013 and did not result in any adjustments to financial liabilities, tangible capital assets or accumulated surplus of the division.

18. SUBSEQUENT EVENTS

The Letter of Understanding regarding the annual "Grant in Lieu of taxes" for Vale's Manitoba operations expires December 31, 2017. Negotiations are currently underway regarding a new agreement.

The District currently receives 28.3% of the annual payment or $1,698,000 under Municipal revenue.

APPENDIX 1
TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017

BENEFIT PLAN ASSETS – PENSION PLAN	**12 Month Projection June 30, 2018**	12 Month Projection June 30, 2017
Fair Value Open	**$ 11,980,078**	$ 11,525,559
Expected return	**1,171,140**	(432,723)
Actuarial investment (gain/loss)	**208,296**	620,832
Employer contributions	**673,892**	639,443
Employee contributions	**295,550**	300,226
Benefits paid	**(687,838)**	(503,928)
Other – expenses	**(152,662)**	(169,331)
Future contribution	**-**	-
Fair value close	**$ 13,488,456**	$ 11,980,078

ACCRUED BENEFIT PLAN OBLIGATIONS – PENSION PLAN		
Balance open	**$ 11,420,702**	$ 10,914,199
Interest accrued	**663,194**	711,997
Benefits accrued	**443,325**	496,357
Benefits paid	**(770,390)**	(561,157)
Expenses incurred	**(114,397)**	(187,922)
Actuarial gain / (loss)	**33,291**	47,228
Actuarial assumption change (gain)/loss	**-**	-
Balance close	**$ 11,675,725**	$ 11,420,702

PENSION PLAN SURPLUS / (DEFICIT)	**$ 1,812,731**	$ 559,376
INVESTMENT RESERVE	**-**	-
SURPLUS / (DEFICIT) ON A MARKET VALUE BASIS	**$ 1,812,731**	$ 559,376

ACTUARIAL ASSUMPTIONS USED TO MEASURE PENSION OBLIGATIONS		
Discount Rate	**5.00%**	5.00%
Rate of compensation increase	**3.00%**	3.00%
Plan assets are held in trust and invested as follows:		
Equity Funds - Canadian	**30.77%**	19.77%
Equity Funds – International	**31.51%**	31.10%
Equity Funds – U.S	**-%**	-%
Fixed Income Funds	**25.68%**	30.28%
Real Estate Funds	**12.04%**	5.82%
Cash and cash equivalents	**-%**	13.03%

MANAGEMENT REPORT

Management's Responsibility for the Financial Statements

The accompanying consolidated financial statements of Park West School Division are the responsibility of the Division management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of The Chartered Professional Accountants of Canada. A summary of the significant accounting policies are described in Note 2 to the consolidated financial statements.

The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. Division management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The Board of Trustees of the Division met with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by MNP LLP independent external auditors appointed by the Board. The accompanying Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Division's consolidated financial statements.

Original Document Signed	Original Document Signed
Chairperson	Secretary-Treasurer

October 26, 2017

Independent Auditors' Report

To the Board of Trustees of Park West School Division:

We have audited the accompanying consolidated financial statements of Park West School Division, which comprise the consolidated statement of financial position as at June 30, 2017, and the consolidated statements of revenue, expenses and accumulated surplus, change in net debt and cash flow for the year then ended, 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 generally accepted accounting principles established by the Public Sector Accounting Board of the Canadian Institute of Chartered Professional Accountants, 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 Park West School Division as at June 30, 2017 and the consolidated results of its operations, consolidated changes in net debt and its consolidated cash flow for the year then ended in accordance with Canadian generally accepted accounting principles established by the Public Sector Accounting Board of the Canadian Institute of Chartered Professional Accountants.

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

MNP LLP

Brandon, Manitoba
October 26, 2017

Chartered Professional Accountants

I hereby certify that the preceding report and the statements and reports referenced herein have been presented to the members of the Board of Park West School Division.

Original Document Signed
Chairperson of the Board

October 26, 2017
Date

MNP

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes			2017	2016
	Financial Assets			
	Cash and Bank		-	-
	Due from	- Provincial Government	1,803,069	1,411,000
		- Federal Government	167,995	89,146
		- Municipal Government	4,079,886	3,728,524
		- Other School Divisions	-	-
		- First Nations	106,190	1,975,970
	Accounts Receivable		34,703	36,111
	Accrued Investment Income		-	-
	Portfolio Investments		-	-
			6,191,843	7,240,751
	Liabilities			
4	Overdraft		4,373,046	4,431,817
	Accounts Payable		761,109	1,710,985
	Accrued Liabilities		-	-
	Employee Future Benefits		-	-
	Accrued Interest Payable		177,810	169,199
	Due to	- Provincial Government	-	-
		- Federal Government	-	-
		- Municipal Government	-	-
		- Other School Divisions	-	-
		- First Nations	-	-
5	Deferred Revenue		143,836	460,418
6	Borrowings from the Provincial Government		9,891,506	9,272,687
15	Other Borrowings		1,702,029	-
	School Generated Funds Liability		-	-
			17,049,336	16,045,106
	Net Debt		(10,857,493)	(8,804,355)
	Non-Financial Assets			
7	Net Tangible Capital Assets (TCA Schedule)		13,212,895	11,006,962
	Inventories		149,772	145,460
	Prepaid Expenses		49,426	48,119
			13,412,093	11,200,541
8	**Accumulated Surplus**		2,554,600	2,396,186

See accompanying notes to the Financial Statements

Park West School Division

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes			2017	2016
	Revenue			
	Provincial Government		14,976,841	14,985,123
	Federal Government		-	-
	Municipal Government	- Property Tax	7,373,514	6,637,354
		- Other	25,200	-
	Other School Divisions		16,500	63,598
	First Nations		7,231,881	7,177,718
	Private Organizations and Individuals		75,600	16,800
	Other Sources		103,028	18,071
	School Generated Funds		1,026,090	1,059,394
	Other Special Purpose Funds		-	-
			30,828,654	29,958,058
	Expenses			
	Regular Instruction		16,917,544	16,706,427
	Student Support Services		3,565,159	3,520,118
	Adult Learning Centres		134,567	141,132
	Community Education and Services		95,023	96,970
	Divisional Administration		1,271,197	1,201,094
	Instructional and Other Support Services		729,293	730,739
	Transportation of Pupils		1,900,910	2,048,737
	Operations and Maintenance		3,291,494	3,093,068
10	Fiscal	- Interest	494,181	490,068
		- Other	407,780	383,799
	Amortization		938,128	928,283
	Other Capital Items		-	-
	School Generated Funds		971,532	997,696
	Other Special Purpose Funds		-	-
			30,716,808	30,338,131
	Current Year Surplus (Deficit) before Non-vested Sick Leave		111,846	(380,073)
	Less: Non-vested Sick Leave Expense (Recovery)		(46,568)	205
	Net Current Year Surplus (Deficit)		158,414	(380,278)
	Opening Accumulated Surplus		2,396,186	2,776,464
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	-
		Other than Tangible Cap. Assets	-	-
		Non-vested sick leave - prior years	-	-
	Opening Accumulated Surplus, as adjusted		2,396,186	2,776,464
	Closing Accumulated Surplus		2,554,600	2,396,186

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2017

	2017	2016
Net Current Year Surplus (Deficit)	158,414	(380,278)
Amortization of Tangible Capital Assets	938,128	928,283
Acquisition of Tangible Capital Assets	(3,144,061)	(653,878)
(Gain) / Loss on Disposal of Tangible Capital Assets	-	-
Proceeds on Disposal of Tangible Capital Assets	-	-
	(2,205,933)	274,405
Inventories (Increase)/Decrease	(4,312)	(15,229)
Prepaid Expenses (Increase)/Decrease	(1,307)	(10,997)
	(5,619)	(26,226)
(Increase)/Decrease in Net Debt	(2,053,138)	(132,099)
Net Debt at Beginning of Year	(8,804,355)	(8,672,256)
Adjustments Other than Tangible Cap. Assets	-	-
	(8,804,355)	(8,672,256)
Net Debt at End of Year	(10,857,493)	(8,804,355)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2017

	2017	2016
Operating Transactions		
Net Current Year Surplus (Deficit)	158,414	(380,278)
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	938,128	928,283
(Gain)/Loss on Disposal of Tangible Capital Assets	-	-
Employee Future Benefits Increase/(Decrease)	-	-
Due from Other Organizations (Increase)/Decrease	1,047,500	(1,140,746)
Accounts Receivable & Accrued Income (Increase)/Decrease	1,408	(1,151)
Inventories and Prepaid Expenses - (Increase)/Decrease	(5,619)	(26,226)
Due to Other Organizations Increase/(Decrease)	-	-
Accounts Payable & Accrued Liabilities Increase/(Decrease)	(941,265)	622,251
Deferred Revenue Increase/(Decrease)	(316,582)	422,008
School Generated Funds Liability Increase/(Decrease)	-	-
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by (Applied to) Operating Transactions	881,984	424,141
Capital Transactions		
Acquisition of Tangible Capital Assets	(3,144,061)	(653,878)
Proceeds on Disposal of Tangible Capital Assets	-	-
Cash Provided by (Applied to) Capital Transactions	(3,144,061)	(653,878)
Investing Transactions		
Portfolio Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
Financing Transactions		
Borrowings from the Provincial Government Increase/(Decrease)	618,819	(62,192)
Other Borrowings Increase/(Decrease)	1,702,029	-
Cash Provided by (Applied to) Financing Transactions	2,320,848	(62,192)
Cash and Bank / Overdraft (Increase)/Decrease	58,771	(291,929)
Cash and Bank (Overdraft) at Beginning of Year	(4,431,817)	(4,139,888)
Cash and Bank (Overdraft) at End of Year	(4,373,046)	(4,431,817)

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2017

	Buildings and Leasehold Improvements		School	Other	Furniture / Fixtures &	Computer Hardware &		Land	Assets Under	2017	2016
	School	Non-School	Buses	Vehicles	Equipment	Software *	Land	Improvements	Construction	TOTALS	TOTALS
Tangible Capital Asset Cost											
Opening Cost, as previously reported	26,328,597	172,594	3,169,332	150,082	521,804	189,411	372,988	-	122,630	31,027,438	30,373,560
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	26,328,597	172,594	3,169,332	150,082	521,804	189,411	372,988	-	122,630	31,027,438	30,373,560
Add: Additions during the year	1,258,500	-	123,345	14,790	94,521	-	-	-	1,652,905	3,144,061	653,878
Less: Disposals and write downs	-	-	-	-	-	-	-	-	-	-	-
Closing Cost	27,587,097	172,594	3,292,677	164,872	616,325	189,411	372,988	-	1,775,535	34,171,499	31,027,438
Accumulated Amortization											
Opening, as previously reported	16,947,730	77,573	2,385,232	117,282	321,871	170,788		-		20,020,476	19,092,193
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	16,947,730	77,573	2,385,232	117,282	321,871	170,788		-		20,020,476	19,092,193
Add: Current period Amortization	641,841	6,904	174,177	13,626	85,596	15,984		-		938,128	928,283
Less: Accumulated Amortization on Disposals and Writedowns	-	-	-	-	-	-		-		-	-
Closing Accumulated Amortization	17,589,571	84,477	2,559,409	130,908	407,467	186,772		-		20,958,604	20,020,476
Net Tangible Capital Asset	9,997,526	88,117	733,268	33,964	208,858	2,639	372,988	-	1,775,535	13,212,895	11,006,962
Proceeds from Disposal of Capital Assets	-	-	-	-	-	-				-	-

* Includes network infrastructure.

1. Nature of Organization and Economic Dependence

The School Division (Division) is a public body that provides education services to residents within its geographic location. The Division is funded mainly by grants from the Province of Manitoba (Province), a special levy on the property assessment included in the Division's boundaries, and tuition from First Nations. The Division is exempt from income tax and is a registered charity under the Income Tax Act.

The Division is economically dependent on the Province for the majority of its revenue and capital financing requirements. Without this funding, the Division would not be able to continue its operations.

2. Significant Accounting Policies

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles established by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants (CPA) of Canada.

a) Reporting Entity and Consolidation

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the operating fund, capital fund, and special purpose fund of the Division. The Division reporting entity includes school generated funds controlled by the Division, as well as the Division's interest in a government partnership.

All inter-fund and inter-entity accounts and transactions are eliminated upon consolidation.

b) Trust funds

The Division administers various trust funds. Trust funds and their related operations are not included in the consolidated financial statements as they are not owned or controlled by the Division. A schedule of trust funds is attached as part of the notes to the consolidated financial statements.

Trust funds, under PSAB are properties assigned to a trustee (school division) under a trust agreement or statute; the trustee merely administers the terms and conditions embodied in the agreement, and it has no unilateral authority to change the conditions set out in the trust indenture.

c) Basis of Accounting

Revenue and expenses are reported on the accrual basis of accounting except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable. 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.

d) Fund Accounting

The fund method of accounting is employed by the Division to record financial transactions in separate funds as defined by Financial Reporting and Accounting in Manitoba Education (FRAME) in accordance with the purpose for which the funds have been created.

The Operating Fund is maintained to record all the day to day operating revenues and expenses. The Capital Fund is used to account for the acquisition, amortization, disposal and financing of capital assets. The Special Purpose Fund is used to account for school generated funds and charitable foundations controlled by the Division.

e) School Generated Funds

School generated funds are moneys raised by the school, or under the auspices of the school, through extra-curricular activities for the sole use of the school that the principal of each school, subject to the rules of the school board, may raise, hold, administer and expend for the purposes of the school.

Only revenue and expenses of school generated funds controlled by the Division are included in the Consolidated Statement of Revenue, Expenses and Accumulated Surplus. To be deemed as controlled, a school must have the unilateral authority to make the decisions as to when, how and on what the funds are to be spent.

Period end cash balances of all school generated funds are included in the Consolidated Statement of Financial Position. The uncontrolled portion of this amount is reflected in the School Generated Funds Liability account. Examples of uncontrolled school generated funds are parent council funds, other parent group funds, student council funds and travel club funds. Revenue and expenses of uncontrolled school generated funds are not included in the consolidated financial statements.

f) Tangible Capital Assets

Tangible capital assets are non-financial assets that are used by the Division to provide services to the public and have an economic life beyond one fiscal year.

Tangible capital assets include land, buildings, buses, other vehicles, furniture and equipment, computers, capital leases, leasehold improvements, and assets under construction.

To be classified as tangible capital assets, each asset other than land must individually meet the capitalization threshold for its class as prescribed by FRAME.

Asset Description	Capitalization Threshold ($)	Estimated Useful Life (Years)
Land Improvements	50,000	10
Buildings- bricks, mortar and steel	50,000	40
Buildings – wood frame	50,000	25
School Buses	50,000	10
Vehicles	10,000	5
Equipment	10,000	5
Network Infrastructure	25,000	10
Computer Hardware, Servers & Peripherals	10,000	4
Computer Software	10,000	4
Furniture & Fixtures	10,000	10
Leasehold Improvements	25,000	Over term of lease

Grouping of assets is not permitted except for computer work stations.
With the exception of land, donated capital assets and capital leases, all tangible capital assets, are recorded at historical cost, which includes purchase price, installation costs and other costs incurred to put the asset into service.

Buildings are recorded at historical cost when known. For buildings acquired prior to June 30, 2005 where the actual cost was not known, the replacement value for insurance purposes as at June 30, 2005 was regressed to the date of acquisition using a regression index based on Southam and CanaData construction cost indices.

Donated tangible capital assets are recorded at fair market value at the date of donation. Deferred revenue is recorded in an equivalent amount, for all donated assets except land. The deferred revenue will be recognized as revenue over the useful life of the related asset, on the same basis that the asset is amortized.

All land acquired prior to June 30, 2006 has been valued by the Crown Lands and Property Agency.

All tangible capital assets, except for land, capital leases, and assets under construction, are amortized on a straight-line basis over their estimated useful lives as prescribed by FRAME. Land is not amortized. Capital leases with lease terms that have a bargain purchase option or allow ownership to pass to the Division are amortized over the useful life of the asset class. All other capital leases are amortized over the lesser of the lease term and the useful life of the asset class.

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal if not fully amortized.

Assets under construction are not amortized until the date of substantial completion. Interest on funds used to finance school buildings under construction is capitalized for the periods preceding the date of substantial completion.

g) Capital Reserve

Certain amounts, as approved by the Board of Trustees and the Public Schools Finance Board (PSFB), have been set aside in reserve accounts for future capital purposes. These Capital Reserve accounts are internally restricted funds that form part of the Accumulated Surplus presented in the Consolidated Statement of Financial Position.

h) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

i) Financial Instruments

There are no significant terms and conditions related to financial instruments (cash, accounts receivable, investments, bank indebtedness, accounts payable and long-term debt) that may affect the amount, timing and certainty of future cash flows. The Division is exposed to credit risk from the potential non-payment of accounts receivable. However, the majority of the receivables are from local, provincial and federal governments, and therefore, the credit risk is minimal. The carrying amounts of the financial instruments approximate their carrying values, unless otherwise noted.

3. Conversion to PSAB

Commencing with the 2006/07 fiscal year, the Board adopted generally accepted accounting principles established by PSAB.

The following changes were implemented to comply with the PSAB standard:

(i) Tangible capital assets were restated and amortized over their useful lives to reflect net book value. Amortization of tangible capital assets and gain or loss on disposal of capital assets are recorded in the Statement of Revenue, Expenses and Accumulated Surplus.

(ii) The Operating Fund, Capital Fund and Special Purpose Fund are consolidated in the financial statements. The Special Purpose Fund was created to include school generated funds and charitable foundations controlled by the Division.

(iii) The Employee Future Benefits Liability was established to account for the Division's commitment to pay vested future benefits to its employees.

(iv) Accrued Interest Payable was established to account for accrual of interest on Debenture Debt and Other Borrowings from the last payment date. An equal amount is set up as due from the Province to offset the accrued interest payable on debentures.

4. Overdraft

The Division has an authorized line of credit with Vanguard Credit Union of $8,000,000 by way of overdrafts and is repayable on demand at prime less .5% paid monthly. Included in the overdraft are capital projects totaling $57,289 which will be submitted to PSFB for debenture funding. Overdrafts are secured by borrowing by-law.

5. Deferred Revenue

The deferral method of accounting is used for revenues received that, pursuant to legislation, regulation or agreement, may only be used for specific purposes. These amounts are recognized as revenue in the fiscal year the related expenses are incurred or services performed. The following is a breakdown of the account balance:

	Balance at June 30, 2016	Additions in the period	Revenue recognized in the period	Balance at June 30, 2017
New School Grant from Province	15,000	-	15,000	-
Education Property Tax Credit	445,419	-	301,583	143,836
	$460,419	**-**	**$316,583**	**$143,836**

6. Debenture Debt

The debenture debt of the Division is in the form of twenty-year debentures payable, principal and interest, in twenty equal yearly installments and maturing at various dates from 2018 to 2037. Payment of principal and interest is funded entirely by grants from the Province of Manitoba. The debentures carry interest rates that range from 3.00% to 7.00%. Debenture interest expense payable as at June 30, 2017, is accrued and recorded in Accrued Interest Payable, and a grant in an amount equal to the interest accrued on provincially funded debentures is recorded in Due from the Provincial Government. The debenture principal and interest repayments in the next five years are:

	Principal	Interest	Total
2018	720,403	448,257	1,168,660
2019	738,014	410,481	1,148,495
2020	711,071	371,877	1,082,948
2021	716,079	335,056	1,051,135
2022	711,430	298,398	1,009,828
	3,596,997	**1,864,069**	**5,461,066**

7. Net Tangible Capital Assets

The Schedule of Tangible Capital Assets (TCA), page 23 of the audited financial statements, provides a breakdown of cost, accumulated amortization and net book value by class.

	Gross Amount	Accumulated Amortization	2017 Net Book Value
Owned-tangible capital assets	$34,171,499	$20,958,604	$13,212,895
Capital lease	-	-	-
	$34,171,499	$20,958,604	$13,212,895

8. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2017
Operating Fund	
Designated Surplus	66,711
Undesignated Surplus	553,719
	620,430
Capital Fund	
Reserve Accounts	-
Equity in Tangible Capital Assets	1,562,072
	1,562,072
Special Purpose Fund	
School Generated Funds	372,098
Other Special Purpose Funds	-
	372,098
	$2,554,600

Reserve Accounts under the Capital Fund represents internally restricted reserves for specific purposes approved by the Board of Trustees and PSFB. A Schedule of Capital Reserve Accounts is provided on page 24 of the audited financial statements.

	2017
Bus reserves	-
Other reserves	-
Capital Reserve	-

School Generated Funds are externally restricted moneys for school use.

	2017
Foundation – Scholarship	-
Other – School Funds	372,098
Other Special Purpose Funds	$372,098

9. Municipal Government – Property Tax and related Due from Municipal Government

Education property tax or Special Levy is raised as the Division's contribution to the cost of providing public education for the students' resident in the division. The Municipal Government-Property Tax shown on the consolidated revenue and expense statement is raised over the two calendar (tax) years; 44.4% from 2016 tax year and 55.6% from 2017 tax year. Below are the related revenue and receivable amounts:

	2017	2016
Revenue - Municipal Government - Property Tax	$7,373,515	$6,637,354
Receivable - Due from Municipal - Property Tax	$4,079,886	$3,728,524

10. Interest Received and Paid

The Division received interest during the year of $2,098 (2016: $3,230); interest paid during the year was $494,181 (2016: $490,068).

Interest expense is included in Fiscal and is comprised of the following:

	2017
Operating Fund	
Fiscal - short term loan, interest and bank charges	43,637
Capital Fund	
Debenture debt interest	450,544
Other interest	-
	$494,181

The accrual portion of debenture debt interest expense of $177,810 (2016: $169,199) included under the Capital Fund-Debenture debt interest, is offset by an accrual of the debt servicing grant from the Province of Manitoba.

11. Expenses by object

Expenses in the consolidated statement of revenue, expenses and accumulated surplus are reported by function as defined by FRAME. Below is the detail of expenses by object:

	Actual 2017	Budget 2017	Actual 2016
Salaries	$ 20,892,204	$ 20,884,630	$ 20,242,637
Employees benefits & allowances	1,483,122	1,530,805	1,441,251
Services	3,460,440	3,804,844	3,605,082
Supplies, materials & minor equipment	1,919,288	1,972,730	2,095,759
Interest	494,181	42,000	490,068
Bad debts	-	-	-
Payroll tax	407,780	436,000	383,799
Amortization	938,128	-	928,283
Other capital items	-	-	-
School generated funds	971,532	-	997,696
Transfers	150,133	150,000	153,556
	$ 30,716,808	$ 28,821,009	$ 30,338,131

12. Special Levy Raised for la Division scolaire franco-manitobaine

In accordance with Section 190.1 of The Public Schools Act the Division is required to collect a special levy on behalf of la Division scolaire franco-manitobaine. As at June 30, 2017, the amount of this special levy was $208,843 (2016 - $252,977). These amounts are not included in the Division's consolidated financial statements.

13. Additional Information

As of Nov 29, 2010 Park West School Division formed a partnership agreement with Waywayseecappo First Nation so that the education at Waywayseecappo would be a shared responsibility between Waywayseecappo First Nation and Park West School Division.

14. Liability for Contaminated Sites

Effective July 1, 2014, the division has adopted the new Public Sector Accounting Board accounting standard - Liability for Contaminated Sites, Section PS3260. The standard was applied on a prospective basis and did not result in any adjustments to financial liabilities, tangible capital assets or accumulated surplus of the division at June 30, 2014.

(a) The nature and source of the liability;
Two underground furnace oil tanks

(b) The basis for the estimate of the liability;
Average of the province's estimate

(c) The estimated recoveries;
Costs estimated at $45,000 each for total of $90,000
(Included in accounts payable at June 30, 2017)

15. Related party transactions

In April 2016, the Park West Fibre Optics Co-op Inc. ("the Fibre Co-op") was formed, with its mission being: Communities partnering to own and operate a world class, state of the art, affordable and sustainable broadband network. The fibre network will connect all schools in Park West School Division ("PWSD"). PWSD's 40% interest in the Fibre Co-op is accounted for as a partnership interest.

In June 2016, PWSD guaranteed $3,290,000 of the Fibre Co-op's twenty year term promissory note. The government partnership's share of principal payments required on the promissory note in each of the next five years are as follows:

	Principal
2018	121,146
2019	121,146
2020	121,146
2021	121,146
2022	121,146
	$605,730

In June 2016, PWSD began making levy payments to the Fibre Co-op to support its operations. PWSD funds these levies from its regular operating budget. Levies paid in the year ended June 30, 2017 were $10,500 (2016: $10,500). PWSD has committed to levies of $170,000 for the year ended June 30, 2018. The levies paid by PWSD and received by the Fibre Co-op have been eliminated in the consolidated financial statements.

MANAGEMENT REPORT

Management's Responsibility for the Financial Statements

The accompanying consolidated financial statements of Pembina Trails School Division are the responsibility of the Division's management and have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards. A summary of the significant accounting policies are described in note 2 to the consolidated financial statements.

The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. The Division's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The Board of Trustees of the Division met with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by KPMG LLP, independent external auditors appointed by the Board. The accompanying Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Division's consolidated financial statements.

Original Document Signed
Chairperson

Original Document Signed
Secretary-Treasurer

November 9, 2017

KPMG LLP
Suite 2000 - One Lombard Place
Winnipeg MB R3B 0X3
Canada

Telephone (204) 957-1770
Fax (204) 957-0808
Internet www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees

We have audited the accompanying consolidated financial statements of Pembina Trails School Division, which comprise the consolidated statement of financial position as at June 30, 2017, the consolidated statements of revenue, expenses and accumulated surplus, change in net debt and cash flow for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information. These consolidated financial statements have been prepared to comply with the *Public Schools Act*.

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 our 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, we consider 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.

KPMG

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Pembina Trails School Division as at June 30, 2017, and its consolidated results of operations, its consolidated change in net debt and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Other Matters

The financial statements of Pembina Trails School Division as at and for the year ended June 30, 2016 were audited by another auditor who expressed an unmodified opinion on those financial statements on November 10, 2016.

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

KPMG LLP

Chartered Professional Accountants

November 9, 2017

Winnipeg, Canada

I hereby certify that the preceding report has been presented to the Board of the Board of Pembina Trails School Division.

Original Document Signed	NOVEMBER 9, 2017
Chairperson of the Board	Date

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2017	2016
	Financial Assets		
	Cash and Bank	10,944,487	10,968,031
	Due from - Provincial Government	6,000,666	5,711,688
	- Federal Government	190,760	226,829
11	- Municipal Government	44,583,140	42,146,940
	- Other School Divisions	2,525	30,032
	- First Nations	-	-
	Accounts Receivable	513,720	494,550
	Accrued Investment Income	-	-
	Portfolio Investments	-	-
		62,235,298	59,578,070
	Liabilities		
	Overdraft	-	-
	Accounts Payable	3,953,836	4,768,903
	Accrued Liabilities	14,421,218	13,535,181
4	Employee Future Benefits	2,088,418	1,921,865
	Accrued Interest Payable	1,293,198	1,136,444
	Due to - Provincial Government	655,971	535,426
	- Federal Government	2,419,318	2,379,853
	- Municipal Government	206,871	109,006
	- Other School Divisions	12,626	67,050
	- First Nations	-	-
5	Deferred Revenue	10,978,135	11,231,133
6	Borrowings from the Provincial Government	76,114,742	64,221,531
7	Other Borrowings	14,540,090	12,804,622
8	School Generated Funds Liability	1,245,341	1,041,484
		127,929,764	113,752,498
	Net Debt	(65,694,466)	(54,174,428)
	Non-Financial Assets		
9	Net Tangible Capital Assets (TCA Schedule)	102,857,375	89,514,967
	Inventories	-	-
	Prepaid Expenses	713,252	677,441
		103,570,627	90,192,408
10	**Accumulated Surplus**	37,876,161	36,017,980

See accompanying notes to the Financial Statements

Pembina Trails School Division

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes			2017	2016
	Revenue			
	Provincial Government		91,308,953	88,932,321
	Federal Government		-	97,045
11	Municipal Government	- Property Tax	74,446,732	70,688,052
		- Other	-	-
	Other School Divisions		614,177	588,723
	First Nations		22,000	39,600
	Private Organizations and Individuals		3,914,433	3,220,060
	Other Sources		876,568	3,020,125
	School Generated Funds		923,768	1,064,298
	Other Special Purpose Funds		-	-
			172,106,631	167,650,224
	Expenses			
	Regular Instruction		92,645,196	86,878,413
	Student Support Services		30,555,951	29,726,578
	Adult Learning Centres		-	-
	Community Education and Services		920,498	910,999
	Divisional Administration		5,094,564	4,814,803
	Instructional and Other Support Services		6,620,697	5,932,647
	Transportation of Pupils		3,040,550	2,824,658
	Operations and Maintenance		19,580,801	18,541,236
12	Fiscal	- Interest	2,881,706	2,346,095
		- Other	2,606,957	2,511,505
	Amortization		4,216,242	3,697,965
	Other Capital Items		998,349	521,885
	School Generated Funds		986,317	1,127,978
	Other Special Purpose Funds		-	-
			170,147,828	159,834,762
	Current Year Surplus (Deficit) before Non-vested Sick Leave		1,958,803	7,815,462
	Less: Non-vested Sick Leave Expense (Recovery)		100,622	(93,875)
	Net Current Year Surplus (Deficit)		1,858,181	7,909,337
	Opening Accumulated Surplus		36,017,980	28,108,643
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	-
		Other than Tangible Cap. Assets	-	-
		Non-vested sick leave - prior years	-	-
	Opening Accumulated Surplus, as adjusted		36,017,980	28,108,643
	Closing Accumulated Surplus		37,876,161	36,017,980

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2017

	2017	2016
Net Current Year Surplus (Deficit)	1,858,181	7,909,337
Amortization of Tangible Capital Assets	4,216,242	3,697,965
Acquisition of Tangible Capital Assets	(17,558,650)	(23,113,636)
(Gain) / Loss on Disposal of Tangible Capital Assets	-	(1,850,000)
Proceeds on Disposal of Tangible Capital Assets	-	1,850,000
	(13,342,408)	(19,415,671)
Inventories (Increase)/Decrease	-	-
Prepaid Expenses (Increase)/Decrease	(35,811)	(247,560)
	(35,811)	(247,560)
(Increase)/Decrease in Net Debt	(11,520,038)	(11,753,894)
Net Debt at Beginning of Year	(54,174,428)	(42,420,534)
Adjustments Other than Tangible Cap. Assets	-	-
	(54,174,428)	(42,420,534)
Net Debt at End of Year	(65,694,466)	(54,174,428)

Pembina Trails School Division

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2017

	2017	2016
Operating Transactions		
Net Current Year Surplus (Deficit)	1,858,181	7,909,337
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	4,216,242	3,697,965
(Gain)/Loss on Disposal of Tangible Capital Assets	-	(1,850,000)
Employee Future Benefits Increase/(Decrease)	166,553	(41,936)
Due from Other Organizations (Increase)/Decrease	(2,661,602)	(5,360,322)
Accounts Receivable & Accrued Income (Increase)/Decrease	(19,170)	(9,382)
Inventories and Prepaid Expenses - (Increase)/Decrease	(35,811)	(247,560)
Due to Other Organizations Increase/(Decrease)	203,451	(4,524,551)
Accounts Payable & Accrued Liabilities Increase/(Decrease)	227,724	12,278,428
Deferred Revenue Increase/(Decrease)	(252,998)	794,108
School Generated Funds Liability Increase/(Decrease)	203,857	69,727
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by (Applied to) Operating Transactions	3,906,427	12,715,814
Capital Transactions		
Acquisition of Tangible Capital Assets	(17,558,650)	(23,113,636)
Proceeds on Disposal of Tangible Capital Assets	-	1,850,000
Cash Provided by (Applied to) Capital Transactions	(17,558,650)	(21,263,636)
Investing Transactions		
Portfolio Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
Financing Transactions		
Borrowings from the Provincial Government Increase/(Decrease)	11,893,211	19,493,313
Other Borrowings Increase/(Decrease)	1,735,468	(3,251,237)
Cash Provided by (Applied to) Financing Transactions	13,628,679	16,242,076
Cash and Bank / Overdraft (Increase)/Decrease	(23,544)	7,694,254
Cash and Bank (Overdraft) at Beginning of Year	10,968,031	3,273,777
Cash and Bank (Overdraft) at End of Year	10,944,487	10,968,031

Pembina Trails School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2017

	Buildings and Leasehold Improvements		School	Other	Furniture / Fixtures &	Computer Hardware &		Land	Assets Under	2017	2016
	School	Non-School	Buses	Vehicles	Equipment	Software *	Land	Improvements	Construction	TOTALS	TOTALS
Tangible Capital Asset Cost											
Opening Cost, as previously reported	107,958,911	5,303,850	5,080,697	782,062	7,371,702	1,747,544	10,593,111	2,738,021	21,907,364	163,483,262	140,832,776
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	107,958,911	5,303,850	5,080,697	782,062	7,371,702	1,747,544	10,593,111	2,738,021	21,907,364	163,483,262	140,832,776
Add: Additions during the year	34,508,883	-	768,353	231,697	161,000	399,512	-	2,418,473	(20,929,268)	17,558,650	23,113,636
Less: Disposals and write downs	-	-	296,480	55,383	8,599	-	-	-		360,462	463,150
Closing Cost	142,467,794	5,303,850	5,552,570	958,376	7,524,103	2,147,056	10,593,111	5,156,494	978,096	180,681,450	163,483,262
Accumulated Amortization											
Opening, as previously reported	58,295,918	3,134,638	3,537,156	690,164	5,651,557	1,604,876		1,053,986		73,968,295	70,733,480
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	58,295,918	3,134,638	3,537,156	690,164	5,651,557	1,604,876		1,053,986		73,968,295	70,733,480
Add: Current period Amortization	2,762,351	133,311	341,714	53,414	436,983	106,302		382,167		4,216,242	3,697,965
Less: Accumulated Amortization on Disposals and Writedowns	-	-	296,480	55,383	8,599	-		-		360,462	463,150
Closing Accumulated Amortization	61,058,269	3,267,949	3,582,390	688,195	6,079,941	1,711,178		1,436,153		77,824,075	73,968,295
Net Tangible Capital Asset	81,409,525	2,035,901	1,970,180	270,181	1,444,162	435,878	10,593,111	3,720,341	978,096	102,857,375	89,514,967
Proceeds from Disposal of Capital Assets	-	-	-	-	-	-				-	1,850,000

* Includes network infrastructure.

1. Nature of organization and economic dependence:

The Pembina Trails School Division (Division) is a public body that provides education services to residents within its geographic location. The Division is funded by grants from the Province of Manitoba (Province) and by special levy on the property assessment included in the Division's boundaries. The Division is exempt from income tax.

The Division is economically dependent on the Province and on special levy for its revenue and capital financing requirements. Without these funding sources, the Division would not be able to continue its operations.

2. Significant accounting policies:

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles established by the Public Sector Accounting Board (PSAB).

(a) Reporting entity and consolidation:

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the operating fund, capital fund, and special purpose fund of the Division. The Division reporting entity includes school generated funds, and the Pembina Trails Education Support Fund, Pembina Trails Voices and InForm Net which are entities controlled by the Division. All inter-fund accounts and transactions are eliminated upon consolidation.

(b) Basis of accounting:

Revenues and expenses are reported on the accrual basis of accounting except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable. 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.

(c) Fund accounting:

The fund method of accounting is employed by the Division to record financial transactions in separate funds as defined by Financial Reporting and Accounting in Manitoba Education (FRAME) in accordance with the purpose for which the funds have been created.

2. Significant accounting policies (continued):

The Operating Fund is maintained to record all the day to day operating revenues and expenses. The Capital Fund is used to account for the acquisition, amortization, disposal and financing of capital assets. The Special Purpose Fund is used to account for school generated funds controlled by the Division.

(d) Tangible capital assets:

Tangible capital assets are non-financial assets that are used by the Division to provide services to the public and have an economic life beyond one fiscal year.

Tangible capital assets include land, buildings, buses, other vehicles, furniture and equipment, computers, capital leases, leasehold improvements, and assets under construction.

To be classified as tangible capital assets, each asset other than land must individually meet the capitalization threshold for its class as prescribed by FRAME.

Asset description	Capitalization threshold	Estimated useful life (years)
Land improvements	$ 50,000	10
Buildings - bricks, mortar and steel	50,000	40
Building - wood frame	50,000	25
School buses	50,000	10
Vehicles	10,000	5
Equipment	10,000	5
Network infrastructure	25,000	10
Computer hardware, services and peripherals	10,000	4
Computer software	10,000	4
Furniture and fixtures	10,000	10
Leasehold improvements	25,000	Over term of the lease

2. Significant accounting policies (continued):

Grouping of assets is not permitted except for computer work stations.

With the exception of land, donated capital assets and capital leases, all tangible capital assets are recorded at historical cost, which includes purchase price, installation costs and other costs incurred to put the asset into service.

Buildings are recorded at historical cost when known. For buildings acquired prior to June 30, 2005 where the actual cost was not known, the replacement value for insurance purposes as at June 30, 2005 was regressed to the date of acquisition using a regression index based on Southam and CanaData construction cost indices.

Capital leases are recorded at the present value of the minimum lease payments excluding executory costs (e.g. insurance, maintenance costs, etc.). The discount rate used to determine the present value of the lease payments is the lower of the Division's rate for incremental borrowing or the interest rate implicit in the lease.

Donated tangible capital assets are recorded at fair market value at the date of donation. Deferred revenue is recorded in an equivalent amount, for all donated assets except land. The deferred revenue will be recognized as revenue over the useful life of the related asset, on the same basis that the asset is amortized.

All land acquired prior to June 30, 2006 has been valued by the Crown Lands and Property Agency.

All tangible capital assets, except for land, capital leases, and assets under construction, are amortized on a straight-line basis over their estimated useful lives as prescribed by FRAME. Land is not amortized. Capital leases with lease terms that have a bargain purchase option or allow ownership to pass to the Division are amortized over the useful life of the asset class. All other capital leases are amortized over the lesser of the lease term and the useful life of the asset class.

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal if not fully amortized. Assets under construction are not amortized until the date of substantial completion.

2. Significant accounting policies (continued):

(e) Employee future benefits:

The Province of Manitoba pays the employer portion of the Teachers' Retirement Allowances Fund (TRAF), the pension plan for all certified teachers of the Division. The Division does not contribute to TRAF, and no costs relating to this plan are included in the Division's financial statements. However, the Division provides retirement and other future benefits to its employees. These benefits include the Manitoba School Board Association (MSBA) Pension Plan, Maternity and Parental Leave, Vacation Days, Sick Leave Retirement Benefit and Non-Vested Sick Leave. The Division adopted the following policies with respect to accounting for these employee future benefits:

(i) MSBA Pension Plan:

The Division sponsors a defined contribution pension plan run by the MSBA. The defined contribution plan is provided to administrative employees based on their age at the beginning of the year and rates of pay. Each age group under the MSBA pension plan has a specific percentage for the employee to contribution. The Division contributions equal the employee contributions to the plan.

The employee future benefits liability is the difference between the contribution owing for the period and what has been paid; while the employee future benefits expense is the Division's fixed contribution for the period.

(ii) Maternity and Parental Leave:

For benefit obligations that are event driven (non-vesting maternity and parental leave), the benefit costs are recognized and recorded only in the period when the event occurs. The employee future benefits liability is the total accrued benefit obligation; while the employee future benefit expense is the Division's contribution for the period.

(iii) Accumulated Vacation Days and Sick Leave Retirement Benefit:

For benefit obligations that are vested and accumulate over the employees' length of service (vacation days and sick leave retirement benefit), the benefit costs are recognized and recorded as service is rendered by employees. The employee future benefits liability is the total accrued benefit obligation; while the employee future benefit expense is the Division's contribution for the period.

2. Significant accounting policies (continued):

(iv) Non-Vested Sick Leave:

For non-vesting accumulating sick days, the benefit costs are recognized based on a projection of expected future utilization of sick time (excess of days used over earned per year, to a maximum entitlement), discounted using net present value techniques. The employee future benefits liability is the total accrued benefit obligation; while the employee future benefit expense is the Division's contribution for the period.

(f) School generated funds:

School generated funds are monies raised by the school, or under the auspices of the school, through extra-curricular activities for the sole use of the school that the principal of each school, subject to the rules of the school board, may raise, hold, administer and expend for the purposes of the school.

Only revenue and expenses of school generated funds controlled by the Division are included in the Consolidated Statement of Revenue, Expenses and Accumulated Surplus. To be deemed as controlled, a school must have the unilateral authority to make the decisions as to when, how and on what the funds are to be spent.

Cash balances of all school generated funds at year-end are included in the Consolidated Statement of Financial Position. The uncontrolled portion of this amount is reflected in the School Generated Funds Liability account. Examples of uncontrolled school generated funds are specific purpose student fees and fund raising, school meal programs, scholarship funds, and parent or student council funds. Revenues and expenses of uncontrolled school generated funds are not included in the consolidated financial statements.

(g) Capital reserve:

Certain amounts, as approved by the Board of Trustees and the Public Schools Finance Board (PSFB), have been set aside in reserve accounts for future capital purposes. These Capital Reserve accounts are internally restricted funds that form part of the Accumulated Surplus presented in the Consolidated Statement of Financial Position.

2. Significant accounting principles (continued):

(h) Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant items subject to estimates includes employee future benefits. Actual results could differ from those estimates.

(i) Financial instruments:

There are no significant terms and conditions related to financial instruments (cash, accounts receivable, investments, bank indebtedness, accounts payable and long-term debt) that may affect the amount, timing and certainty of future cash flows. The Division is exposed to credit risk from the potential non-payment of accounts receivable. However, the majority of the receivables are from local, provincial and federal governments, and therefore, the credit risk is minimal. The carrying amounts of the financial instruments approximate their carrying values, unless otherwise noted.

(j) Deferred revenue:

Certain amounts are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the delivery of specific services and transactions. These amounts are recognized as revenue in the fiscal year the related expenditures are incurred or services performed.

(k) Liability for contaminated sites:

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of contaminated sites is recognized when a site is not in productive use all the following criteria are met:

(i) An environmental standard exists;

(ii) Contamination exceeds the environmental standard;

(iii) The Division is directly responsible or accepts responsibility

(iv) Is expected that the future economic benefits will be given up; and

(v) A reasonable estimate of the amount can be made

2. Significant accounting principles (continued):

The liability is recognized as management's estimate of the cost of post-remediation including operation, maintenance and monitoring that are an integral part of the remediation strategy for a contaminated site.

3. Overdraft:

The Division has an authorized line of credit with The Toronto-Dominion Bank of $40 million by way of overdrafts and bankers acceptances (note 7) and are repayable on demand at the bank's prime interest rate minus 0.75 percent. Overdrafts are secured by borrowing By-Law No. 1250.

4. Employee future benefits:

The following employee future benefits are benefits earned by employees in the current period, but will not be paid out until future periods.

	2017	2016
Acccumulated vacation days	$ 1,065,025	$ 993,706
Non-vested sick leave	852,866	752,244
Maternity and parental leave	120,367	118,014
Sick leave retirement benefit	50,160	57,901
	$ 2,088,418	$ 1,921,865

Non-vested accumulated sick leave benefits are measured using net present value techniques on the expected future utilization of excess of sick benefits used over earner per year, to maximum entitlement. The impact of the estimated non-vested sick leave benefit cost for the year ended June 30, 2017 is an increase of $100,022 (2016 - decrease of $93,875). At June 30, 2017, the Division has recorded an estimated liability of $852,866 (2016 - $752,244) in respect of these benefits. The significant assumptions adopted in measuring the non-vested accumulated sick leave benefit liability include a discount rate of 4 percent (2016 - 4 percent) and a rate of salary increase of approximately 3 percent (2016 - 3 percent).

4. Employee future benefits (continued):

As at June 30, 2017, no pension liability is included in the financial statements related to the MSBA defined contribution plan. The employee benefit expense is part of the employee benefits and allowances expense account. It includes the Division's contribution of $1,894,713 for fiscal 2017 (2016 - $1,876,576).

5. Deferred revenue:

The deferral method of accounting is used for revenues received that, pursuant to legislation, regulation or agreement, may only be used for specific purposes. These amounts are recognized as revenue in the fiscal year the related expenses are incurred or services performed. The following is a breakdown of the account balance:

	Balance as at June 30, 2016	Additions in the period	Revenue recognized in the period	Balance as at June 30, 2017
Education Property Tax Credit	$ 8,486,609	$ 21,576,185	$ 21,432,320	$ 8,630,474
International Student Program fees	1,638,884	1,437,060	1,638,884	1,437,060
Fibre access agreements	60,463	–	8,049	52,414
Externally funded programs	265,824	223,460	265,824	223,460
Donated capital assets	779,353	–	144,626	634,727
	$ 11,231,133	$ 23,236,705	$-23,489,703	$ 10,978,135

6. Debenture debt:

The debenture debt of the Division is in the form of twenty-year debentures payable in twenty equal yearly installments of principal and interest and maturing at various dates from fiscal 2018 to 2038. Payment of principal and interest is funded entirely by grants from the Province of Manitoba. The debentures carry interest rates that range from 3.00 percent to 8.375 percent. Debenture interest expense payable as at June 30, 2017, is accrued and recorded in Accrued Interest Payable, and a grant in an amount equal to the interest accrued on provincially funded debentures is recorded in Due from the Provincial Government. The debenture principal and interest repayments in the next five years and thereafter are as follows:

	Principal	Interest	Total
2018	$ 3,994,028	$ 2,962,039	$ 6,956,067
2019	3,878,458	2,784,659	6,663,117
2020	3,750,825	2,616,914	6,367,739
2021	3,847,141	2,459,522	6,306,663
2022	3,883,121	2,299,361	6,182,482
Thereafter	56,761,169	15,555,351	72,316,520
	$ 76,114,742	$ 28,677,846	$104,792,588

7. Other borrowings:

Other borrowings are debts other than overdrafts or debentures. The following borrowings include short term borrowings by way of bankers acceptances and obligations related to capital leases.

	2017	2016
Bankers acceptance	$ 13,987,910	$ 11,989,909
Obligations under capital leases	552,180	814,713
	$ 14,540,090	$ 12,804,622

Bankers acceptance bear interest at a rate of prime minus 0.75 percent and have a settlement date of July 31, 2017.

7. Other borrowings (continued):

Capital loans on photocopiers has interest of 3.39 percent per annum and the loans are secured by lease agreements. Principal and interest repayments for the photocopiers in the remaining two years are:

Capital lease repayment	Principal	Interest	Total
2018	$ 271,458	$ 11,628	$ 283,086
2019	280,722	2,365	283,087
	$ 552,180	$ 13,993	$ 566,173

8. School Generated Funds liability:

School Generated Funds liability includes the non-controlled portion of school generated funds consolidated in the cash and bank balances in the amount of $1,245,341. The following is a breakdown of the account balance:

	2017	2016
Breakfast and lunch programs	$ 214,394	$ 225,328
Student fees - activities, clubs and trips	864,945	437,647
Parent/student council funds	83,915	68,161
Specific purpose fund raising	66,517	70,528
Student fees for yearbooks/ agendas and other	15,570	239,820
	$ 1,245,341	$ 1,041,484

9. Net tangible capital assets:

The Schedule of Tangible Capital Assets (TCA), page 23 of the financial statements, provides a breakdown of cost, accumulated amortization and net book value by class. The breakdown of the owned and leased capital assets as at June 30, 2017 is as follows:

	Gross amount	Accumulated amortization	Net book value
Owned tangible capital assets	$ 179,356,402	$ 77,161,550	$ 102,194,852
Leased tangible capital assets	1,325,048	662,525	662,523
	$ 180,681,450	$ 77,824,075	$ 102,857,375

10. Accumulated surplus:

The consolidated accumulated surplus is comprised of the following:

	2017	2016
Operating Fund:		
Designated surplus	$ 2,025,033	$ 2,843,553
Undesignated surplus	3,818,657	2,966,243
Non-Vested Sick Leave	(852,866)	(752,244)
	4,990,824	5,057,552
Related entities:		
Pembina Trails Education Support Fund	296,484	182,273
Pembina Trails Voices	55,196	70,442
InForm Net	(7,558)	8,716
	344,122	261,431
Capital Fund:		
Reserve accounts	9,232,753	11,121,531
Equity in tangible capital assets	22,833,668	19,040,123
	32,066,421	30,161,654
Special Purpose Fund:		
School generated funds	474,794	537,343
Total accumulated surplus	$ 37,876,161	$ 36,017,980

Designated surplus under the Operating Fund represents internally restricted amounts appropriated by the board or, in the case of school budget carryovers, by board policy. See page 5 of the financial statements for a breakdown of the designated surplus. Related entities are entities that are controlled by the Division and consolidated into the Operating fund.

Reserve accounts under the Capital Fund represents internally restricted reserves for specific purposes approved by the Board of Trustees and PSFB. A Schedule of Capital Reserve Accounts is provided on page 24 of the financial statements.

School Generated Funds are externally restricted monies for school use.

11. Municipal government - property tax and related due from municipal government:

Education property tax or Special Levy is raised as the Division's contribution to the cost of providing public education for resident students in the Division. The Municipal Government-Property Tax shown on the consolidated revenue and expense is raised over the two calendar (tax) years; 40 percent from 2016 tax year and 60 percent from 2017 tax year. Below are the related revenue and receivable amounts:

	2017	2016
Municipal government property tax revenue	$ 74,446,732	$ 70,688,052
Receivable - due from municipal government property tax	44,583,140	42,146,940

12. Interest received and paid:

The Division received and paid interest during the year as follows:

	2017	2016
Interest received		
Operating fund - interest earned	$ 83,309	$ 77,098
Interest paid		
Operating Fund - interest and bank charges	114,255	112,777
Capital Fund - debenture debt interest	2,746,894	2,204,037
	2,861,149	2,316,814

13. Contractual obligations:

The Division has an agreement with First Student Canada for student transportation services for a term of 5 years ending in June 2021. The specific costs for these services are approximately $1,500,000 for 2017/18.

The Division has, as part of its Collective Agreement with the Pembina Trails Teachers' Association, a provision for a Professional Development Fund. The Collective Agreement provides that where the allocation for the fund is not wholly spent by June 30 of any Fiscal Year, that the unspent balance is carried forward for expenditure in future Fiscal Years. The total balance of this carry forward as at June 30, 2017 is $302,299.

14. Special Levy raised for la Division scolaire franco-manitobaine:

In accordance with Section 190.1 of *The Public Schools Act* the Division is required to collect a special levy on behalf of la Division scolaire franco-manitobaine. The special levy for 2017 was $1,304,464 (2016 - $1,117,874). These amounts are not included in the Division's consolidated financial statements.

15. Expenditures by type:

Expenditures by type not otherwise disclosed in these consolidated financial statements are listed on page 11.

MANAGEMENT REPORT

Management's Responsibility for the Financial Statements

The accompanying consolidated financial statements of Pine Creek School Division are the responsibility of the Division management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants. A summary of the significant accounting policies are described in Note 2 to the consolidated financial statements.

The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. Division management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The Board of Trustees of the Division met with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by MNP LLP, independent external auditors appointed by the Board. The accompanying Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Division's consolidated financial statements.

Original Document Signed	Original Document Signed
Chairperson	Secretary-Treasurer

October 26, 2017

Independent Auditors' Report

To the Board of Trustees of Pine Creek School Division:

We have audited the accompanying consolidated financial statements of Pine Creek School Division, which comprise the consolidated statement of financial position as at June 30, 2017 and the consolidated statements of revenue, expenses and accumulated surplus, change in net debt and cash flow for the year then ended, 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 generally accepted accounting principles established by the Public Sector Accounting Board of the Canadian Institute of Chartered Professional Accountants, 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 Pine Creek School Division as at June 30, 2017 and the consolidated results of its operations, consolidated changes in net debt and its consolidated cash flow for the year then ended in accordance with Canadian generally accepted accounting principles established by the Public Sector Accounting Board of the Canadian Institute of Chartered Professional Accountants.

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

MNP LLP

Brandon, Manitoba
October 26, 2017

Chartered Professional Accountants

I hereby certify that the preceding report and the statements and reports referenced herein have been presented to the members of the Board of Pine Creek School Division.

Original Document Signed
Chairperson of the Board

October 26, 2017
Date

MNP

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2017	2016
	Financial Assets		
	Cash and Bank	-	68,229
	Due from - Provincial Government	879,877	365,069
	- Federal Government	30,476	30,067
	- Municipal Government	2,871,072	2,482,831
	- Other School Divisions	-	-
	- First Nations	-	-
	Accounts Receivable	34,519	33,607
	Accrued Investment Income	-	-
	Portfolio Investments	-	-
		3,815,944	2,979,803
	Liabilities		
3	Overdraft	259,239	-
	Accounts Payable	152,262	40,404
	Accrued Liabilities	1,392,629	1,390,199
4	Employee Future Benefits	68,775	46,566
	Accrued Interest Payable	58,823	64,750
	Due to - Provincial Government	2,230	2,532
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	88,235	51,751
	- First Nations	-	-
5	Deferred Revenue	84,851	595,533
6	Borrowings from the Provincial Government	2,955,729	3,208,572
	Other Borrowings	-	-
	School Generated Funds Liability	-	-
		5,062,773	5,400,307
	Net Debt	(1,246,829)	(2,420,504)
	Non-Financial Assets		
7	Net Tangible Capital Assets (TCA Schedule)	4,117,543	4,525,860
	Inventories	-	32,195
	Prepaid Expenses	71,432	48,470
		4,188,975	4,606,525
8	**Accumulated Surplus**	2,942,146	2,186,021

See accompanying notes to the Financial Statements

Pine Creek School Division

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes			2017	2016
	Revenue			
	Provincial Government		9,716,505	9,861,839
	Federal Government		-	-
	Municipal Government	- Property Tax	5,834,685	4,811,605
		- Other	-	-
	Other School Divisions		38,800	35,850
	First Nations		-	-
	Private Organizations and Individuals		300	1,548
	Other Sources		40,592	58,766
	School Generated Funds		261,031	268,015
	Other Special Purpose Funds		-	-
			15,891,913	15,037,623
	Expenses			
	Regular Instruction		8,568,466	8,574,969
	Student Support Services		1,527,944	1,543,598
	Adult Learning Centres		-	-
	Community Education and Services		11,072	13,421
	Divisional Administration		556,305	515,591
	Instructional and Other Support Services		555,956	518,286
	Transportation of Pupils		1,123,806	1,119,647
	Operations and Maintenance		1,557,422	1,405,295
10	Fiscal	- Interest	165,264	174,088
		- Other	232,687	235,948
	Amortization		536,363	563,558
	Other Capital Items		9,063	-
	School Generated Funds		269,231	265,861
	Other Special Purpose Funds		-	-
			15,113,579	14,930,262
	Current Year Surplus (Deficit) before Non-vested Sick Leave		778,334	107,361
	Less: Non-vested Sick Leave Expense (Recovery)		22,209	17,896
	Net Current Year Surplus (Deficit)		756,125	89,465
	Opening Accumulated Surplus		2,186,021	2,096,556
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	-
		Other than Tangible Cap. Assets	-	-
		Non-vested sick leave - prior years	-	-
	Opening Accumulated Surplus, as adjusted		2,186,021	2,096,556
	Closing Accumulated Surplus		2,942,146	2,186,021

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2017

	2017	2016
Net Current Year Surplus (Deficit)	756,125	89,465
Amortization of Tangible Capital Assets	536,363	563,558
Acquisition of Tangible Capital Assets	(128,046)	(283,796)
(Gain) / Loss on Disposal of Tangible Capital Assets	(500)	(7,695)
Proceeds on Disposal of Tangible Capital Assets	500	7,695
	408,317	279,762
Inventories (Increase)/Decrease	32,195	2,847
Prepaid Expenses (Increase)/Decrease	(22,962)	(4,292)
	9,233	(1,445)
(Increase)/Decrease in Net Debt	1,173,675	367,782
Net Debt at Beginning of Year	(2,420,504)	(2,788,286)
Adjustments Other than Tangible Cap. Assets	-	-
	(2,420,504)	(2,788,286)
Net Debt at End of Year	(1,246,829)	(2,420,504)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2017

	2017	2016
Operating Transactions		
Net Current Year Surplus (Deficit)	756,125	89,465
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	536,363	563,558
(Gain)/Loss on Disposal of Tangible Capital Assets	(500)	(7,695)
Employee Future Benefits Increase/(Decrease)	22,209	17,896
Due from Other Organizations (Increase)/Decrease	(903,458)	(407,007)
Accounts Receivable & Accrued Income (Increase)/Decrease	(912)	49,344
Inventories and Prepaid Expenses - (Increase)/Decrease	9,233	(1,445)
Due to Other Organizations Increase/(Decrease)	36,182	33,014
Accounts Payable & Accrued Liabilities Increase/(Decrease)	108,361	(170,187)
Deferred Revenue Increase/(Decrease)	(510,682)	19,013
School Generated Funds Liability Increase/(Decrease)	-	-
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by (Applied to) Operating Transactions	52,921	185,956
Capital Transactions		
Acquisition of Tangible Capital Assets	(128,046)	(283,796)
Proceeds on Disposal of Tangible Capital Assets	500	7,695
Cash Provided by (Applied to) Capital Transactions	(127,546)	(276,101)
Investing Transactions		
Portfolio Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
Financing Transactions		
Borrowings from the Provincial Government Increase/(Decrease)	(252,843)	127,267
Other Borrowings Increase/(Decrease)	-	-
Cash Provided by (Applied to) Financing Transactions	(252,843)	127,267
Cash and Bank / Overdraft (Increase)/Decrease	(327,468)	37,122
Cash and Bank (Overdraft) at Beginning of Year	68,229	31,107
Cash and Bank (Overdraft) at End of Year	(259,239)	68,229

Pine Creek School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2017

	Buildings and Leasehold Improvements		School	Other	Furniture / Fixtures &	Computer Hardware &		Land	Assets Under	2017	2016
	School	Non-School	Buses	Vehicles	Equipment	Software *	Land	Improvements	Construction	TOTALS	TOTALS
Tangible Capital Asset Cost											
Opening Cost, as previously reported	12,089,044	477,552	2,818,421	197,238	323,458	85,209	75,334	-	27,930	16,094,186	16,044,469
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	12,089,044	477,552	2,818,421	197,238	323,458	85,209	75,334	-	27,930	16,094,186	16,044,469
Add: Additions during the year	62,195	-	-	-	-	-	-	-	65,851	128,046	283,796
Less: Disposals and write downs	-	-	-	20,500	-	-	-	-	-	20,500	234,079
Closing Cost	12,151,239	477,552	2,818,421	176,738	323,458	85,209	75,334	-	93,781	16,201,732	16,094,186
Accumulated Amortization											
Opening, as previously reported	8,915,439	325,545	1,965,064	146,373	130,695	85,210		-		11,568,326	11,238,847
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	8,915,439	325,545	1,965,064	146,373	130,695	85,210		-		11,568,326	11,238,847
Add: Current period Amortization	310,540	11,994	164,186	19,955	29,689	(1)		-		536,363	563,558
Less: Accumulated Amortization on Disposals and Writedowns	-	-	-	20,500	-	-		-		20,500	234,079
Closing Accumulated Amortization	9,225,979	337,539	2,129,250	145,828	160,384	85,209		-		12,084,189	11,568,326
Net Tangible Capital Asset	2,925,260	140,013	689,171	30,910	163,074	-	75,334	-	93,781	4,117,543	4,525,860
Proceeds from Disposal of Capital Assets	-	-	-	500	-	-				500	7,695

* Includes network infrastructure.

1. Nature of Organization and Economic Dependence

The Pine Creek School Division (Division) is a public body that provides education services to residents within its geographic location. The Division is funded mainly by grants from the Province of Manitoba (Province), and a special levy on the property assessment included in the Division's boundaries. The Division is exempt from income tax and is a registered charity under the Income Tax Act.

The Division is economically dependent on the Province for the majority of its revenue and capital financing requirements. Without this funding, the Division would not be able to continue its operations.

2. Significant Accounting Policies

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles established by PSAB of the Canadian Institute of Chartered Accountants (CICA).

a) Reporting Entity and Consolidation

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the operating fund, capital fund, and special purpose fund of the Pine Creek School Division. The Division reporting entity includes school generated funds.

All inter-fund accounts and transactions are eliminated upon consolidation.

b) Trust funds

The Division administers various trust funds. Trust funds and their related operations are not included in the consolidated financial statements as they are not owned or controlled by the Division. A schedule of trust funds is attached as part of the notes to the consolidated financial statements.

Trust funds, under PSAB are properties assigned to a trustee (school division) under a trust agreement or statute; the trustee merely administers the terms and conditions embodied in the agreement, and it has no unilateral authority to change the conditions set out in the trust indenture.

c) Basis of Accounting

Revenues and expenses are reported on the accrual basis of accounting except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable. 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.

d) Fund Accounting

The fund method of accounting is employed by the Division to record financial transactions in separate funds as defined by Financial Reporting and Accounting in Manitoba Education (FRAME) in accordance with the purpose for which the funds have been created.

The Operating Fund is maintained to record all the day to day operating revenues and expenses. The Capital Fund is used to account for the acquisition, amortization, disposal and financing of capital assets. The Special Purpose Fund is used to account for school generated funds and charitable foundations controlled by the Division.

e) School Generated Funds

School generated funds are moneys raised by the school, or under the auspices of the school, through extra-curricular activities for the sole use of the school that the principal of each school, subject to the rules of the school board, may raise, hold, administer and expend for the purposes of the school.

Only revenue and expenses of school generated funds controlled by the Division are included in the Consolidated Statement of Revenue, Expenses and Accumulated Surplus. To be deemed as controlled, a school must have the unilateral authority to make the decisions as to when, how and on what the funds are to be spent.

Period end cash balances of all school generated funds are included in the Consolidated Statement of Financial Position. The uncontrolled portion of this amount is reflected in the School Generated Funds Liability account. Examples of uncontrolled school generated funds are parent council funds, other parent group funds, student council funds and travel club funds. Revenues and expenses of uncontrolled school generated funds are not included in the consolidated financial statements.

f) Tangible Capital Assets

Tangible capital assets are non-financial assets that are used by the Division to provide services to the public and have an economic life beyond one fiscal year. Tangible capital assets include land, buildings, buses, other vehicles, furniture and equipment, computers, capital leases, leasehold improvements, and assets under construction.

To be classified as tangible capital assets, each asset other than land must individually meet the capitalization threshold for its class as prescribed by FRAME.

Asset Description	Capitalization Threshold	Estimated Useful Life (years)
Land Improvements	50,000	10
Buildings – brick, mortar and steel	50,000	40
Buildings – wood frame	50,000	25
School buses	50,000	10
Vehicles	10,000	5
Equipment	10,000	5
Network Infrastructure	25,000	10
Computer Hardware, Servers & Peripherals	10,000	4
Computer Software	10,000	4
Furniture & Fixtures	10,000	10
Leasehold Improvements	25,000	Over term of lease

Grouping of assets is not permitted except for computer work stations.

With the exception of land, donated capital assets and capital leases, all tangible capital assets, are recorded at historical cost, which includes purchase price, installation costs and other costs incurred to put the asset into service.

Buildings are recorded at historical cost when known. For buildings acquired prior to June 30, 2005 where the actual cost was not known, the replacement value for insurance purposes as at June 30, 2005 was regressed to the date of acquisition using a regression index based on Southam and CanaData construction cost indices.

Capital leases are recorded at the present value of the minimum lease payments excluding executory costs (e.g. insurance, maintenance costs, etc.). The discount rate used to determine the present value of the lease payments is the lower of the Division's rate for incremental borrowing or the interest rate implicit in the lease.

Donated tangible capital assets are recorded at fair market value at the date of donation. Deferred revenue is recorded in an equivalent amount, for all donated assets except land. The deferred revenue will be recognized as revenue over the useful life of the related asset, on the same basis that the asset is amortized.

All land acquired prior to June 30, 2006 has been valued by the Crown Lands and Property Agency.

All tangible capital assets, except for land, capital leases, and assets under construction, are amortized on a straight-line basis over their estimated useful lives as prescribed by FRAME. Land is not amortized. Capital leases with lease terms that have a bargain purchase option or allow ownership to pass to the Division are

amortized over the useful life of the asset class. All other capital leases are amortized over the lesser of the lease term and the useful life of the asset class.

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal if not fully amortized.

Assets under construction are not amortized until the date of substantial completion. Interest on funds used to finance school buildings under construction is capitalized for the periods preceding the date of substantial completion.

g) Employee Future Benefits

The Province of Manitoba pays the employer portion of the Teachers' Retirement Allowances Fund (TRAF), the pension plan for all certified teachers of the Division. The Division does not contribute to TRAF, and no costs relating to this plan are included in the Division's financial statements.

However, the Division provides other future benefits to its employees. These benefits include supplemental employment benefits and sick leave. These benefits are event driven and the costs are recognized when the event becomes known. Effective in the 2011/2012 fiscal year, expected future payment on non-vested accumulated sick leave benefits for employees based on estimated sick days that will be used over earned per year has been set up as a future benefit.

h) Capital Reserve

Certain amounts, as approved by the Board of Trustees and the Public Schools Finance Board (PSFB), have been set aside in reserve accounts for future capital purposes. These Capital Reserve accounts are internally restricted funds that form part of the Accumulated Surplus presented in the Consolidated Statement of Financial Position.

i) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

j) Financial instruments

There are no significant terms and conditions related to financial instruments (cash, accounts receivable, investments, bank indebtedness, accounts payable and long-term debt) that may affect the amount, timing and certainty of future cash flows. The Division is exposed to credit risk from the potential non-payment of accounts receivable. However, the majority of the receivables are from local, provincial and federal governments, and therefore, the credit risk is minimal. The carrying amounts of the financial instruments approximate their carrying values, unless otherwise noted.

k) Liability for Contaminated Sites

The Division has adopted PS3260 Liability for Contaminated Sites effective March 31, 2015. No sites have been identified and no liability has been established in Pine Creek School Division.

3. Overdraft

The Division has an authorized line of credit with Austin Credit Union of $4,000,000 by way of overdrafts and is repayable on demand at prime less 0.25%; interest is paid monthly. Overdrafts are secured by borrowing by-law.

4. Employee Future Benefits

Employee Future Benefits are benefits earned by employees in the current period, but will not be paid out until future periods and include vacation accrual, supplemental employment and sick leave benefits. As well, expected future payment on non-vested accumulated sick leave benefits for employees based on estimated sick days that will be used over earned per year has been set up as a future benefit.

5. Deferred Revenue

The deferral method of accounting is used for revenues received that, pursuant to legislation, regulation or agreement, may only be used for specific purposes. These amounts are recognized as revenue in the fiscal year the related expenses are incurred or services performed. The following is a breakdown of the account balance:

	Balance as at June 30, 2016	Additions in the period	Revenue recognized in the period	Balance as at June 30, 2017
Manitoba Textbook Bureau	$ 0	$ 29,700	$ 29,700	$ 0
Education Property Tax Credit	$ 512,429	$ 20,614	$ 512,429	$ 20,614
International Tuition	$ 0	$ 0	$ 0	$ 0
Donated Capital Assets	$ 74,104	$ 0	$ 12,849	$ 61,255
Other special purpose funds	$ 9,000	$ 2,982	$ 9,000	$ 2,982
	$ 595,533	$ 53,296	$ 563,978	$ 84,851

6. Debenture Debt

The debenture debt of the Division is in the form of twenty-year debentures payable, principal and interest, in twenty equal yearly installments and maturing at various dates from 2018 to 2037. Payment of principal and interest is funded entirely by grants from the Province of Manitoba, except for the debenture debt on self-funded capital projects. The debentures carry interest rates that range from 3.375% to 7.25%.

Debenture interest expense payable as at June 30, 2017, is accrued and recorded in Accrued Interest Payable, and a grant in an amount equal to the interest accrued on provincially funded debentures is recorded in Due from the Provincial Government. The debenture principal and interest repayments in the next five years are:

	Principal	Interest	Total
2018	$261,304	$147,215	$408,519
2019	$260,516	$132,257	$392,773
2020	$271,668	$117,394	$389,062
2021	$254,197	$101,869	$356,066
2022	$236,501	$ 87,750	$324,251
	$1,284,186	$586,485	$1,870,671

7. Net Tangible Capital Assets

The Schedule of Tangible Capital Assets (TCA), page 23 of the audited financial statements, provides a breakdown of cost, accumulated amortization and net book value by class. The amount of interest capitalized in the period included in Assets under Construction was $0 (previous year $0).

	Gross Amount	Accumulated Amortization	2017 Net Book Value
Owned-tangible capital assets	$16,201,732	$12,084,189	$4,117,543

8. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2017
Operating Fund	
Designated Surplus	$ 46,910
Undesignated Surplus	$ 496,602
Non Vested Sick Leave to date	($ 68,775)
	$ 474,737
Capital Fund	
Reserve Accounts	$1,389,184
Equity in Tangible Capital Assets	$1,038,518
	$2,427,702
Special Purpose Fund	
School Generated Funds	$ 39,707
Other Special Purpose Funds	$ 0
	$ 39,707
Total Accumulated Surplus	$ 2,942,146

Designated Surplus under the Operating Fund represents internally restricted amounts appropriated by the board or, in the case of school budget carryovers, by board policy. See page 5 of the audited financial statements for a breakdown of the Designated Surplus.

	2017
School budget carryovers by board policy	$ 36,910
Other carryovers by board motion	$ 10,000
Designated surplus	$ 46,910

Reserve Accounts under the Capital Fund represents internally restricted reserves for specific purposes approved by the Board of Trustees and PSFB. A Schedule of Capital Reserve Accounts is provided on page 24 (and 24A) of the audited financial statements.

	2017
Bus reserves	$ 354,871
Other reserves	$1,034,313
Capital Reserve	$1,389,184

9. Municipal Government – Property Tax and related Due from Municipal Government

Education property tax or Special Levy is raised as the Division's contribution to the cost of providing public education for the students resident in the division. The Municipal Government-Property Tax shown on the consolidated revenue and expense statement is raised over the two calendar (tax) years; 50% from 2016 tax year and 50% from 2017 tax year. Below are the related revenue and receivable amounts:

	2017	2016
Revenue–Municipal Government-Property Tax	$5,834,685	$4,811,605
Receivable-Due from Municipal-Property Tax	$2,871,072	$2,482,831

10. Interest Received and Paid

The Division received interest during the year of $8,302 (previous year $6,800); interest paid during the year was $165,264 (previous year $174,088).

Interest expense is included in Fiscal and is comprised of the following:

	2017
Operating Fund	
Fiscal-short term loan, interest and bank charges	$ 9,415
Capital fund	
Debenture debt interest	$155,849
Other interest	$ 0
	$165,264

The accrual portion of debenture debt interest expense of $58,823 included under the Capital Fund-Debenture debt interest, is offset by an accrual of the debt servicing grant from the Province of Manitoba.

11. Expenses by object

Expenses in the consolidated statement of revenue, expenses and accumulated surplus are reported by function as defined by FRAME. Below is the detail of expenses by object:

	Actual 2017	Budget 2017	Actual 2016
Salaries	$10,495,003	$10,691,289	$10,437,102
Employees benefits & allowances	$ 794,935	$ 906,477	$ 786,252
Services	$ 1,421,554	$ 1,632,861	$ 1,347,653
Supplies, materials & minor equipment	$ 1,148,086	$ 1,244,021	$ 1,076,018
Interest	$ 165,264	$ 6,000	$ 174,088
Bad debts	$ 0	$ 0	$ 0
Payroll tax – and transfers	$ 274,080	$ 273,747	$ 279,730
Amortization	$ 536,363	$ 0	$ 563,558
Other capital items	$ 9,063	$ 0	$ 0
School generated funds	$ 269,231	$ 0	$ 265,861
Other special purpose funds	$ 0	$ 0	$ 0
	$15,113,579	$14,754,395	$14,930,262

MANAGEMENT REPORT

Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of Portage la Prairie School Division are the responsibility of the Division management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of The Canadian Institute of Chartered Professional Accountants. A summary of the significant accounting policies are described in Note 2 to the consolidated financial statements.

The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. Division management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The Board of Trustees of the Division met with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by MNP LLP independent external auditors appointed by the Board. The accompanying Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Division's consolidated financial statements.

Original Document Signed

Chairperson

Original Document Signed

Secretary-Treasurer

October 24, 2017

Independent Auditors' Report

To the Board of Trustees of Portage la Prairie School Division:

We have audited the accompanying consolidated financial statements of Portage la Prairie School Division, which comprise the consolidated statement of financial position as at June 30, 2017, and the consolidated statements of revenue, expenses and accumulated surplus, consolidated changes in net debt and cash flow for the year then ended, 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 generally accepted accounting principles established by the Public Sector Accounting Board of the Canadian Institute of Chartered Professional Accountants, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these 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 financial position of Portage la Prairie School Division as at June 30, 2017 and the consolidated results of its operations, consolidated changes in net debt and its consolidated cash flow for the year then ended in accordance with Canadian generally accepted accounting principles established by the Public Sector Accounting Board of the Canadian Institute of Chartered Professional Accountants.

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

Portage la Prairie, Manitoba

October 24, 2017

MNP LLP

Chartered Professional Accountants

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2017	2016
	Financial Assets		
	Cash and Bank	1,344,508	976,343
	Due from - Provincial Government	941,736	824,662
	- Federal Government	77,793	152,551
	- Municipal Government	7,224,095	6,537,048
	- Other School Divisions	-	-
	- First Nations	186,108	634,096
	Accounts Receivable	47,253	46,014
	Accrued Investment Income	-	-
	Portfolio Investments	-	-
		9,821,493	9,170,714
	Liabilities		
	Overdraft	-	-
	Accounts Payable	198,619	451,633
	Accrued Liabilities	4,306,183	4,018,280
4	Employee Future Benefits	157,143	142,905
	Accrued Interest Payable	188,162	192,771
	Due to - Provincial Government	-	-
	- Federal Government	461,619	462,188
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
5	Deferred Revenue	1,627,908	1,603,291
6	Borrowings from the Provincial Government	8,476,788	8,216,095
	Other Borrowings	-	-
7	School Generated Funds Liability	175,266	199,183
		15,591,688	15,286,346
	Net Debt	(5,770,195)	(6,115,632)
	Non-Financial Assets		
8	Net Tangible Capital Assets (TCA Schedule)	13,091,814	12,710,477
	Inventories	20,207	20,942
	Prepaid Expenses	10,541	59,407
		13,122,562	12,790,826
9	**Accumulated Surplus**	7,352,367	6,675,194

See accompanying notes to the Financial Statements

Portage La Prairie School Division

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes		2017	2016
	Revenue		
	Provincial Government	24,522,404	24,527,378
	Federal Government	26,000	-
	Municipal Government - Property Tax	13,910,468	12,497,113
	- Other	-	-
	Other School Divisions	153,480	160,355
	First Nations	1,380,409	1,308,917
	Private Organizations and Individuals	48,800	9,600
	Other Sources	156,460	154,026
	School Generated Funds	1,215,293	1,354,025
	Other Special Purpose Funds	-	-
		41,413,314	40,011,414
	Expenses		
	Regular Instruction	21,581,121	21,163,311
	Student Support Services	7,435,844	6,845,679
	Adult Learning Centres	-	-
	Community Education and Services	55,546	53,529
	Divisional Administration	1,365,484	1,162,073
	Instructional and Other Support Services	1,373,284	1,192,175
	Transportation of Pupils	1,080,237	1,041,657
	Operations and Maintenance	4,025,978	3,744,837
11	Fiscal - Interest	435,786	469,374
	- Other	637,653	617,368
	Amortization	1,456,470	1,371,220
	Other Capital Items	-	-
	School Generated Funds	1,274,500	1,378,916
	Other Special Purpose Funds	-	-
		40,721,903	39,040,139
	Current Year Surplus (Deficit) before Non-vested Sick Leave	691,411	971,275
	Less: Non-vested Sick Leave Expense (Recovery)	14,238	27,967
	Net Current Year Surplus (Deficit)	677,173	943,308
	Opening Accumulated Surplus	6,675,194	5,846,824
	Adjustments: Tangible Cap. Assets and Accum. Amort.	-	-
	Other than Tangible Cap. Assets	-	-
	Non-vested sick leave - prior years	-	(114,938)
	Opening Accumulated Surplus, as adjusted	6,675,194	5,731,886
	Closing Accumulated Surplus	7,352,367	6,675,194

See accompanying notes to the Financial Statements

Portage La Prairie School Division

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2017

	2017	2016
Net Current Year Surplus (Deficit)	677,173	943,308
Amortization of Tangible Capital Assets	1,456,470	1,371,220
Acquisition of Tangible Capital Assets	(1,837,807)	(1,006,778)
(Gain) / Loss on Disposal of Tangible Capital Assets	(750)	1,889
Proceeds on Disposal of Tangible Capital Assets	750	2,351
	(381,337)	368,682
Inventories (Increase)/Decrease	735	(1,274)
Prepaid Expenses (Increase)/Decrease	48,866	(6,623)
	49,601	(7,897)
(Increase)/Decrease in Net Debt	345,437	1,304,093
Net Debt at Beginning of Year	(6,115,632)	(7,304,787)
Adjustments Other than Tangible Cap. Assets	-	(114,938)
	(6,115,632)	(7,419,725)
Net Debt at End of Year	(5,770,195)	(6,115,632)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2017

	2017	2016
Operating Transactions		
Net Current Year Surplus (Deficit)	677,173	943,308
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	1,456,470	1,371,220
(Gain)/Loss on Disposal of Tangible Capital Assets	(750)	1,889
Employee Future Benefits Increase/(Decrease)	14,238	142,905
Due from Other Organizations (Increase)/Decrease	(281,375)	(94,653)
Accounts Receivable & Accrued Income (Increase)/Decrease	(1,239)	10,711
Inventories and Prepaid Expenses - (Increase)/Decrease	49,601	(7,897)
Due to Other Organizations Increase/(Decrease)	(569)	13,434
Accounts Payable & Accrued Liabilities Increase/(Decrease)	30,280	624,873
Deferred Revenue Increase/(Decrease)	24,617	486,183
School Generated Funds Liability Increase/(Decrease)	(23,917)	2
Adjustments Other than Tangible Cap. Assets	-	(114,938)
Cash Provided by (Applied to) Operating Transactions	1,944,529	3,377,037
Capital Transactions		
Acquisition of Tangible Capital Assets	(1,837,807)	(1,006,778)
Proceeds on Disposal of Tangible Capital Assets	750	2,351
Cash Provided by (Applied to) Capital Transactions	(1,837,057)	(1,004,427)
Investing Transactions		
Portfolio Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
Financing Transactions		
Borrowings from the Provincial Government Increase/(Decrease)	260,693	(646,606)
Other Borrowings Increase/(Decrease)	-	-
Cash Provided by (Applied to) Financing Transactions	260,693	(646,606)
Cash and Bank / Overdraft (Increase)/Decrease	368,165	1,726,004
Cash and Bank (Overdraft) at Beginning of Year	976,343	(749,661)
Cash and Bank (Overdraft) at End of Year	1,344,508	976,343

Portage La Prairie School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2017

	Buildings and Leasehold Improvements		School	Other	Furniture / Fixtures &	Computer Hardware &		Land	Assets Under	2017	2016
	School	Non-School	Buses	Vehicles	Equipment	Software *	Land	Improvements	Construction	TOTALS	TOTALS
Tangible Capital Asset Cost											
Opening Cost, as previously reported	34,220,425	338,037	1,998,466	58,503	724,846	873,408	270,186	419,821	314,472	39,218,164	38,552,932
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	34,220,425	338,037	1,998,466	58,503	724,846	873,408	270,186	419,821	314,472	39,218,164	38,552,932
Add: Additions during the year	1,620,396	-	130,932	25,703	-	10,893	-	-	49,883	1,837,807	1,006,778
Less: Disposals and write downs	-	-	72,598	-	56,540	-	-	-		129,138	341,546
Closing Cost	35,840,821	338,037	2,056,800	84,206	668,306	884,301	270,186	419,821	364,355	40,926,833	39,218,164
Accumulated Amortization											
Opening, as previously reported	23,747,586	338,037	1,427,206	53,160	540,495	338,230		62,973		26,507,687	25,473,773
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	23,747,586	338,037	1,427,206	53,160	540,495	338,230		62,973		26,507,687	25,473,773
Add: Current period Amortization	1,164,070	-	92,051	6,675	61,894	89,798		41,982		1,456,470	1,371,220
Less: Accumulated Amortization on Disposals and Writedowns	-	-	72,598	-	56,540	-		-		129,138	337,306
Closing Accumulated Amortization	24,911,656	338,037	1,446,659	59,835	545,849	428,028		104,955		27,835,019	26,507,687
Net Tangible Capital Asset	10,929,165	-	610,141	24,371	122,457	456,273	270,186	314,866	364,355	13,091,814	12,710,477
Proceeds from Disposal of Capital Assets	-	-	750	-	-	-				750	2,351

* Includes network infrastructure.

Portage la Prairie School Division
Notes to Consolidated Financial Statements
For the Year Ended June 30th, 2017

1. Nature of Organization and Economic Dependence

The Portage la Prairie School Division (Division) is a public body that provides education services to residents within its geographic location. The Division is funded mainly by grants from the Province of Manitoba (Province), and a special levy on the property assessment included in the Division's boundaries. The Division is exempt from income tax and is a registered charity under the Income Tax Act.

The Division is economically dependent on the Province for the majority of its revenue and capital financing requirements. Without this funding, the Division would not be able to continue its operations.

2. Significant Accounting Policies

The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards established by PSAB of the Chartered Professional Accountants of Canada (CPA Canada).

Reporting Entity and Consolidation

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the operating fund, capital fund and special purpose fund of the Division. The Division reporting entity includes school generated funds controlled by the Division.

All inter-fund accounts and transactions are eliminated upon consolidation.

Trust Funds

The Division administers various trust funds. Trust funds and their related operations are not included in the consolidated financial statements as they are not owned or controlled by the Division. A schedule of trust funds is attached as part of the notes to the consolidated financial statements.

Trust funds, under PSAB are properties assigned to a trustee (school division) under a trust agreement or statute; the trustee merely administers the terms and conditions embodied in the agreement, and it has no unilateral authority to change the conditions set out in the trust indenture.

Basis of Accounting

Revenues and expenses are reported on the accrual basis of accounting except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable. 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.

Fund Accounting

The fund method of accounting is employed by the Division to record financial transactions in separate funds as defined by Financial Reporting and Accounting in Manitoba Education (FRAME) in accordance with the purpose for which the funds have been created.

The Operating Fund is maintained to record all the day to day operating revenues and expenses. The Capital Fund is used to account for the acquisition, amortization, disposal and financing of capital assets. The Special Purpose Fund is used to account for school generated funds controlled by the Division.

School Generated Funds

School generated funds are monies raised by the school, or under the auspices of the school, through extracurricular activities for the sole use of the school that the principal of each school, subject to the rules of the school board, may raise, hold, administer and expend for the purposes of the school.

Only revenue and expenses of school generated funds controlled by the Division are included in the Consolidated Statement of Revenue, Expenses and Accumulated Surplus. To be deemed as controlled, a school must have the unilateral authority to make the decisions as to when, how and on what the funds are to be spent.

Period end cash balances of all school generated funds are included in the Consolidated Statement of Financial Position. The uncontrolled portion of this amount is reflected in the School Generated Funds Liability account. Examples of uncontrolled school generated funds are parent council funds, other parent group funds, student council funds and travel club funds. Revenues and expenses of uncontrolled school generated funds are not included in the consolidated financial statements.

Tangible Capital Assets

Tangible capital assets are non-financial assets that are used by the Division to provide services to the public and have an economic life beyond one fiscal year. Tangible capital assets include land, buildings, buses, other vehicles, furniture and equipment, computers, capital leases, leasehold improvements, and assets under construction.

To be classified as tangible capital assets, each asset other than land must individually meet the capitalization threshold for its class as prescribed by FRAME.

Asset Description	Capitalization Threshold ($)	Estimated Useful Life
Computer hardware, servers, peripherals	10,000	4 years
Computer software	10,000	4 years
Equipment	10,000	5 years
Vehicles	10,000	5 years
Furniture and fixtures	10,000	10 years
Land improvements	50,000	10 years
Network infrastructure	25,000	10 years
School buses	50,000	10 years
Buildings – wood frame	50,000	25 years
Buildings – bricks, mortar, steel	50,000	40 years
Leasehold improvements	25,000	Over term of lease

Grouping of assets is not permitted except for computer work stations.

All land acquired prior to June 30, 2006 has been valued by the Crown Lands and Property Agency.

With the exception of land acquired prior to June 30, 2006, all tangible capital assets are recorded at historical cost, which includes purchase price, installation costs and other costs incurred to put the asset into service.

Buildings are recorded at historical cost when known. For buildings acquired prior to June 30, 2005 where the actual cost was not known, the replacement value for insurance purposes as at June 30, 2005 was regressed to the date of acquisition using a regression index based on Southam and CanaData construction cost indices.

All tangible capital assets, except for land, and assets under construction, are amortized on a straight-line basis over the estimated useful lives as prescribed by FRAME. Land is not amortized.

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal if not fully amortized.

Assets under construction are not amortized until the date of substantial completion. Interest on funds used to finance school buildings under construction is capitalized for the period preceding the date of substantial completion.

Employee Future Benefits

The Province of Manitoba pays the employer portion of the Teachers' Retirement Allowances Fund (TRAF), the pension plan for all certified teachers of the Division. The Division does not contribute to TRAF, and no costs relating to this plan are included in the Division's financial statements beyond the employee portion payable.

The Division provides retirement benefits to its administrative employees in the form of a defined contribution pension plan. The Division pays the employer portion of the defined contribution plan administered by the Manitoba School Boards Association (MSBA). Under this plan, specific fixed amounts are contributed by the Division each period for services rendered, matching employee contributions. No responsibility is assumed by the Division to make any further contribution.

For those defined benefit self-insured plans that are event driven such as non-vesting parental leave, the benefit costs are recognized and recorded only in the period when the event occurs.

For non-vesting accumulating sick days, the benefit costs are recognized, if deemed material, based on a projection of expected future utilization of sick time, discounted using net present value techniques.

Capital Reserve

Certain amounts, as approved by the Board of Trustees and the Public Schools Finance Board (PSFB), have been set aside in reserve accounts for future capital purposes. These Capital Reserve accounts are internally restricted funds that form part of the Accumulated Surplus presented in the Consolidated Statement of Financial Position.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates, as additional information becomes available in the future.

Financial Instruments

There are no significant terms and conditions related to financial instruments (cash, accounts receivable, investments, overdraft, accounts payable and long-term debt) that may affect the amount, timing and certainty of future cash flows. The Division is exposed to credit risk from the potential non-payment of accounts receivable. However, the majority of the receivables are from local, provincial and federal governments, and therefore, the credit risk is minimal. The carrying amounts of the financial instruments approximate their carrying values, unless otherwise noted.

3. Bank Overdraft

The Division has an authorized line of credit with Bank of Montreal of $5,000,000 by way of overdrafts and is repayable on demand at prime less .25% for an interest rate of 2.45% (2.45% at June 30, 2016); interest is paid monthly. Overdrafts are secured by a borrowing by-law.

4. Employee Future Benefits

The Division sponsors a defined contribution pension plan, administered by MSBA. The defined contribution plan is provided to administrative employees based on their age at the beginning of the year and rates of pay. Each age group under the MSBA pension plan has a specific percentage for the employees to contribute. The Division contributions equal the employee contributions to the plan.

Non-vested accumulated sick leave benefits are measured using net present value techniques on the expected future utilization of excess of sick benefits used over earned per year, to maximum entitlement. The impact of the estimated non-vested sick leave benefit cost for 2016-2017 is $157,143 (2015-2016 is $142,905).

5. Deferred Revenue

The deferral method of accounting is used for revenues received that, pursuant to legislation, regulation or agreement, may only be used for specific purposes. These amounts are recognized as revenue in the fiscal year the related expenses are incurred or services performed. The following is a breakdown of the account balance.

	Balance as at June 30, 2016	Additions in year	Recognized in year	Balance as at June 30, 2017
Education Property Tax Credit (EPTC)	$ 1,566,419	$ 3,296,977	$ 3,288,191	$ 1,575,205
Manitoba Text Book Bureau	36,872	93,270	88,762	41,380
Summer Leave	-	11,323	-	11,323
	$ 1,603,291	$ 3,401,570	$ 3,376,953	$ 1,627,908

6. Debenture Debt

	2017	2016
Supportable debenture	$ 5,778,646	$ 5,341,223
Non-supportable debenture	2,698,142	2,874,872
	$ 8,476,788	$ 8,216,095

Supportable Debenture Debt

The debenture debt of the Division is in the form of twenty-year supportable debentures payable, principal and interest, in twenty equal yearly installments and maturing at various dates from fiscal years ending 2018 to 2037. Payment of principal and interest for the supportable debentures is funded entirely by grants from the Province of Manitoba. The debentures carry interest rates that range from 3.50% to 7.00%. Debenture interest expense payable as at June 30, 2017, is accrued and recorded in Accrued Interest Payable and a grant in an amount equal to the interest accrued on provincially funded debentures is recorded in Due from the Provincial Government. The total debenture principal and interest repayments in the next five fiscal years ending are as follows:

2018	$ 766,167
2019	729,202
2020	679,555
2021	637,867
2022	637,867

Non-supportable Debenture Debt

The debenture debt of the Division is in the form of twenty-year non-supportable debentures payable, principal and interest, in twenty equal yearly installments and maturing in fiscal year ending 2027.

The payment of principal and interest for the non-supportable debentures must be funded by the Division as the Division does not receive grants from the Province of Manitoba to pay these types of debentures.

The non-supportable debenture has 5.375% interest per annum, and annual payment of $331,255 principal and interest. The loan is secured by way of borrowing resolution.

Total principal and interest repayment in the next five fiscal years ending are as follows:

2018	$ 331,255
2019	331,255
2020	331,255
2021	331,255
2022	331,255

7. School Generated Funds Liability

School Generated Funds Liability includes the non-controlled portion of school generated funds. At June 30, 2017, an amount equal to $175,266 (2016 - $199,183) is included in cash and bank (overdraft) on the consolidated financial statement.

8. Net Tangible Capital Assets

The Schedule of Tangible Capital Assets (TCA), page 23 of the consolidated financial statements, provides a breakdown of cost, accumulated amortization and net book value by class. The amount of interest capitalized in the period included in Assets under Construction was nil (previous year – nil).

	Total Cost	Accumulated Amortization	2017 Net Book Value
Owned – tangible capital assets	$ 40,926,833	$ 27,835,019	$ 13,091,814
Capital lease	-	-	-
	$ 40,926,833	$ 27,835,019	$ 13,091,814

9. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following.

	2017	2016
Operating Fund		
Designated Surplus	$ -	$ -
Undesignated Surplus	1,332,507	1,284,864
	1,332,507	1,284,864
Capital Fund		
Reserve Accounts	2,060,000	1,360,000
Equity in Tangible Capital Assets	3,754,419	3,765,682
	5,814,419	5,125,682
Special Purpose Fund		
School Generated Funds	205,441	264,648
Other Special Purpose Funds	-	-
	205,441	264,648
Total Accumulated Surplus	$ 7,352,367	$ 6,675,194

Designated Surplus under the Operating Fund represents internally restricted amounts appropriated by the Board of Trustees or, in the case of school budget carryovers, by Board policy. During the current year, there were no internally restricted amounts appropriated by the Board of Trustees.

Reserve Accounts under the Capital Fund represents internally restricted reserves for specific purposes approved by the Board of Trustees and PSFB. The PSFB approved the establishment of capital reserves to finance Accessibility Projects, Cosmetology Vocational Classroom Upgrades and the purchases of School Buses in the amount of $2,060,000. A schedule of Capital Reserve Accounts is provided on pages 24 and 24A of the consolidated financial statements.

	2017	2016
Wide Area Network Expansion Reserve	$ 350,000	$ 350,000
Power Distribution System Upgrade Reserve	200,000	200,000
Division Administration Office and Student Services Building Reserve	600,000	350,000
Information Technology Equipment and Systems Upgrade Reserve	30,000	30,000
Video Surveillance Systems Upgrade Reserve	80,000	80,000
Cosmetology Vocational Classroom Upgrades	150,000	-
Accessibility Projects Reserve	350,000	350,000
School Bus Reserve	300,000	-
	$ 2,060,000	$ 1,360,000

School Generated Funds and Other Special Purpose Funds are externally restricted monies for school use.

10. Municipal Government – Property Tax and Related Due from Municipal Government

Education property tax or Special Levy is raised as the Division's contribution to the cost of providing public education for the students resident in the Division. The Municipal Government – Property Tax shown on the consolidated revenue and expense statement is raised over the two calendar (tax) years; 48% from 2016 tax year and 52% from 2017 tax year. Below are the related revenue and receivable amounts.

	2017	2016
Revenue – Municipal Government – Property Tax	$ 13,910,468	$ 12,497,113
Receivable – Due from Municipal – Property Tax	7,224,095	6,537,048

11. Interest Received and Paid

The Division received interest during the year of $22,325 (2016 - $13,575) and interest paid during the year was $435,786 (2016 - $469,374).

Interest expense is included in Fiscal and is comprised of the following.

	2017	2016
Operating Fund		
Fiscal-short term loan, interest and bank charges	$ 6,553	$ 13,750
Capital Fund		
Debenture interest	429,233	455,624
	$ 435,786	$ 469,374

The accrual portion of debenture debt interest expense of $103,929 (2016 – $102,597) included under the Capital Fund – Debenture debt interest is offset by an accrual of the debt servicing grant from the Province of Manitoba.

12. Expenses by Object

Expenses in the Consolidated Statement of Revenue, Expenses and Accumulated Surplus are reported by function as defined by FRAME. Below is the detail of expenses by object.

	Actual 2017	Actual 2016
Amortization	$ 1,456,470	$ 1,371,220
Employees benefits and allowances	2,070,160	2,064,529
Interest	435,786	469,374
Payroll tax	637,653	617,368
Salaries	29,902,096	28,501,774
School generated funds	1,274,500	1,378,916
Services	2,578,268	2,368,461
Supplies, materials and minor equipment	2,324,720	2,226,897
Transfers	42,250	41,600
	$ 40,721,903	$ 39,040,139

13. Special Levy Raised for La Division scolaire franco-manitobaine

In accordance with Section 190.1 of The Public Schools Act, the Division is required to collect a special levy on behalf of la Division scolaire franco-manitobaine. As at June 30, 2017, the amount of this levy was $53,234 (2016 - $57,648). These amounts are not included in the Division's consolidated financial statements.

MANAGEMENT RESPONSIBILITY LETTER

The accompanying consolidated financial statements of Prairie Rose School Division are the responsibility of the Division's management and have been prepared in compliance with legislation, and in accordance with Canadian generally accepted accounting principles established by the Public-Sector Accounting Board of the Chartered Professional Accountants of Canada. A summary of the significant accounting policies are described in Note 2 to the consolidated financial statements.

The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. Division management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The Board of Trustees of the Division met with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

Craig & Ross Chartered Professional Accountants, as the Division's appointed external auditors, have audited the consolidated financial statements. The Independent Auditor's Report is addressed to the Chair and members of the Board of Trustees and appears on the following page. Their opinion is based upon an examination conducted in accordance with Canadian generally accepted auditing standards, performing such tests and other procedures as they consider necessary to obtain reasonable assurance that the consolidated financial statements are free of material misstatement and present fairly the financial position and results of the Division in accordance with Canadian generally accepted accounting principles.

Original Document Signed	Original Document Signed
Chair	Secretary-Treasurer

October 26, 2017

CRAIG & ROSS
CHARTERED PROFESSIONAL ACCOUNTANTS

October 26, 2017

INDEPENDENT AUDITORS' REPORT

To the Chairperson and Trustees of
Prairie Rose School Division

We have audited the accompanying consolidated financial statements of Prairie Rose School Division which comprise the consolidated statement of financial position as at June 30, 2017 and June 30, 2016, and the consolidated statements of revenue, expenses and accumulated surplus, change in net debt and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider 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 financial statements present fairly, in all material respects, the consolidated financial position of Prairie Rose School Division as at June 30, 2017 and June 30, 2016 and the consolidated results of its operations, changes in net debt and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Craig & Ross

Chartered Professional Accountants

I certify that this report and the statements and reports referenced herein have been presented to the members of the Board of Prairie Rose School Division.

October 26, 2017
Date

Original Document Signed
Chairperson

1515 ONE LOMBARD PLACE WINNIPEG MB R3B 0X3 (204) 956-9400 FAX (204) 956-9424
www.craigross.com

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2017	2016
	Financial Assets		
	Cash and Bank	-	-
	Due from - Provincial Government	1,184,924	1,083,129
	- Federal Government	58,888	46,387
	- Municipal Government	8,104,831	7,156,245
	- Other School Divisions	-	-
	- First Nations	-	-
	Accounts Receivable	57,038	74,802
	Accrued Investment Income	-	-
	Portfolio Investments	-	-
		9,405,681	8,360,563
	Liabilities		
*	Overdraft	4,599,399	4,291,629
	Accounts Payable	1,125,613	1,873,320
	Accrued Liabilities	211,883	344,780
*	Employee Future Benefits	173,858	159,251
	Accrued Interest Payable	132,339	125,230
	Due to - Provincial Government	108,324	125,635
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
*	Deferred Revenue	239,600	655,536
*	Borrowings from the Provincial Government	10,088,850	8,600,209
*	Other Borrowings	361,666	404,807
	School Generated Funds Liability	28,996	28,673
		17,070,528	16,609,070
	Net Debt	(7,664,847)	(8,248,507)
	Non-Financial Assets		
*	Net Tangible Capital Assets (TCA Schedule)	15,456,896	15,085,134
	Inventories	-	-
	Prepaid Expenses	31,422	16,008
		15,488,318	15,101,142
*	**Accumulated Surplus**	7,823,471	6,852,635

See accompanying notes to the Financial Statements

Prairie Rose School Division

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes			2017	2016
	Revenue			
	Provincial Government		18,585,512	18,420,337
	Federal Government		-	-
	Municipal Government	- Property Tax	13,286,939	12,052,995
		- Other	-	-
	Other School Divisions		91,790	91,700
	First Nations		-	5,500
	Private Organizations and Individuals		3,533	3,394
	Other Sources		170,437	344,300
	School Generated Funds		482,618	510,507
	Other Special Purpose Funds		29,643	148,996
			32,650,472	31,577,729
	Expenses			
	Regular Instruction		17,371,321	16,521,440
	Student Support Services		4,349,014	3,627,427
	Adult Learning Centres		274,323	267,738
	Community Education and Services		34,438	32,349
	Divisional Administration		1,146,314	1,116,912
	Instructional and Other Support Services		710,926	799,843
	Transportation of Pupils		2,204,771	2,067,720
	Operations and Maintenance		2,907,828	3,251,005
*	Fiscal	- Interest	473,541	511,302
		- Other	497,894	435,174
	Amortization		1,159,717	1,083,686
	Other Capital Items		-	-
	School Generated Funds		477,733	496,848
	Other Special Purpose Funds		57,210	235,181
			31,665,030	30,446,625
	Current Year Surplus (Deficit) before Non-vested Sick Leave		985,442	1,131,104
	Less: Non-vested Sick Leave Expense (Recovery)		14,607	(3,656)
	Net Current Year Surplus (Deficit)		970,835	1,134,760
	Opening Accumulated Surplus		6,852,635	5,717,875
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	-
		Other than Tangible Cap. Assets	-	-
		Non-vested sick leave - prior years	-	-
	Opening Accumulated Surplus, as adjusted		6,852,635	5,717,875
	Closing Accumulated Surplus		7,823,470	6,852,635

See accompanying notes to the Financial Statements

* NOTE REQUIRED

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2017

	2017	2016
Net Current Year Surplus (Deficit)	970,835	1,134,760
Amortization of Tangible Capital Assets	1,159,717	1,083,686
Acquisition of Tangible Capital Assets	(1,531,479)	(4,526,966)
(Gain) / Loss on Disposal of Tangible Capital Assets	(10,300)	(1,589)
Proceeds on Disposal of Tangible Capital Assets	10,300	1,589
	(371,762)	(3,443,280)
Inventories (Increase)/Decrease	-	-
Prepaid Expenses (Increase)/Decrease	(15,414)	(4,351)
	(15,414)	(4,351)
(Increase)/Decrease in Net Debt	583,659	(2,312,871)
Net Debt at Beginning of Year	(8,248,507)	(5,935,636)
Adjustments Other than Tangible Cap. Assets	-	-
	(8,248,507)	(5,935,636)
Net Debt at End of Year	(7,664,848)	(8,248,507)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2017

	2017	2016
Operating Transactions		
Net Current Year Surplus (Deficit)	970,835	1,134,760
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	1,159,717	1,083,686
(Gain)/Loss on Disposal of Tangible Capital Assets	(10,300)	(1,589)
Employee Future Benefits Increase/(Decrease)	14,607	(3,656)
Due from Other Organizations (Increase)/Decrease	(1,062,882)	(1,289,288)
Accounts Receivable & Accrued Income (Increase)/Decrease	17,764	83,679
Inventories and Prepaid Expenses - (Increase)/Decrease	(15,414)	(4,351)
Due to Other Organizations Increase/(Decrease)	(17,311)	(85,528)
Accounts Payable & Accrued Liabilities Increase/(Decrease)	(873,495)	833,502
Deferred Revenue Increase/(Decrease)	(415,936)	442,066
School Generated Funds Liability Increase/(Decrease)	323	(173)
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by (Applied to) Operating Transactions	(232,092)	2,193,108
Capital Transactions		
Acquisition of Tangible Capital Assets	(1,531,479)	(4,526,966)
Proceeds on Disposal of Tangible Capital Assets	10,300	1,589
Cash Provided by (Applied to) Capital Transactions	(1,521,179)	(4,525,377)
Investing Transactions		
Portfolio Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
Financing Transactions		
Borrowings from the Provincial Government Increase/(Decrease)	1,488,641	2,047,720
Other Borrowings Increase/(Decrease)	(43,141)	(42,092)
Cash Provided by (Applied to) Financing Transactions	1,445,500	2,005,628
Cash and Bank / Overdraft (Increase)/Decrease	(307,771)	(326,641)
Cash and Bank (Overdraft) at Beginning of Year	(4,291,629)	(3,964,988)
Cash and Bank (Overdraft) at End of Year	(4,599,400)	(4,291,629)

Prairie Rose School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2017

	Buildings and Leasehold Improvements		School	Other	Furniture / Fixtures &	Computer Hardware &		Land	Assets Under	2017	2016
	School	Non-School	Buses	Vehicles	Equipment	Software *	Land	Improvements	Construction	TOTALS	TOTALS
Tangible Capital Asset Cost											
Opening Cost, as previously reported	25,389,690	801,964	4,285,034	124,743	610,722	1,537,137	106,884	151,993	1,469,142	34,477,309	30,121,995
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	25,389,690	801,964	4,285,034	124,743	610,722	1,537,137	106,884	151,993	1,469,142	34,477,309	30,121,995
Add: Additions during the year	1,887,983	-	410,373	-	49,828	-	16,870	-	(833,575)	1,531,479	4,526,966
Less: Disposals and write downs	-	-	75,912	-	-	-	-	-		75,912	171,652
Closing Cost	27,277,673	801,964	4,619,495	124,743	660,550	1,537,137	123,754	151,993	635,567	35,932,876	34,477,309
Accumulated Amortization											
Opening, as previously reported	14,789,938	321,013	3,020,780	98,951	118,528	991,286		51,679		19,392,175	18,480,141
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	14,789,938	321,013	3,020,780	98,951	118,528	991,286		51,679		19,392,175	18,480,141
Add: Current period Amortization	648,255	19,406	260,930	10,317	70,089	144,640		6,080		1,159,717	1,083,686
Less: Accumulated Amortization on Disposals and Writedowns	-	-	75,912	-	-	-		-		75,912	171,652
Closing Accumulated Amortization	15,438,193	340,419	3,205,798	109,268	188,617	1,135,926		57,759		20,475,980	19,392,175
Net Tangible Capital Asset	11,839,480	461,545	1,413,697	15,475	471,933	401,211	123,754	94,234	635,567	15,456,896	15,085,134
Proceeds from Disposal of Capital Assets	-	-	10,300	-	-	-				10,300	1,589

* Includes network infrastructure.

1. Nature of Organization and Economic Dependence

Prairie Rose School Division (the "Division") is a public body that provides education services to residents within its geographic boundaries. It is governed by a Board of Trustees acting under the authority of The Public Schools Act. The Division is funded mainly by grants from the Province of Manitoba (the "Province"), and a special levy on property located in the Division's geographic boundaries. The Division is exempt from income tax.

The Division is economically dependent on the Province for the majority of its revenue and capital financing requirements. Without this funding, the Division would not be able to continue its operations.

2. Significant Accounting Policies

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles as recommended by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada and reflect the following significant accounting policies.

a) Reporting Entity and Consolidation

The consolidated financial statements include the assets, liabilities, revenues and expenses of the operating fund, capital fund, and special purpose fund of the Division. The Division reporting entity includes school generated funds and Prairie Rose School Division Charitable Organization, a charitable organization controlled by the Division. All inter-fund balances and transactions have been eliminated upon consolidation.

b) 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 based on the receipt of goods or services or the legal obligation to pay. Expenses also include the amortization of tangible capital assets.

c) Fund Accounting

The fund method of accounting is employed by the Division to record financial transactions in separate funds as defined by Financial Reporting and Accounting in Manitoba Education (FRAME) in accordance with the purpose for which the funds have been created.

The Operating Fund is maintained to record all the day to day operating revenues and expenses. The Capital Fund is used to account for the acquisition, amortization, disposal and financing of capital assets. The Special Purpose Fund is used to account for school generated funds and charitable foundations controlled by the Division.

Trust funds and their related operations administered by the Division are not consolidated in these financial statements. The trust funds administered by the Division are presented in the Trust Funds Schedule.

d) School Generated Funds

School generated funds are monies raised by a school, or under the auspices of a school, through extra-curricular activities for the sole use of that school. The principal of each school, subject to the rules of the school board, may raise, hold, administer and expend the funds for the purposes of the school.

2. Significant Accounting Policies - Continued

d) School Generated Funds - continued

Only revenue and expenses of school generated funds controlled by the Division are included in the Consolidated Statement of Revenue, Expenses and Accumulated Surplus. To be deemed as a controlled fund, a school must have the unilateral authority to make the decisions as to when, how and on what the funds are to be spent.

Year end cash balances of all school generated funds are included in the Consolidated Statement of Financial Position. The uncontrolled portion of this amount is reflected in the School Generated Funds Liability account. Examples of uncontrolled school generated funds are student council funds and travel club funds. Revenues and expenses of uncontrolled school generated funds are not included in the consolidated financial statements.

e) Non-Financial Assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the excess (deficiency) of revenues over expenses, provides the change in net financial assets for the year.

f) Employee Future Benefits

The Province of Manitoba pays the employer portion of the Teachers' Retirement Allowances Fund (TRAF), the pension plan for all certified teachers of the Division. The Division does not contribute to TRAF, and no costs relating to this plan are included in the Division's financial statements.

For non-vesting accumulating sick days, the benefit costs are recognized based on a projection of expected future utilization of sick time, discounted using net present value techniques.

g) Tangible Capital Assets

Tangible capital assets are non-financial assets that are used by the Division to provide services to the public and have an economic life beyond one fiscal year. Tangible capital assets include land, buildings, buses, other vehicles, furniture and equipment and assets under construction.

To be classified as tangible capital assets, each asset other than land must individually meet the capitalization threshold for its class as prescribed by FRAME.

Asset Description	Capitalization Threshold ($)	Estimated Useful Life (years)
Land Improvements	25,000	10
Buildings - bricks, mortar and steel	25,000	40
Buildings - wood frame	25,000	25
School buses	20,000	10
Vehicles	10,000	5
Equipment	5,000	5
Network Infrastructure	25,000	10
Computer Hardware, Servers & Peripherals	5,000	4
Computer Software	10,000	4
Furniture and Fixtures	5,000	10
Leasehold Improvements	25,000	Over term of lease

2. Significant Accounting Policies - Continued

g) Tangible Capital Assets - continued

Grouping of assets is not permitted except for computer work stations.

With the exception of land and buildings acquired before June 30, 1995, all tangible capital assets, are recorded at historical cost, which includes purchase price, installation costs and other costs incurred to put the asset into service.

All land acquired prior to June 30, 1995 has been valued using information provided by the Crown Lands and Property Agency and adjusted by the Division where further information was available.

Donated assets are recorded at their estimated fair value upon acquisition.

Buildings are recorded at historical cost when known. For buildings acquired prior to June 30, 2005 where the actual cost was not known, the replacement value for insurance purposes as at June 30, 2005 was regressed to the date of acquisition using a regression index based on Southam and CanaData construction cost indices.

All tangible capital assets, except for land and assets under construction, are amortized on a straight-line basis over their estimated useful lives as prescribed by FRAME. Land is not amortized.

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal if not fully amortized.

Assets under construction are not amortized until the date of substantial completion. Interest on funds used to finance school buildings under construction is capitalized for the periods preceding the date of substantial completion.

h) Capital Reserve

Certain amounts, as approved by the Board of Trustees and the Public Schools Finance Board (PSFB), have been set aside in reserve accounts for future capital purposes. These Capital Reserve accounts are internally restricted funds that form part of the Accumulated Surplus presented in the Consolidated Statement of Financial Position.

i) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

j) Financial instruments

There are no significant terms and conditions related to financial instruments (cash, accounts receivable, investments, bank indebtedness, accounts payable and long-term debt) that may affect the amount, timing and certainty of future cash flows. The Division is exposed to credit risk from the potential non-payment of accounts receivable. However, the majority of the receivables are from local, provincial and federal governments, and therefore, the credit risk is minimal. The carrying amounts of the financial instruments approximate their carrying values, unless otherwise noted.

2. Significant Accounting Policies - Continued

k) Liability for Contaminated Sites

Effective July 1, 2014, the division has adopted the new Public Sector Accounting Board standard – Liability for Contaminated Sites, Section PS3260. The standard was applied on a retroactive basis to July 1, 2013 and did not result in any adjustments to financial liabilities, tangible capital assets or accumulated surplus of the division.

3. Overdraft

The Division has an authorized line of credit with Access Credit Union of $8,000,000 by way of overdrafts and is repayable on demand. The overdraft bears interest at the credit union prime lending rate less .50% and is paid monthly. The Division's available authorized line of credit is $3,198,753 at June 30, 2017 (2016 - $2,739,523). Overdrafts are secured by a first charge on any funds receivable from the Province of Manitoba.

4. Employee Future Benefits

Non-vested accumulated sick leave benefits are measured using net present value techniques on the expected future utilization of excess of sick benefits used over earned per year, to a maximum entitlement. The impact of the estimated non-vested sick leave benefit expense for 2016 / 2017 is $14,607 expense (2015 / 2016 - $3,656 recovery).

5. Deferred Revenue

The deferral method of accounting is used to properly match revenues with expenditures. These amounts are recognized as revenue in the fiscal year the related expenses are incurred or services performed.

6. Debenture Debt

The debenture debt of the Division is in the form of twenty-year debentures payable, principal and interest, in twenty equal yearly installments and maturing at various dates from 2017 to 2037. Payment of principal and interest is funded entirely by grants from the Province of Manitoba. The debentures carry interest rates that range from 3.250% to 8.375%. Debenture interest expense payable as at June 30, 2017 and 2016, is accrued and recorded in Accrued Interest Payable, and a grant in an amount equal to the interest accrued on provincially funded debentures is recorded in Due from the Provincial Government. The debenture repayments in the next five years are:

2018	$ 1,190,108
2019	1,069,071
2020	991,642
2021	847,264
2022	837,914
	$ 4,935,999

7. Other Borrowings – Access Credit Union

Commercial loan, bearing interest at the Credit Union prime rate and repayable in blended monthly instalments of principal and interest of $4,300, final payment due February 1, 2030.	$ 361,666

Repayments required in each of the next 5 years are $51,600 annually.

8. Net Tangible Capital Assets

The Schedule of Tangible Capital Assets (TCA), page 23 of the audited financial statements, provides a breakdown of cost, accumulated amortization and net book value by class.

	Gross	Accumulated Amortization	2017 Net Book Value	2016 Net Book Value
Tangible capital assets	**$35,932,876**	**$20,475,980**	**$15,456,896**	$15,085,134

9. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2017	2016
Operating Fund		
Undesignated Surplus	**$2,871,258**	$1,803,181
Capital Fund		
Reserve Accounts	**124,115**	198,188
Equity in Tangible Capital Assets	**4,662,031**	4,662,518
	4,786,146	4,860,706
Special Purpose Fund		
School Generated Funds	**141,908**	137,023
Other Special Purpose Funds	**24,158**	51,725
	166,066	188,748
Total Accumulated Surplus	**$7,823,470**	$6,852,635

Reserve Accounts under the Capital Fund represents internally restricted reserves for specific purposes approved by the Board of Trustees and PSFB. A Schedule of Capital Reserve Accounts is provided on page 24 of the audited financial statements.

School Generated Funds and Other Special Purpose Funds are externally restricted moneys for school use, scholarship awards and donations for school projects.

10. Municipal Government - Property Tax and related Due from Municipal Government

Education property tax or Special Levy is raised as the Division's contribution to the cost of providing public education for students resident in the division. The Municipal Government-Property Tax shown on the consolidated revenue and expense is raised over the two calendar (tax) years; 42% from the 2016 tax year and 58% from the 2017 tax year. Below are the related revenue and receivable amounts:

	2017	2016
Revenue-Municipal Government-Property Tax	**$13,286,939**	$12,052,995
Receivable-Due from Municipal-Property Tax	**$ 8,104,831**	$ 7,156,245

In accordance with Section 190.1 of the Public Schools Act, the Division is required to collect a special levy on behalf of la Division Scolaire Franco-Manitobaine. As of June 30, 2017 the amount of this special levy was $469,374 (2016 - $454,216). These amounts are not included in the Division's financial statements.

11. Interest Expense

	2017	2016
Operating Fund		
Fiscal-short term loan, interest and bank charges	**$ 58,522**	$ 35,231
Capital Fund		
Debenture debt interest	**406,560**	466,563
Other borrowings – Access Credit Union	**8,459**	9,508
	$ 473,541	$ 511,302

The accrual portion of debenture debt interest expense of $132,339 (2016 - $125,230) included under the Capital Fund-Debenture debt interest, is offset by an accrual of the debt servicing grant from the Province of Manitoba.

12. Budget Figures and Non Financial Information

The 2017 budget figures, student enrolments (FRAME) and transportation statistics, full time equivalent personnel, and senior staff allocations are unaudited and have been presented for information purposes only.

MANAGEMENT REPORT
PS 1200.005-6 (Reference)

Management's Responsibility for the Financial Statements

The accompanying consolidated financial statements of Prairie Spirit School Division are the responsibility of the Division management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants. A summary of the significant accounting policies are described in Note 2 to the consolidated financial statements.

The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. Division management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The Board of Trustees of the Division met with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by MNP LLP independent external auditors appointed by the Board. The accompanying Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Division's consolidated financial statements.

Original Document Signed	Original Document Signed
Chairperson	Secretary-Treasurer

Independent Auditors' Report

To the Board of Trustees of Prairie Spirit School Division:

We have audited the accompanying consolidated financial statements of Prairie Spirit School Division, which comprise the consolidated statement of financial position as at June 30, 2017, and the consolidated statements of revenue, expenses, and accumulated surplus, change in net debt and cash flow for the year then ended, 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 generally accepted accounting principles established by the Public Sector Accounting Board of the Canadian Institute of Chartered Professional Accountants, 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 Prairie Spirit School Division as at June 30, 2017 and the consolidated results of its operations, consolidated changes in net debt and its consolidated cash flow for the year then ended in accordance with Canadian generally accepted accounting principles established by the Public Sector Accounting Board of the Canadian Institute of Chartered Professional Accountants.

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

Brandon, Manitoba
October 10, 2017

MNP LLP
Chartered Professional Accountants

I hereby certify that the preceding report and the statements and reports referenced herein have been presented to the members of the Board of Prairie Spirit School Division.

Original Document Signed
Chairperson of the Board

Oct 10, 2017.
Date

MNP

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2017	2016
	Financial Assets		
	Cash and Bank	-	-
	Due from - Provincial Government	1,062,399	1,075,070
	- Federal Government	78,936	88,130
	- Municipal Government	6,198,436	5,870,825
	- Other School Divisions	-	7,400
	- First Nations	35,482	61,962
	Accounts Receivable	55,808	146,792
	Accrued Investment Income	-	-
	Portfolio Investments	-	-
		7,431,061	7,250,179
	Liabilities		
*	Overdraft	2,011,179	1,779,531
	Accounts Payable	2,299,198	2,822,063
	Accrued Liabilities	221,138	193,655
*	Employee Future Benefits	668,632	554,381
	Accrued Interest Payable	116,416	133,754
	Due to - Provincial Government	-	-
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
*	Deferred Revenue	16,216	10,550
*	Borrowings from the Provincial Government	5,676,907	6,274,871
	Other Borrowings	-	266,667
	School Generated Funds Liability	46,703	52,812
		11,056,389	12,088,284
	Net Debt	(3,625,328)	(4,838,105)
	Non-Financial Assets		
*	Net Tangible Capital Assets (TCA Schedule)	12,811,428	13,736,290
	Inventories	-	-
	Prepaid Expenses	59,710	65,100
		12,871,138	13,801,390
*	**Accumulated Surplus**	9,245,810	8,963,285

See accompanying notes to the Financial Statements

Prairie Spirit School Division

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes			2017	2016
	Revenue			
	Provincial Government		18,580,212	18,570,404
	Federal Government		68,945	16,735
	Municipal Government	- Property Tax	10,901,950	10,253,543
		- Other	-	-
	Other School Divisions		43,550	35,750
	First Nations		214,214	258,792
	Private Organizations and Individuals		83,194	130,307
	Other Sources		131,910	15,155
	School Generated Funds		579,611	577,074
	Other Special Purpose Funds		-	-
			30,603,586	29,857,760
	Expenses			
	Regular Instruction		16,464,330	15,728,104
	Student Support Services		3,560,602	3,410,421
	Adult Learning Centres		-	-
	Community Education and Services		38,592	34,125
	Divisional Administration		946,391	897,197
	Instructional and Other Support Services		800,091	719,068
	Transportation of Pupils		2,280,727	2,179,763
	Operations and Maintenance		3,336,896	3,151,594
*	Fiscal	- Interest	352,786	391,011
		- Other	450,797	423,418
	Amortization		1,514,471	1,398,644
	Other Capital Items		-	-
	School Generated Funds		553,814	561,314
	Other Special Purpose Funds		-	-
			30,299,497	28,894,659
	Current Year Surplus (Deficit) before Non-vested Sick Leave		304,089	963,101
	Less: Non-vested Sick Leave Expense (Recovery)		21,564	(42,303)
	Net Current Year Surplus (Deficit)		282,525	1,005,404
	Opening Accumulated Surplus		8,963,285	7,957,881
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	-
		Other than Tangible Cap. Assets	-	-
		Non-vested sick leave - prior years	-	-
	Opening Accumulated Surplus, as adjusted		8,963,285	7,957,881
	Closing Accumulated Surplus		9,245,810	8,963,285

See accompanying notes to the Financial Statements

* NOTE REQUIRED

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2017

	2017	2016
Net Current Year Surplus (Deficit)	282,525	1,005,404
Amortization of Tangible Capital Assets	1,514,471	1,398,644
Acquisition of Tangible Capital Assets	(589,609)	(1,597,320)
(Gain) / Loss on Disposal of Tangible Capital Assets	(18,125)	29,816
Proceeds on Disposal of Tangible Capital Assets	18,125	42,310
	924,862	(126,550)
Inventories (Increase)/Decrease	-	-
Prepaid Expenses (Increase)/Decrease	5,390	(7,812)
	5,390	(7,812)
(Increase)/Decrease in Net Debt	1,212,777	871,042
Net Debt at Beginning of Year	(4,838,105)	(5,709,147)
Adjustments Other than Tangible Cap. Assets	-	-
	(4,838,105)	(5,709,147)
Net Debt at End of Year	(3,625,328)	(4,838,105)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2017

	2017	2016
Operating Transactions		
Net Current Year Surplus (Deficit)	282,525	1,005,404
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	1,514,471	1,398,644
(Gain)/Loss on Disposal of Tangible Capital Assets	(18,125)	29,816
Employee Future Benefits Increase/(Decrease)	114,251	2,528
Due from Other Organizations (Increase)/Decrease	(271,866)	(187,134)
Accounts Receivable & Accrued Income (Increase)/Decrease	90,984	(86,103)
Inventories and Prepaid Expenses - (Increase)/Decrease	5,390	(7,812)
Due to Other Organizations Increase/(Decrease)	-	-
Accounts Payable & Accrued Liabilities Increase/(Decrease)	(512,720)	(174,211)
Deferred Revenue Increase/(Decrease)	5,666	9,050
School Generated Funds Liability Increase/(Decrease)	(6,109)	(4,475)
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by (Applied to) Operating Transactions	1,204,467	1,985,707
Capital Transactions		
Acquisition of Tangible Capital Assets	(589,609)	(1,597,320)
Proceeds on Disposal of Tangible Capital Assets	18,125	42,310
Cash Provided by (Applied to) Capital Transactions	(571,484)	(1,555,010)
Investing Transactions		
Portfolio Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
Financing Transactions		
Borrowings from the Provincial Government Increase/(Decrease)	(597,964)	(58,405)
Other Borrowings Increase/(Decrease)	(266,667)	(1,300,000)
Cash Provided by (Applied to) Financing Transactions	(864,631)	(1,358,405)
Cash and Bank / Overdraft (Increase)/Decrease	(231,648)	(927,708)
Cash and Bank (Overdraft) at Beginning of Year	(1,779,531)	(851,823)
Cash and Bank (Overdraft) at End of Year	(2,011,179)	(1,779,531)

Prairie Spirit School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2017

	Buildings and Leasehold Improvements		School	Other	Furniture / Fixtures &	Computer Hardware &		Land	Assets Under	2017	2016
	School	Non-School	Buses	Vehicles	Equipment	Software *	Land	Improvements	Construction	TOTALS	TOTALS
Tangible Capital Asset Cost											
Opening Cost, as previously reported	25,853,299	2,437,090	6,219,279	275,444	905,349	4,704,644	56,091	-	3,178	40,454,374	39,358,310
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	25,853,299	2,437,090	6,219,279	275,444	905,349	4,704,644	56,091	-	3,178	40,454,374	39,358,310
Add:											
Additions during the year	43,114	-	474,830	45,811	25,854	-	-	-	-	589,609	1,597,320
Less:											
Disposals and write downs	-	-	166,669	81,350	-	-	-	-	-	248,019	501,256
Closing Cost	25,896,413	2,437,090	6,527,440	239,905	931,203	4,704,644	56,091	-	3,178	40,795,964	40,454,374
Accumulated Amortization											
Opening, as previously reported	18,517,358	667,606	4,420,455	171,106	493,284	2,448,275		-		26,718,084	25,748,570
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	18,517,358	667,606	4,420,455	171,106	493,284	2,448,275		-		26,718,084	25,748,570
Add:											
Current period Amortization	605,183	57,665	343,065	37,073	101,090	370,395		-		1,514,471	1,398,644
Less:											
Accumulated Amortization on Disposals and Writedowns	-	-	166,669	81,350	-	-		-		248,019	429,130
Closing Accumulated Amortization	19,122,541	725,271	4,596,851	126,829	594,374	2,818,670		-		27,984,536	26,718,084
Net Tangible Capital Asset	6,773,872	1,711,819	1,930,589	113,076	336,829	1,885,974	56,091	-	3,178	12,811,428	13,736,290
Proceeds from Disposal of Capital Assets	-	-	2,250	15,875	-	-				18,125	42,310

* Includes network infrastructure.

1. Nature of Organization and Economic Dependence

The School Division (Division) is a public body that provides education services to residents within its geographic location. The Division is funded mainly by grants from the Province of Manitoba (Province), and a special levy on the property assessment included in the Division's boundaries. The Division is exempt from income tax.

The Division is economically dependent on the Province for the majority of its revenue and capital financing requirements. Without this funding, the Division would not be able to continue its operations.

2. Significant Accounting Policies

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles established by PSAB of the Canadian Institute of Chartered Accountants (CICA).

a) Reporting Entity and Consolidation

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the operating fund, capital fund, and special purpose fund of the Division. The Division reporting entity includes school generated funds and trust funds controlled by the Division.

All inter-fund accounts and transactions are eliminated upon consolidation wherever possible.

Trust Funds

The Division administers various trust funds. Trust funds and their related operations are not included in the consolidated financial statements as they are not owned or controlled by the Division. A schedule of trust funds is attached as part of the notes to the consolidated financial statements.

Trust funds, under PSAB are properties assigned to a trustee (school division) under a trust agreement or statute. The trustee merely administers the terms and conditions embodied in the agreement, and it has no unilateral authority to change the conditions set out in the trust indenture.

b) Basis of Accounting

Revenues and expenses are reported on the accrual basis of accounting except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable. 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.

c) Fund Accounting

The fund method of accounting is employed by the Division to record financial transactions in separate funds as defined by Financial Reporting and Accounting in Manitoba Education (FRAME) in accordance with the purpose for which the funds have been created.

The Operating Fund is maintained to record all the day to day operating revenues and expenses. The Capital Fund is used to account for the acquisition, amortization, disposal and financing of capital assets. The Special Purpose Fund is used to account for school generated funds controlled by the Division.

d) School Generated Funds

School generated funds are moneys raised by the school, or under the auspices of the school, through extra curricular activities for the sole use of the school that the principal of each school, subject to the rules of the school board, may raise, hold, administer and expend for the purposes of the school.

Only revenue and expenses of school generated funds controlled by the Division are included in the Consolidated Statement of Revenue, Expenses and Accumulated Surplus. To be deemed as controlled, a school must have the unilateral authority to make the decisions as to when, how and on what the funds are to be spent.

Period end cash balances of all school generated funds are included in the Consolidated Statement of Financial Position. The uncontrolled portion of this amount is reflected in the School Generated Funds Liability account. Examples of uncontrolled school generated funds are student council funds, yearbook funds, graduation funds and specified sports and cultural funds. Revenues and expenses of uncontrolled school generated funds are not included in the consolidated financial statements.

e) Tangible Capital Assets

Tangible capital assets are non-financial assets that are used by the Division to provide services to the public and have an economic life beyond one fiscal year. Tangible capital assets include land, buildings, buses, other vehicles, furniture and equipment and assets under construction.

To be classified as tangible capital assets, each asset other than land must individually meet the capitalization threshold for its class as prescribed by FRAME.

Asset Description	Capitalization Threshold ($)	Estimated Useful Life (years)
Land Improvements	50,000	10
Buildings - bricks, mortar and steel	50,000	40
Buildings - wood frame	50,000	25
School buses	50,000	10
Vehicles	10,000	5
Equipment	10,000	5
Network Infrastructure	25,000	10
Computer Hardware, Servers & Peripherals	10,000	4
Computer Software	10,000	4
Furniture and Fixtures	10,000	10
Leasehold Improvements	25,000	Over term of lease

All land acquired prior to June 30, 1995 has been valued using information provided by the Crown Lands and Property Agency and adjusted by the Division where further information was available.

Buildings are recorded at historical cost when known. For buildings acquired prior to June 30, 2005 where the actual cost was not known, the replacement value for insurance purposes as at June 30, 2005 was regressed to the date of acquisition using a regression index based on Southam and CanaData construction cost indices.

All tangible capital assets, except for land and assets under construction are amortized on a straight-line basis over their estimated useful lives as prescribed by FRAME. Land is not amortized.

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal if not fully amortized.

Assets under construction are not amortized until the date of substantial completion. Interest on funds used to finance school buildings under construction is capitalized for the periods preceding the date of substantial completion.

f) Employee Future Benefits

The Province of Manitoba pays the employer portion of the Teachers' Retirement Allowances Fund (TRAF), the pension plan for all certified teachers of the Division. The Division does not contribute to TRAF, and no costs relating to this plan are included in the Division's financial statements.

However, the Division provides other future benefits to its employees. These benefits include supplemental employment benefits and sick leave. These benefits are event driven and the costs are recognized when the event becomes known. Effective with the 2009/2010 fiscal year, expected future payment of non vested accumulated sick leave benefits for employees based on estimated sick days that will be used over earned per year has been set up as a future benefit.

g) Capital Reserve

Certain amounts, as approved by the Board of Trustees and the Public Schools Finance Board (PSFB), have been set aside in reserve accounts for future capital purposes. These Capital Reserve accounts are internally restricted funds that form part of the Accumulated Surplus presented in the Consolidated Statement of Financial Position.

h) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

i) Financial instruments

There are no significant terms and conditions related to financial instruments (cash, accounts receivable, investments, bank indebtedness, accounts payable and long-term debt) that may affect the amount, timing and certainty of future cash flows. The Division is exposed to credit risk from the potential non-payment of accounts receivable. However, the majority of the receivables are from local, provincial and federal governments, and therefore, the credit risk is minimal. The carrying amounts of the financial instruments approximate their carrying values, unless otherwise noted.

j) Contaminated sites

Effective July 1st, 2014, the school division has adopted the new Public Sector Accounting Board accounting standard – Liability for Contaminated Sites, Section PS3260. The standard was applied on a retroactive basis to July 1st, 2013 and did not result in any adjustments to financial liabilities, tangible capital assets or accumulated surplus of the school division.

3. Overdraft

The Division had an authorized line of credit with the Royal Bank of Canada of $5,000,000 by way of overdrafts and is repayable on demand at prime less 0.75%; interest is paid monthly. $5,000,000 remains available on this line of credit, with a provision to increase the line of credit to $6,000,000 for the period September 1st, 2017 to November 30th, 2017. Overdrafts are secured by a temporary borrowing by-law.

4. Employee Future Benefits

Employee Future Benefits are benefits earned by employees in the current period, but will not be paid out until future periods and include vacation accrual, retirement payment, supplemental employment and sick leave benefits. As well, expected future payment of non vested accumulated sick leave benefits for employees based on estimated sick days that will be used over earned per year has been set up as a future benefit.

5. Deferred Revenue

The deferral method of accounting is used to properly match revenues with expenditures. These amounts are recognized as revenue in the fiscal year the related expenses are incurred or services performed.

6. Debenture Debt

The debenture debt of the Division is in the form of twenty year debentures payable, principal and interest, in twenty equal yearly installments and maturing at various dates from 2017 to 2037. Payment of principal and interest is funded entirely by grants from the Province of Manitoba. The debentures carry interest rates that range from 3.25% to 7%. Debenture interest expense payable as at June 30, 2017, is accrued and recorded in Accrued Interest Payable, and a grant in an amount equal to the interest accrued on provincially funded debentures is recorded in Due from the Provincial Government. The debenture repayments in the next five years are as follows:

2018	$ 627,303
2019	620,833
2020	577,028
2021	591,037
2022	376,434
	$ 2,792,635

7. School Generated Funds Liability

School Generated Funds Liability represents the non-controlled portion of school generated funds consolidated in the cash and bank balances in the amount of $46,703 ($52,812 in 2016).

8. Net Tangible Capital Assets

The Schedule of Tangible Capital Assets (TCA), page 23 of the audited financial statements, provides a breakdown of cost, accumulated amortization and net book value by class.

	Gross Amount	Accumulated Amortization	2017 Net Book Value	2016 Net Book Value
Owned-tangible capital assets	$ 40,795,964	$27,984,536	$ 12,811,428	$ 13,736,290
Capital lease	-	-	-	-
	$ 40,795,964	$27,984,536	$ 12,811,428	$ 13,736,290

9. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2017	2016
Operating Fund		
Designated Surplus	$ 39,922	$ 0
Undesignated Surplus	1,122,747	1,127,236
Non vested sick leave to date	(110,536)	(88,972)
	1,052,133	1,038,264
Capital Fund		
Reserve Accounts	831,318	544,104
Equity in Tangible Capital Assets	7,147,313	7,191,668
	7,978,631	7,735,772
Special Purpose Fund		
School Generated Funds	215,046	189,249
Other Special Purpose Funds	-	-
	215,046	189,249
Total Accumulated Surplus	$ 9,245,810	$ 8,963,285

Designated Surplus under the Operating Fund represents internally restricted amounts appropriated by the board or, in the case of school budget carryovers, by board policy.

Reserve Accounts under the Capital Fund represents internally restricted reserves for specific purposes approved by the Board of Trustees and PSFB. A Schedule of Capital Reserve Accounts is provided on page 24 of the audited financial statements.

School Generated Funds and Other Special Purpose Funds are externally restricted moneys for school use, Scholarship Awards and donations for school projects.

10. Municipal Government - Property Tax and related Due from Municipal Government

Education property tax or Special Levy is raised as the Division's contribution to the cost of providing public education for the students resident in the Division. The Municipal Government-Property Tax shown on the consolidated revenue and expense is raised over the two calendar (tax) years; 43% from 2016 tax year and 57% from 2017 tax year. Below are the related revenue and receivable amounts:

	2017	2016
Revenue-Municipal Government-Property Tax	$10,901,950	$10,253,543
Receivable-Due from Municipal-Property Tax	$6,198,436	$5,870,825

In accordance with Section 190.1 of the Public Schools Act, the Division is required to collect a special levy on behalf of la Division Scolaire Franco-Manitobaine. As at June 30, 2017, the amount of this special levy was $762,697 (2016: $759,339). These amounts are not included in the Division's financial statements in 2017.

11. Interest Received and Paid

The Division received interest during the year of $7,605 (2016: $7,854); interest paid during the year was $352,786 (2016: $391,011).

Interest expense is included in Fiscal and is comprised of the following:

	2017	2016
Operating Fund		
Fiscal-short term loan, interest and bank charges	$ 29,216	$ 24,186
Capital Fund		
Tower infrastructure capital loan	7,429	29,296
Debenture debt interest	316,141	337,529
	$ 352,786	$ 391,011

The accrual portion of debenture debt interest expense of $116,416 (2016: $133,754) included under the Capital Fund-Debenture debt interest, is offset by an accrual of the debt servicing grant from the Province of Manitoba.

12. Expenses by Object

Expenses in the consolidated statement of revenue, expenses and accumulated surplus are reported by function as defined by FRAME. Below is the detail of expenses by object:

	Actual 2017	Budget 2017	Actual 2016
Salaries	$ 20,323,180	$ 20,476,900	$ 19,256,236
Employees benefits and allowances	1,943,098	1,589,550	1,866,761
Services	2,824,077	3,124,200	2,574,102
Supplies, materials and minor equipment	2,243,349	2,318,500	2,317,295
Interest	352,786	22,000	391,011
Bad debts	-	-	-
Payroll tax	450,797	400,000	423,418
Transfers	93,925	926,393	105,878
Amortization	1,514,471		1,398,644
Other capital services, supplies, and materials	-		-
School generated funds	553,814		561,314
Other special purpose funds	-	-	-
	$ 30,299,497	$ 28,857,543	$ 28,894,659

13. Budget Figures and Non Financial Information

The 2017 budget figures, transportation statistics, full time equivalent personnel, and senior staff allocations are unaudited and have been presented for information purposes only.

14. Commitment

The Division has leased realty at an annual rental of $46,939 through October 31, 2021. The aggregate minimum lease payments to the expiry date are $203,402.

RED RIVER VALLEY SCHOOL DIVISION
DIVISION SCOLAIRE VALLÉE de la RIVIÈRE-ROUGE
233 Main Street, P.O. Box 400, Morris, MB R0G 1K0
Ph. 204.746.2317 • Fax 204.746.2785 • Email: rrvsd@rrvsd.ca

MANAGEMENT REPORT

Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of Red River Valley School Division ("Division") are the responsibility of the Division's management and have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board of Chartered Professional Accountants Canada. A summary of the significant accounting policies are described in Note 2 to the consolidated financial statements.

The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. Division management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The Board of Trustees of the Division met with management to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by BDO Canada LLP, independent external auditor, appointed by the Board of Trustees. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Division's consolidated financial statements.

Original Document Signed

Secretary-Treasurer

October 16, 2017

BDO

Tel/Tél.: 204 956 7200
Fax/Téléc.: 204 926 7201
Toll-free/Sans frais: 800 268 3337
www.bdo.ca

BDO Canada LLP/s.r.l.
700 - 200 Graham Avenue
Winnipeg MB R3C 4L5 Canada

Independent Auditor's Report

To the Board of Trustees of
Red River Valley School Division

We have audited the accompanying consolidated financial statements of **Red River Valley School Division** ("Division"), which comprise the consolidated statement of financial position as at June 30, 2017, and the consolidated statement of revenue, expenses and accumulated surplus, statement of change in net debt and statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these 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.

Auditor's 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 auditor's 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 financial position of **Red River Valley School Division** as at June 30, 2017, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

BDO Canada LLP

Chartered Professional Accountants

Winnipeg, Manitoba
October 16, 2017

I hereby certify that this report and the statements, schedules and reports referenced herein have been presented to the Members of the Board of Trustees of the above-mentioned School Division.

Original Document Signed
Chairperson

October 24, 2017
Date

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2017	2016
	Financial Assets		
	Cash and Bank	-	-
	Due from - Provincial Government	1,989,428	1,933,514
	- Federal Government	114,497	96,842
	- Municipal Government	7,618,769	6,810,714
	- Other School Divisions	163,382	186,347
	- First Nations	-	-
	Accounts Receivable	222,778	81,218
	Accrued Investment Income	-	-
	Portfolio Investments	-	-
		10,108,854	9,108,635
	Liabilities		
3	Overdraft	6,622,959	4,133,858
	Accounts Payable	889,534	868,110
	Accrued Liabilities	316,460	270,709
4	Employee Future Benefits	164,090	153,973
	Accrued Interest Payable	244,601	212,639
	Due to - Provincial Government	96,284	94,874
	- Federal Government	1,369,119	1,344,288
	- Municipal Government	18,063	17,240
	- Other School Divisions	350,247	327,927
	- First Nations	-	-
5	Deferred Revenue	1,355,854	1,287,977
6	Borrowings from the Provincial Government	14,610,078	12,079,400
	Other Borrowings	-	-
	School Generated Funds Liability	42,968	29,376
		26,080,257	20,820,371
	Net Debt	(15,971,403)	(11,711,736)
	Non-Financial Assets		
8	Net Tangible Capital Assets (TCA Schedule)	22,391,386	18,640,313
	Inventories	158,665	161,960
	Prepaid Expenses	1,005,473	133,781
		23,555,524	18,936,054
9	**Accumulated Surplus**	7,584,121	7,224,318

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes			2017	2016
	Revenue			
	Provincial Government		17,963,393	17,811,898
	Federal Government		1,104	21,030
10	Municipal Government	- Property Tax	12,716,232	11,374,289
		- Other	-	-
	Other School Divisions		1,022,295	865,991
	First Nations		-	-
	Private Organizations and Individuals		152,030	154,167
	Other Sources		134,714	186,969
	School Generated Funds		498,067	495,464
	Other Special Purpose Funds		-	-
			32,487,835	30,909,808
12	**Expenses**			
	Regular Instruction		16,633,081	16,046,116
	Student Support Services		4,742,519	4,361,928
	Adult Learning Centres		-	-
	Community Education and Services		57,996	54,281
	Divisional Administration		1,103,271	1,094,482
	Instructional and Other Support Services		852,292	883,530
	Transportation of Pupils		2,787,248	2,586,736
	Operations and Maintenance		2,795,968	2,789,500
11	Fiscal	- Interest	685,530	643,252
		- Other	462,987	441,770
	Amortization		1,510,641	1,384,847
	Other Capital Items		-	-
	School Generated Funds		486,382	493,631
	Other Special Purpose Funds		-	-
			32,117,915	30,780,073
	Current Year Surplus (Deficit) before Non-vested Sick Leave		369,920	129,735
4	Less: Non-vested Sick Leave Expense (Recovery)		10,117	(3,913)
	Net Current Year Surplus (Deficit)		359,803	133,648
9	Opening Accumulated Surplus		7,224,318	7,090,670
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	-
		Other than Tangible Cap. Assets	-	-
		Non-vested sick leave - prior years	-	-
9	Opening Accumulated Surplus, as adjusted		7,224,318	7,090,670
	Closing Accumulated Surplus		7,584,121	7,224,318

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2017

	2017	2016
Net Current Year Surplus (Deficit)	359,803	133,648
Amortization of Tangible Capital Assets	1,510,641	1,384,847
Acquisition of Tangible Capital Assets	(5,262,984)	(1,461,953)
(Gain) / Loss on Disposal of Tangible Capital Assets	(2,954)	(8,725)
Proceeds on Disposal of Tangible Capital Assets	4,224	16,056
	(3,751,073)	(69,775)
Inventories (Increase)/Decrease	3,295	(28,546)
Prepaid Expenses (Increase)/Decrease	(871,692)	(56,320)
	(868,397)	(84,866)
(Increase)/Decrease in Net Debt	(4,259,667)	(20,993)
Net Debt at Beginning of Year	(11,711,736)	(11,690,743)
Adjustments Other than Tangible Cap. Assets	-	-
	(11,711,736)	(11,690,743)
Net Debt at End of Year	(15,971,403)	(11,711,736)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2017

	2017	2016
Operating Transactions		
Net Current Year Surplus (Deficit)	359,803	133,648
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	1,510,641	1,384,847
(Gain)/Loss on Disposal of Tangible Capital Assets	(2,954)	(8,725)
Employee Future Benefits Increase/(Decrease)	10,117	(3,913)
Due from Other Organizations (Increase)/Decrease	(858,659)	(964,832)
Accounts Receivable & Accrued Income (Increase)/Decrease	(141,560)	(29,615)
Inventories and Prepaid Expenses - (Increase)/Decrease	(868,397)	(84,866)
Due to Other Organizations Increase/(Decrease)	49,384	1,419,260
Accounts Payable & Accrued Liabilities Increase/(Decrease)	99,137	(138,138)
Deferred Revenue Increase/(Decrease)	67,877	83,777
School Generated Funds Liability Increase/(Decrease)	13,592	8,262
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by (Applied to) Operating Transactions	238,981	1,799,705
Capital Transactions		
Acquisition of Tangible Capital Assets	(5,262,984)	(1,461,953)
Proceeds on Disposal of Tangible Capital Assets	4,224	16,056
Cash Provided by (Applied to) Capital Transactions	(5,258,760)	(1,445,897)
Investing Transactions		
Portfolio Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
Financing Transactions		
Borrowings from the Provincial Government Increase/(Decrease)	2,530,678	352,360
Other Borrowings Increase/(Decrease)	-	-
Cash Provided by (Applied to) Financing Transactions	2,530,678	352,360
Cash and Bank / Overdraft (Increase)/Decrease	(2,489,101)	706,168
Cash and Bank (Overdraft) at Beginning of Year	(4,133,858)	(4,840,026)
Cash and Bank (Overdraft) at End of Year	(6,622,959)	(4,133,858)

Red River Valley School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2017

	Buildings and Leasehold Improvements		School	Other	Furniture / Fixtures &	Computer Hardware &		Land	Assets Under	2017	2016
	School	Non-School	Buses	Vehicles	Equipment	Software *	Land	Improvements	Construction	TOTALS	TOTALS
Tangible Capital Asset Cost											
Opening Cost, as previously reported	28,804,937	1,236,802	5,205,557	252,868	1,551,597	409,711	563,070	138,563	1,075,815	39,238,920	37,811,626
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	28,804,937	1,236,802	5,205,557	252,868	1,551,597	409,711	563,070	138,563	1,075,815	39,238,920	37,811,626
Add: Additions during the year	4,906,343	-	380,834	34,250	65,116	89,865	-	101,600	(315,024)	5,262,984	1,461,953
Less: Disposals and write downs	-	-	247,001	-	44,605	45,409	-	-	-	337,015	34,659
Closing Cost	33,711,280	1,236,802	5,339,390	287,118	1,572,108	454,167	563,070	240,163	760,791	44,164,889	39,238,920
Accumulated Amortization											
Opening, as previously reported	14,976,202	712,561	3,339,327	186,042	937,164	386,956		60,355		20,598,607	19,241,088
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	14,976,202	712,561	3,339,327	186,042	937,164	386,956		60,355		20,598,607	19,241,088
Add: Current period Amortization	845,741	33,680	367,141	21,848	197,074	26,221		18,936		1,510,641	1,384,847
Less: Accumulated Amortization on Disposals and Writedowns	-	-	247,001	-	43,335	45,409		-		335,745	27,328
Closing Accumulated Amortization	15,821,943	746,241	3,459,467	207,890	1,090,903	367,768		79,291		21,773,503	20,598,607
Net Tangible Capital Asset	17,889,337	490,561	1,879,923	79,228	481,205	86,399	563,070	160,872	760,791	22,391,386	18,640,313
Proceeds from Disposal of Capital Assets	-	-	4,224	-	-	-				4,224	16,056

* Includes network infrastructure.

1. Nature of Organization and Economic Dependence

The Red River Valley School Division (Division) is a public body that provides education services to residents within its geographic location. The division is funded mainly by grants from the Province of Manitoba (Province), and a special levy on the property assessment included in the Division's boundaries. The Division is exempt from income tax and is a registered charity under the Income Tax Act.

The Division is economically dependent on the Province for the majority of its revenue and capital financing requirements. Without this funding, the Division would not be able to continue its operations.

2. Significant Accounting Policies

The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards (PSAS) established by Public Sector Accounting Board of Chartered Professional Accountants Canada (CPA Canada).

Reporting Entity and Consolidation

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the operating fund, capital fund, and special purpose fund of the Division. The Division reporting entity includes school generated funds controlled by the Division.

All inter-fund accounts and transactions are eliminated upon consolidation.

Trust Funds

The Division administers various trust funds. Trust funds and their related operations are not included in the consolidated financial statements as they are not owned or controlled by the Division. A schedule of trust funds is attached as part of the notes to the consolidated financial statements.

Trust funds, under PSAS are properties assigned to a trustee (the Division) under a trust agreement or statute; the trustee merely administers the terms and conditions embodied in the agreement, and it has no unilateral authority to change the conditions set out in the trust indenture.

Basis of Accounting

Revenues and expenses are reported on the accrual basis of accounting except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable. 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.

Fund Accounting

The fund method of accounting is employed by the Division to record financial transactions in separate funds as defined by Financial Reporting and Accounting in Manitoba Education (FRAME) in accordance with the purpose for which the funds have been created.

The Operating Fund is maintained to record all the day to day operating revenues and expenses. The Capital Fund is used to account for the acquisition, amortization, disposal and financing of capital assets. The Special Purpose Fund is used to account for school generated funds.

School Generated Funds

School generated funds are monies raised by the school, or under the auspices of the school, through extracurricular activities for the sole use of the school that the principal of each school, subject to the rules of the school board, may raise, hold, administer and expend for the purposes of the school.

Only revenue and expenses of school generated funds controlled by the Division are included in the Consolidated Statement of Revenue, Expenses and Accumulated Surplus. To be deemed as controlled, a school must have the unilateral authority to make the decisions as to when, how and on what the funds are to be spent.

Period end cash balances of all school generated funds are included in the Consolidated Statement of Financial Position. The uncontrolled portion of this amount is reflected in the School Generated Funds Liability account. Examples of uncontrolled school generated funds are parent council funds, other parent group funds, student council funds and travel club funds. Revenues and expenses of uncontrolled school generated funds are not included in the consolidated financial statements.

Tangible Capital Assets

Tangible capital assets are non-financial assets that are used by the Division to provide services to the public and have an economic life beyond one fiscal year. Tangible capital assets include land, buildings, buses, other vehicles, furniture and equipment, computers, capital leases, leasehold improvements, and assets under construction.

To be classified as tangible capital assets, each asset other than land must individually meet the capitalization threshold for its class as prescribed by FRAME.

Asset Description	Capitalization Threshold ($)	Estimated Useful Life
Land Improvements	50,000	10 years
Buildings – bricks, mortar, steel	50,000	40 years
Buildings – wood frame	50,000	25 years
School buses	50,000	10 years
Vehicles	10,000	5 years
Equipment	10,000	5 years
Network infrastructure	25,000	10 years
Computer hardware, servers, peripherals	10,000	4 years
Computer software	10,000	4 years
Furniture and fixtures	10,000	10 years
Leasehold improvements	25,000	Over term of lease

Grouping of assets is not permitted except for computer work stations.

All land acquired prior to June 30, 2006 has been valued by the Crown Lands and Property Agency.

With the exception of land acquired prior to June 30, 2006, all tangible capital assets are recorded at historical cost, which includes purchase price, installation costs and other costs incurred to put the asset into service.

Buildings are recorded at historical cost when known. For buildings acquired prior to June 30, 2005 where the actual cost was not known, the replacement value for insurance purposes as at June 30, 2005 was regressed to the date of acquisition using a regression index based on Southam and CanaData construction cost indices.

All tangible capital assets, except for land, and assets under construction, are amortized on a straight-line basis over their estimated useful lives as prescribed by FRAME. Land is not amortized.

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal, if not fully amortized.

Assets under construction are not amortized until the date of substantial completion. Interest on funds used to finance school buildings under construction is capitalized for the periods preceding the date of substantial completion.

Employee Future Benefits

The Province of Manitoba pays the employer portion of the Teachers' Retirement Allowances Fund (TRAF), the pension plan for all certified teachers of the Division. The Division does not contribute to TRAF, and no costs relating to this plan are included in the Division's financial statements.

The Division provides retirement benefits to its support staff in the form of a defined contribution pension plan. The Division pays the employer portion of the defined contribution plan administered by the Manitoba School Boards Association (MSBA). Under this plan, specific fixed amounts are contributed by the Division each period for services rendered, matching employee contributions. No responsibility is assumed by the Division to make any further contribution.

For those defined benefit self-insured plans that are event driven such as non-vesting parental leave, the benefit costs are recognized and recorded in the period when the event occurs.

For non-vesting accumulating sick days, the benefit costs are recognized, if deemed material, based on a projection of expected future utilization of sick time, discounted using net present value techniques.

Capital Reserve

Certain amounts, as approved by the Board of Trustees and the Public Schools Finance Board (PSFB), have been set aside in reserve accounts for future capital purposes. These Capital Reserve accounts are internally restricted funds that form part of the Accumulated Surplus presented in the Consolidated Statement of Financial Position.

Use of Estimates

The preparation of financial statements in conformity with PSAS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates, as additional information becomes available in the future.

3. Bank Overdraft

The Division has an authorized line of credit of $13,000,000 by way of overdrafts and is repayable on demand at prime less 0.65% (2.05% at June 30, 2017); interest is paid monthly. Overdrafts are secured by borrowing by-laws. As at June 30, 2017, the Division's operating line of credit was utilized.

4. Employee Future Benefits

The Division sponsors a defined contribution pension plan, administered by MSBA. The defined contribution plan is provided to its support staff based on their age at the beginning of the year and rates of pay. Each age group under the MSBA pension plan has a specific percentage for the employees to contribute. The Division contributions equal the employee contributions to the plan. No pension liability is included in the consolidated financial statements.

The employee future benefit expense is a part of the Employee Benefits and Allowances expense which includes pension expense for the year of $420,382 ($407,788 in 2016).

Non-vested accumulating sick leave benefits are measured using net present value techniques on the expected future utilization of excess of sick leave benefits used over earned per year, to maximum entitlement. The non-vested sick leave expense for the year is $10,117 (recovery of $3,913 in 2016).

5. Deferred Revenue

The deferral method of accounting is used for revenue received that, pursuant to legislation, regulation or agreement, may only be used for specific purposes. These amounts are recognized as revenue in the fiscal year the related expenses are incurred or services performed. The following is a breakdown of the account balance:

	Balance as at June 30, 2016	Additions in year	Revenue recognized in year	Balance as at June 30, 2017
Education Property Tax Credit (EPTC)	$ 874,637	2,246,066	2,222,277	898,426
Manitoba Text Book Bureau	21,845	118,740	107,892	32,693
Tax Incentive Grant	279,529	695,550	696,859	278,220
Other	111,966	146,515	111,966	146,515
	$ 1,287,977	3,206,871	3,138,994	1,355,854

6. Debenture Debt

The debenture debt of the Division is in the form of twenty-year debentures payable, principal and interest, in twenty equal yearly instalments and maturing at various dates from fiscal years ending 2018 to 2038. Payment of principal and interest is funded entirely by grants from the Province of Manitoba, except for the debenture debt on self-funded capital projects. The debentures carry interest rates that range from 3.250% to 7.625%. Debenture interest expense payable as at June 30, 2017, is accrued and recorded in Accrued Interest Payable, and a grant in an amount equal to the interest accrued on provincially funded debentures is recorded in Due from the Provincial Government. The total debenture principal and interest repayments in the next five fiscal years ending are as follows:

2018	$ 1,662,063
2019	1,627,171
2020	1,594,311
2021	1,405,024
2022	1,375,398

7. School Generated Funds Liability

School Generated Funds Liability represents the non-controlled portion of school generated funds. At June 30, 2017, an amount equal to the liability or $42,968 ($29,376 at June 30, 2016) is included in overdraft on the Consolidated Statement of Financial Position.

8. Net Tangible Capital Assets

The Schedule of Tangible Capital Assets on page 23 of the consolidated financial statements, provides a breakdown of cost, accumulated amortization and net book value by class. The amount of interest capitalized in the year included in Assets under Construction was nil (previous year nil).

9. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2017	2016
Operating Fund		
Designated Surplus	$ 648,701	616,238
Undesignated Surplus	234,795	255,940
Non-vested Sick Leave	(164,091)	(153,974)
	$ 719,405	718,204
Capital Fund		
Reserve Accounts	$ 352,258	219,423
Equity in Tangible Capital Assets	6,335,924	6,121,842
	$ 6,688,182	6,341,265
Special Purpose Fund		
School Generated Funds	$ 176,534	164,849
Other Special Purpose Funds	-	-
	$ 176,534	164,849
Total Accumulated Surplus	$ 7,584,121	7,224,318

Designated Surplus under the Operating Fund represents internally restricted amounts appropriated by the Board of Trustees or, in the case of school budget carryovers, by Board policy. The details of Designated Surplus are disclosed on Page 5 of the consolidated financial statements.

Reserve Accounts under the Capital Fund represents internally restricted reserves for specific purposes approved by the Board of Trustees and PSFB. A Schedule of Capital Reserve Accounts is provided on page 24 of the consolidated financial statements.

	2017	2016
Bus Reserve	$ 22,258	59,423
New Building Reserve	330,000	160,000
Capital Reserve	$ 352,258	219,423

10. Municipal Government – Property Tax and Related Due from Municipal Government

Education property tax or Special Levy is raised as the Division's contribution to the cost of providing public education for the students' resident in the division. The Municipal Government-Property Tax shown on the consolidated revenue and expense is raised over the two calendar (tax) years; 40% from 2016 tax year and 60% from 2017 tax year. Below are the related revenue and receivable amounts:

	2017	2016
Revenue – Municipal Government – Property Tax	$12,716,232	11,374,289
Receivable – Due from Municipal – Property Tax	$ 7,618,769	6,810,714

11. Interest Received and Paid

The Division received interest during the year of $654 ($2,198 in 2016); interest paid during the year was $685,530 ($643,252 in 2016).

Interest expense is included in fiscal expenses and is comprised of the following:

	2017	2016
Operating Fund		
Fiscal-short term loan, interest and bank charges	$ 84,024	67,576
Capital Fund		
Debenture interest	601,506	575,676
Other interest	-	-
	$ 685,530	643,252

The accrual portion of debenture debt interest expense of $182,258 ($212,639 in 2016) included under the Capital Fund-Debenture debt interest is offset by an accrual of the debt servicing grant from the Province of Manitoba.

12. Expenses by Object

Expenses in the consolidated statement of revenue, expenses and accumulated surplus are reported by function as defined by FRAME. Below is the detail of expenses by object:

	2017	2016
Salaries	$21,781,758	20,778,336
Employees benefits and allowances	1,676,743	1,661,716
Services	2,709,387	2,762,102
Supplies, materials and minor equipment	2,365,355	2,183,522
Interest	685,530	643,252
Payroll tax	462,987	441,647
Bad debt	-	123
Transfers	439,132	430,897
Amortization	1,510,641	1,384,847
Other Capital Items	-	-
School generated funds	486,382	493,631
	$32,117,915	30,780,073

13. Financial Instruments

There are no significant terms and conditions related to financial instruments that may affect the amount, timing and certainty of future cash flows. The Division is exposed to credit risk from the potential non-payment of accounts receivable. However, the majority of the receivables are from local, provincial and federal governments, and therefore, the credit risk is minimal. The carrying amounts of the financial instruments approximate their carrying values, unless otherwise noted.

14. Contingent Liability

Claims have been filed against the Division for incidents that arose in the ordinary course of operations. In the opinion of management, the outcomes of the claims, now pending, are not determinable. Claims are being defended in conjunction with the Division's insurers. Should any loss result from the resolution of this claim, such loss will be charged to operations in the year of resolution.

MANAGEMENT REPORT

Management's Responsibility for the Financial Statements

The accompanying consolidated financial statements of River East Transcona School Division are the responsibility of the Division's management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of The Chartered Professional Accountants of Canada. A summary of the significant accounting policies are described in Note 2 to the consolidated financial statements.

The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. Division management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The Board of Trustees of the Division met with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by Deloitte LLP, independent external auditors appointed by the Board. The accompanying Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Division's consolidated financial statements.

Original Document Signed

Chairperson
Colleen Carswell

Original Document Signed

Secretary-Treasurer
Vince Mariani

Deloitte.

Deloitte LLP
360 Main Street
Suite 2300
Winnipeg MB R3C 3Z3
Canada

Tel: 204-942-0051
Fax: 204-947-9390
www.deloitte.ca

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of River East Transcona School Division

We have audited the following financial statements of River East Transcona School Division (the "Division") as at June 30, 2017, and for the year then ended:

Consolidated – Statement of Financial Position
Consolidated – Statement of Revenue, Expenses and Accumulated Surplus
Consolidated – Statement of Change in Net Debt
Consolidated – Statement of Cash Flow
Operating Fund – Schedule of Financial Position
Operating Fund – Schedule of Revenue, Expenses and Accumulated Surplus
Capital Fund – Schedule of Financial Position
Capital Fund – Schedule of Revenue, Expenses and Accumulated Surplus
Schedule of Tangible Capital Assets
Schedule of Capital Reserve Accounts
Special Purpose Fund – Schedule of Financial Position
Special Purpose Fund – Schedule of Revenue, Expenses and Accumulated Surplus
Notes to the Consolidated Financial Statements

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Audit Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of the River East Transcona School Division as at June 30, 2017 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the above listed financial statements taken as a whole. The current year's supplementary information included in the other statements and reports is presented for purposes of additional analysis and is not a required part of basic financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and in, our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our opinion on these financial statements does not extend to any budget information contained therein.

Deloitte LLP

Chartered Professional Accountants

Winnipeg, Manitoba
October 24, 2017

I hereby certify that the preceding report has been presented to members of the Board of the River East Transcona School Division

October 24, 2017

Original Document Signed

Chair of the Board

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2017	2016
	Financial Assets		
	Cash and Bank	2,237,212	4,848,897
	Due from - Provincial Government	3,946,720	3,720,747
	- Federal Government	404,425	394,440
	- Municipal Government	36,941,370	35,323,360
	- Other School Divisions	101,689	95
	- First Nations	20,900	14,200
	Accounts Receivable	102,430	126,285
	Accrued Investment Income	-	-
	Portfolio Investments	-	-
		43,754,746	44,428,024
	Liabilities		
	Overdraft	-	-
	Accounts Payable	1,705,762	2,184,226
	Accrued Liabilities	23,334,272	22,834,726
3	Employee Future Benefits	1,777,806	1,899,980
	Accrued Interest Payable	962,992	937,914
	Due to - Provincial Government	420	17,010
	- Federal Government	16,085	16,217
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
4	Deferred Revenue	10,145,162	10,354,642
6	Borrowings from the Provincial Government	45,095,653	41,137,908
7	Other Borrowings	5,279,175	4,000,845
5	School Generated Funds Liability	1,587,032	1,529,475
		89,904,359	84,912,943
	Net Debt	(46,149,613)	(40,484,919)
	Non-Financial Assets		
8	Net Tangible Capital Assets (TCA Schedule)	77,355,155	71,862,036
	Inventories	-	-
	Prepaid Expenses	290,485	295,780
		77,645,640	72,157,816
9	**Accumulated Surplus**	31,496,027	31,672,897

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes			2017	2016
	Revenue			
	Provincial Government		128,513,979	126,470,998
	Federal Government		515,270	473,352
10	Municipal Government	- Property Tax	61,571,604	58,412,740
		- Other	-	-
	Other School Divisions		765,253	807,812
	First Nations		116,600	112,500
	Private Organizations and Individuals		1,974,778	1,877,252
	Other Sources		425,916	361,484
	School Generated Funds		753,993	762,548
	Other Special Purpose Funds		-	-
			194,637,393	189,278,686
	Expenses			
	Regular Instruction		105,504,734	103,482,500
	Student Support Services		34,780,528	34,348,245
	Adult Learning Centres		1,430,684	1,007,529
	Community Education and Services		1,518,987	1,468,126
	Divisional Administration		5,286,698	5,402,428
	Instructional and Other Support Services		7,578,591	7,623,615
	Transportation of Pupils		4,713,708	4,091,112
	Operations and Maintenance		20,813,874	20,584,073
11	Fiscal	- Interest	2,306,499	2,117,248
		- Other	3,168,776	3,066,170
	Amortization		6,438,125	6,124,962
	Other Capital Items		283,010	475,367
	School Generated Funds		735,605	804,518
	Other Special Purpose Funds		-	-
			194,559,819	190,595,893
	Current Year Surplus (Deficit) before Non-vested Sick Leave		77,574	(1,317,207)
	Less: Non-vested Sick Leave Expense (Recovery)		254,444	135,104
	Net Current Year Surplus (Deficit)		(176,870)	(1,452,311)
	Opening Accumulated Surplus		31,672,897	33,125,208
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	-
		Other than Tangible Cap. Assets	-	-
		Non-vested sick leave - prior years	-	-
	Opening Accumulated Surplus, as adjusted		31,672,897	33,125,208
	Closing Accumulated Surplus		31,496,027	31,672,897

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2017

	2017	2016
Net Current Year Surplus (Deficit)	(176,870)	(1,452,311)
Amortization of Tangible Capital Assets	6,438,125	6,124,962
Acquisition of Tangible Capital Assets	(11,931,245)	(12,981,819)
(Gain) / Loss on Disposal of Tangible Capital Assets	(6,804)	(2,880)
Proceeds on Disposal of Tangible Capital Assets	6,805	2,880
	(5,493,119)	(6,856,857)
Inventories (Increase)/Decrease	-	-
Prepaid Expenses (Increase)/Decrease	5,295	30,697
	5,295	30,697
(Increase)/Decrease in Net Debt	(5,664,694)	(8,278,471)
Net Debt at Beginning of Year	(40,484,919)	(32,206,448)
Adjustments Other than Tangible Cap. Assets	-	-
	(40,484,919)	(32,206,448)
Net Debt at End of Year	(46,149,613)	(40,484,919)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2017

	2017	2016
Operating Transactions		
Net Current Year Surplus (Deficit)	(176,870)	(1,452,311)
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	6,438,125	6,124,962
(Gain)/Loss on Disposal of Tangible Capital Assets	(6,804)	(2,880)
Employee Future Benefits Increase/(Decrease)	(122,174)	545,697
Due from Other Organizations (Increase)/Decrease	(1,962,262)	(3,739,433)
Accounts Receivable & Accrued Income (Increase)/Decrease	23,855	(4,533)
Inventories and Prepaid Expenses - (Increase)/Decrease	5,295	30,697
Due to Other Organizations Increase/(Decrease)	(16,722)	9,397
Accounts Payable & Accrued Liabilities Increase/(Decrease)	46,160	5,426,228
Deferred Revenue Increase/(Decrease)	(209,480)	139,500
School Generated Funds Liability Increase/(Decrease)	57,557	42,462
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by (Applied to) Operating Transactions	4,076,680	7,119,786
Capital Transactions		
Acquisition of Tangible Capital Assets	(11,931,245)	(12,981,819)
Proceeds on Disposal of Tangible Capital Assets	6,805	2,880
Cash Provided by (Applied to) Capital Transactions	(11,924,440)	(12,978,939)
Investing Transactions		
Portfolio Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
Financing Transactions		
Borrowings from the Provincial Government Increase/(Decrease)	3,957,745	4,423,261
Other Borrowings Increase/(Decrease)	1,278,330	707,003
Cash Provided by (Applied to) Financing Transactions	5,236,075	5,130,264
Cash and Bank / Overdraft (Increase)/Decrease	(2,611,685)	(728,889)
Cash and Bank (Overdraft) at Beginning of Year	4,848,897	5,577,786
Cash and Bank (Overdraft) at End of Year	2,237,212	4,848,897

River East Transcona School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2017

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	2017 TOTALS	2016 TOTALS
	School	Non-School									
Tangible Capital Asset Cost											
Opening Cost, as previously reported	128,860,748	6,537,137	6,951,865	386,478	3,559,009	16,654,283	1,878,287	3,016,292	7,026,525	174,870,624	162,666,876
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	128,860,748	6,537,137	6,951,865	386,478	3,559,009	16,654,283	1,878,287	3,016,292	7,026,525	174,870,624	162,666,876
Add: Additions during the year	12,396,750		739,270	119,390	287,233	3,129,451			(4,740,849)	11,931,245	12,981,819
Less: Disposals and write downs			73,207	13,979	891,990					979,176	778,071
Closing Cost	141,257,498	6,537,137	7,617,928	491,889	2,954,252	19,783,734	1,878,287	3,016,292	2,285,676	185,822,693	174,870,624
Accumulated Amortization											
Opening, as previously reported	79,173,953	3,868,073	4,721,335	319,978	2,395,244	10,194,801		2,335,204		103,008,588	97,661,697
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	79,173,953	3,868,073	4,721,335	319,978	2,395,244	10,194,801		2,335,204		103,008,588	97,661,697
Add: Current period Amortization	3,113,968	217,811	482,992	43,998	336,342	2,042,722		200,292		6,438,125	6,124,962
Less: Accumulated Amortization on Disposals and Writedowns			73,207	13,979	891,989			-		979,175	778,071
Closing Accumulated Amortization	82,287,921	4,085,884	5,131,120	349,997	1,839,597	12,237,523		2,535,496		108,467,538	103,008,588
Net Tangible Capital Asset	58,969,577	2,451,253	2,486,808	141,892	1,114,655	7,546,211	1,878,287	480,796	2,285,676	77,355,155	71,862,036
Proceeds from Disposal of Capital Assets	-	-	6,805	-						6,805	2,880

* Includes network infrastructure.

1. NATURE OF ORGANIZATION AND ECONOMIC DEPENDENCE

The River East Transcona School Division (Division) is a public body that provides education services to residents within its geographic location. The division is funded mainly by grants from the Province of Manitoba (Province), and a special levy on the property assessment included in the Division's boundaries. The Division is exempt from income tax and is a registered charity under the Income Tax Act.

The Division is economically dependent on the Province for the majority of its revenue and capital financing requirements. Without this funding, the Division would not be able to continue its operations.

2. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles established by PSAB of the Canadian Chartered Professional Accountants of Canada.

a) Reporting Entity and Consolidation

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the operating fund, capital fund, and special purpose fund of the Division. The Division reporting entity includes school generated funds controlled by the Division.

All inter-fund accounts and transactions are eliminated upon consolidation.

b) Trust Funds

The Division administers various trust funds. Trust funds and their related operations are not included in the consolidated financial statements as they are not owned or controlled by the Division. A schedule of trust funds is attached as part of the notes to the consolidated financial statements.

Trust funds, under PSAB are properties assigned to a trustee (school division) under a trust agreement or statute; the trustee merely administers the terms and conditions embodied in the agreement, and it has no unilateral authority to change the conditions set out in the trust indenture.

c) Basis of Accounting

Revenues and expenses are reported on the accrual basis of accounting except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable. 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Fund Accounting

The fund method of accounting is employed by the Division to record financial transactions in separate funds as defined by FRAME in accordance with the purpose for which the funds have been created.

The Operating Fund is maintained to record all the day to day operating revenues and expenses. The Capital Fund is used to account for the acquisition, amortization, disposal and financing of capital assets. The Special Purpose Fund is used to account for school generated funds and charitable foundations controlled by the Division.

e) School Generated Funds

School generated funds are monies raised by the school, or under the auspices of the school, through extracurricular activities for the sole use of the school that the principal of each school, subject to the rules of the school board, may raise, hold, administer and expend for the purposes of the school.

Only revenue and expenses of school generated funds controlled by the Division are included in the Consolidated Statement of Revenue, Expenses and Accumulated Surplus. To be deemed as controlled, a school must have the unilateral authority to make the decisions as to when, how and on what the funds are to be spent.

Period end cash balances of all school generated funds are included in the Consolidated Statement of Financial Position. The uncontrolled portion of this amount is reflected in the School Generated Funds Liability account. Examples of uncontrolled school generated funds are parent council funds, other parent group funds, student council funds and travel club funds. Revenues and expenses of uncontrolled school generated funds are not included in the consolidated financial statements.

f) Tangible Capital Assets

Tangible capital assets are non-financial assets that are used by the Division to provide services to the public and have an economic life beyond one fiscal year. Tangible capital assets include land, buildings, buses, other vehicles, furniture and equipment, computers, capital leases, leasehold improvements, and assets under construction.

With the exception of land, donated capital assets and capital leases, all tangible capital assets are recorded at historical cost, which includes purchase price, installation costs and other costs incurred to put the asset into service.

Buildings are recorded at historical cost when known. For buildings acquired prior to June 30, 2005 where the actual cost was not known, the replacement value for insurance purposes as at June 30, 2005 was regressed to the date of acquisition using a regression index based on Southam and CanaData construction cost indices.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Tangible Capital Assets (continued)

Capital leases are recorded at the present value of the minimum lease payments excluding executory costs (e.g. insurance, maintenance costs, etc.). The discount rate used to determine the present value of the lease payments is the lower of the Division's rate for incremental borrowing or the interest rate implicit in the lease.

Donated tangible capital assets are recorded at fair market value at the date of donation. Deferred revenue is recorded in an equivalent amount, for all donated assets except land. The deferred revenue will be recognized as revenue over the useful life of the related asset, on the same basis that the asset is amortized.

All land acquired prior to June 30, 2006 has been valued by the Crown Lands and Property Agency at their estimated fair market value at the time of acquisition.

All tangible capital assets, except for land and assets under construction, are amortized on a straight-line basis over their estimated useful lives as follows:

Asset Description	Estimated Useful Life (Years)
Land Improvements	10
Building - Brick, Mortar and Steel	40
Buildings - Wood Frame	25
School Buses	10
Vehicles	5
Equipment	5
Network Infrastructure	10
Computer Hardware, Servers & Peripherals	4
Computer Software	4
Furniture & Fixtures	10
Leasehold Improvements	Over term of lease

Land is not amortized. Capital leases with lease terms that have a bargain purchase option or allow ownership to pass to the Division are amortized on a straight line basis over the useful life of the asset class. All other capital leases are amortized over the lesser of the lease term and the useful life of the asset class.

Assets under construction are not amortized until the date of substantial completion. Interest on funds used to finance school buildings under construction is capitalized for the periods preceding the date of substantial completion.

g) Employee Future Benefits

The Province of Manitoba pays the employer portion of the Teachers' Retirement Allowances Fund (TRAF), the pension plan for all certified teachers of the Division. The Division does not contribute to TRAF, and no costs relating to this plan are included in the Division's financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

g) *Employee Future Benefits (continued)*

Under the Pension Plan for Non-Teaching Employees of Public School Boards in Manitoba, the Division's contribution equals the employee's contributions to the plan. No responsibility is assumed by the Division to make any further contributions.

For non-vesting accumulated sick days, the benefit costs are recognized, if deemed material, based on a projection of expected future utilization of sick time, discounted using net present value techniques.

An employee future benefit liability is accrued for maternity and parental leave top up payments, a self-insured benefit obligation that is event driven. The benefit costs are recognized and recorded only in the period the event occurred.

h) *Capital Reserve*

Certain amounts, as approved by the Board of Trustees and the Public Schools Finance Board (PSFB), have been set aside in reserve accounts for future capital purposes. These Capital Reserve accounts are internally restricted funds that form part of the Accumulated Surplus presented in the Consolidated Statement of Financial Position.

i) *Use of Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from the estimates. Changes in estimates are recorded in the accounting period in which these changes are determined.

j) *Financial Instruments*

The Division’s financial instruments include cash, accounts receivable, due to/from governments, other schools and First Nations, accounts payable, accrued liabilities and long-term debt. All financial instruments are initially recognized at fair value when the Division becomes a party to the contractual provisions of the financial instrument. Subsequently, all financial instruments are measured at amortized cost. The effective interest method is used to recognize interest income or expense. Transaction costs related to all financial instruments are expensed as incurred.

3. EMPLOYEE FUTURE BENEFITS

An employee future benefit liability of $203,250 (2016 - $579,868) has been accrued as at June 30, 2017 relating to maternity and parental leave top up payments. The employee future benefit expense is a part of the Employee Benefits and Allowances expense account.

Non-vested accumulated sick leave benefits are measured using net present value techniques of the expected future utilization of excess of sick benefits used over earned per year, to maximum entitlement. The impact of the estimated non-vested sick leave benefit is 1,574,556 (2016 - $1,320,112).

During the year ended June 30, 2017, the employer contributions to the Pension Plan for Non-Teaching Employees of Public School Boards in Manitoba amounted to $2,350,211 (2016 - $2,249,361). This amount has been expensed in the Division's financial statements for the year ended June 30, 2017.

4. DEFERRED REVENUE

The deferral method of accounting is used for revenues received that, pursuant to legislation, regulation or agreement, may only be used for specific purposes. These amounts are recognized as revenue in the fiscal year the related expenses are incurred or services performed. The following is a breakdown of the account balance:

	Balance at June 30, 2016	Additions in the period	Revenue recognized in the period	Balance at June 30, 2017
Province of MB – EPTC*	$ 8,591,978	$ 8,192,582	$ 8,591,978	**$ 8,192,582**
Province of MB – Other	177,140	419,153	376,917	**219,376**
Tuition Fees	810,264	1,032,806	810,264	**1,032,806**
Donated Capital Asset	590,468	37,965	123,217	**505,216**
Miscellaneous	184,792	426,999	416,609	**195,182**
	$10,354,642	$10,109,505	$10,318,985	**$ 10,145,162**

*EPTC = Education Property Tax Credit

5. SCHOOL GENERATED FUNDS LIABILITY

School Generated Funds Liability includes the non-controlled portion of school generated funds consolidated in the cash and bank balances in the amount of $1,587,032 (2016 - $1,529,475).

6. BORROWINGS FROM PROVINCIAL GOVERNMENT

The debenture debt of the Division is in the form of twenty-year debentures payable, or promissory note, principal and interest, in equal yearly installments and maturing at various dates from 2017 to 2037. Payment of principal and interest is funded entirely by grants from the Province of Manitoba. The debentures carry interest rates that range from 3.0% to 8.375%. Debenture interest expense payable as at June 30, 2017 is accrued and recorded in Accrued Interest Payable, and a grant in an amount equal to the interest accrued on provincially funded debentures is recorded in Due from the Provincial Government. The debenture principal and interest repayments in the next five years are:

	Principal	Interest	Total
2018	$ 3,353,186	$ 2,045,945	$ 5,399,131
2019	3,423,131	1,868,625	5,291,756
2020	3,161,833	1,688,169	4,850,002
2021	3,047,838	1,524,055	4,571,893
2022	2,899,813	1,370,187	4,270,000
	$ 15,885,801	$ 8,496,981	$ 24,382,782

7. OTHER BORROWINGS

Other borrowings are debts other than overdrafts and includes obligations related to capital leases and debentures for self-funded capital projects.

Capital lease loans have interest rates ranging from 2.11% to 3.89% per annum and have lease terms that expire between 2018 to 2022. These loans are secured by the assets to which the leases relate.

Principal and interest repayments related to obligations under capital leases are as follows:

	Principal	Interest	Total
2018	$ 1,278,059	$ 129,875	$ 1,407,934
2019	1,237,442	90,917	1,328,359
2020	1,096,618	53,095	1,149,713
2021	522,667	20,311	542,978
2022	123,085	5,275	128,360
	$ 4,257,871	$ 299,473	$ 4,557,344

7. OTHER BORROWINGS (continued)

The debentures for self-funded capital projects are in the form of twenty year debt payable, principal and interest in equal yearly installments and maturing in 2022. These self-funded debentures carry interest rates of 6.875%. The principal and interest repayments for the debentures in the next five years are:

	Principal	Interest	Total
2018	$ 167,598	$ 66,097	$ 233,695
2019	179,120	54,575	233,695
2020	191,435	42,260	233,695
2021	204,596	29,099	233,695
2022	218,662	15,033	233,695
	$ 961,411	$ 207,064	$ 1,168,475

8. NET TANGIBLE CAPITAL ASSETS

The Schedule of Tangible Capital Assets (TCA), page 23 of the audited financial statements, provides a breakdown of cost, accumulated amortization and net book value by asset class. The amount of interest capitalized in the period included in Assets under Construction was $49,085 (2016 - $21,697). Included in net tangible capital assets are assets relating to obligations under capital lease for the gross amount, accumulated amortization and net book value at June 30, 2017 are $13,675,094, $8,587,776 and $5,087,318 respectively.

9. ACCUMULATED SURPLUS

The consolidated accumulated surplus is comprised of the following:

	2017	2016
Operating Fund		
Designated Surplus	**$ 2,146,875**	$ 2,062,906
Undesignated Surplus	**3,156,366**	2,938,012
Non-Vested Sick Leave	**(1,574,556)**	(1,320,112)
	$ 3,728,685	$ 3,680,806
Capital Fund		
Reserve Accounts	**$ 3,127,835**	$ 4,397,080
Equity in Tangible Capital Assets	**24,330,621**	23,304,513
	$ 27,458,456	$ 27,701,593
Special Purpose Fund		
School Generated Funds	**$ 308,886**	$ 290,498
Total Accumulated Surplus	**$ 31,496,027**	$ 31,672,897

Designated Surplus under the Operating Fund represents internally restricted amounts appropriated by the board or, in the case of school budget carryovers, by board policy. See page 5 of the audited financial statements for a detailed breakdown of the Designated Surplus.

9. ACCUMULATED SURPLUS (continued)

	2017	2016
Board approved appropriation by motion	**$ 945,498**	$ 951,168
School budget carryovers by board policy	**1,201,377**	1,111,738
Designated surplus	**$ 2,146,875**	$ 2,062,906

Reserve Accounts under the Capital Fund represents internally restricted reserves for specific purposes approved by the Board of Trustees and PSFB. A Schedule of Capital Reserve Accounts is provided on pages 24 and 24A of the audited financial statements.

School Generated Funds and Other Special Purpose Funds are externally restricted monies for school use.

10. MUNICIPAL GOVERNMENT – PROPERTY TAX AND RELATED DUE FROM MUNICIPAL GOVERNMENT

Education property tax or Special Levy is raised as the Division's contribution to the cost of providing public education for the student's resident in the division. The Municipal Government-Property Tax shown on the consolidated revenue and expense is raised over the two calendar (tax) years; 40% from 2016 tax year and 60% from 2017 tax year. Below are the related revenue and receivable amounts:

	2017	2016
Revenue-Municipal Government-Property Tax	**$ 61,571,804**	$ 58,412,740
Receivable-Due from Municipal Government-Property Tax	**$ 36,941,370**	$ 35,323,360

11. INTEREST RECEIVED AND PAID

The Division received interest during the year of $75,694 (2016 - $76,258).

Interest expense is included in Fiscal and is comprised of the following:

		2017		2016
Operating Fund				
Fiscal-Short Term Loan, Interest and Bank Charges	**$**	**56,791**	$	52,343
Capital Fund				
Debenture Debt Interest	**$**	**2,074,946**	$	1,938,791
Interest on Obligation under Capital Lease		**173,720**		124,804
Other Interest		**1,042**		1,310
	$	**2,249,708**	$	2,064,905
Total Fiscal – Interest	**$**	**2,306,499**	$	2,117,248

The accrued portion of debenture debt interest expense at June 30, 2017 of $962,992 (2016-$937,914) included under the Capital Fund-Debenture debt interest, is offset by an accrual of the debt servicing grant from the Province of Manitoba.

12. EXPENSES BY OBJECT

Expenses in the consolidated statement of revenue, expenses and accumulated surplus are reported by function as defined by FRAME. Below is the detail of expenses by object:

	Actual 2017	Budget 2017	Actual 2016
Salaries	**$ 148,627,903**	$ 145,631,971	$ 144,677,123
Employees benefits & allowances	**10,841,884**	10,775,000	11,034,234
Services	**13,885,093**	14,074,800	13,648,361
Supplies, materials, minor equipment	**7,671,528**	7,402,798	8,061,391
Interest	**2,306,499**	34,000	2,117,248
School Divisions	**565,896**		548,339
Other operating expenses	**35,500**	48,300	38,180
Payroll tax	**3,168,776**	3,125,000	3,066,170
Amortization	**6,438,125**		6,124,962
Other capital items	**283,010**		475,367
School generated funds	**735,605**		804,518
	$ 194,559,819	$ 181,091,869	$ 190,595,893

13. SPECIAL LEVY RAISED FOR LA DIVISION SCOLAIRE FRANCO-MANITOBAINE

In accordance with Section 190.1 of The Public Schools Act the Division is required to collect a special levy on behalf la Division scolaire franco-manitobaine. As at June 30, 2017, the amount of this special levy was $1,199,172 (2016 - $1,146,629). These amounts are not included in the Division's consolidated financial statements.

14. TRUST FUND

The Division administers the following trust funds, which are not reflected in the financial statements:

	2017	2016
Scholarship Funds		
Balance, beginning of year	**$ 285,054**	$ 284,782
Cash contributions received during the year	**9,650**	26,311
Interest income	**2,023**	2,080
Scholarships awarded	**(28,427)**	(28,119)
Balance, end of year	**$ 268,300**	$ 285,054
Assets		
Cash and investments	**$ 283,858**	$ 293,140
Accounts Payable	**(15,558)**	(8,086)
Balance end of year	**$ 268,300**	$ 285,054

15. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Division is exposed to credit, liquidity and interest rate risks in respect of its use of financial instruments.

Credit Risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to the counter party. The financial instruments that potentially subject the Division to credit risk consist principally of accounts receivable. The carrying amount of financial assets represents the maximum credit exposure. The Division's maximum possible exposure to credit risk is as follows:

	2017	2016
Cash	**$ 2,237,212**	$ 4,848,897
Due from – Provincial Government	**3,946,720**	3,720,747
– Federal Government	**404,425**	394,440
– Municipal Government	**36,941,370**	35,323,360
– Other School Divisions	**101,689**	95
– First Nations	**20,900**	14,200
Accounts Receivable	**102,430**	126,285

The Division's accounts receivable consist largely of the grants and revenues to be received from local, provincial, and federal governments. The Division is not exposed to significant credit risk as payments in full are typically collected when due.

15. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk

Liquidity risk relates to the Division's ability to access sufficient funds to meet its financial commitments. The following table details the Fund's remaining contractual maturities for its financial liabilities.

	Due < 1 year	Due > 1 year, < 2 years	Due > 2 years, < 3 years	Due > 3 years, <4 years	Due > 4 years, < 5 years	Due > 5 years
Accounts Payable	$ 1,705,762	$ -	$ -	$ -	$ -	$ -
Accrued Liabilities	23,334,272	-	-	-	-	-
Due to Governments	16,502	-	-	-	-	-
Debenture Debt	3,353,186	3,423,131	3,161,833	3,047,838	2,899,813	29,209,853
Other Borrowings	1,445,657	1,416,562	1,288,053	1,288,053	341,747	59,892

The Division's primary liquidity risk relates to its liability for debenture debt. The Division does not have material liabilities that can be called unexpectedly at the demand of a lender, and has no material commitments for capital expenditures, or need for same, in the normal course of business. As payment of principal and interest is funded entirely by grants from the Province of Manitoba, the Division is not exposed to significant liquidity risk.

Interest Rate Risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The interest rate exposure relates to debenture debt.

MANAGEMENT REPORT

Management's Responsibility for the Financial Statements

The accompanying consolidated financial statements of Rolling River School Division are the responsibility of the Division management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants. A summary of the significant accounting policies are described in Note 2 to the consolidated financial statements.

The preparation of the consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. Division management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The Board of Trustees of the Division met with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by MNP LLP, independent external auditors appointed by the Board. The accompanying Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Division's consolidated financial statements.

Original Document Signed	Original Document Signed
Chairperson	Secretary-Treasurer

November 1, 2017

Independent Auditors' Report

To the Board of Trustees of Rolling River School Division:

We have audited the accompanying consolidated financial statements of Rolling River School Division, which comprise the consolidated statement of financial position as at June 30, 2017, and the consolidated statements of revenue, expenses and accumulated surplus, change in net debt and cash flow for the year then ended, 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 generally accepted accounting principles established by the Public Sector Accounting Board of the Canadian Institute of Chartered Professional Accountants, 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 Rolling River School Division as at June 30, 2017 and the consolidated results of its operations, consolidated changes in net debt and its consolidated cash flow for the year then ended in accordance with Canadian generally accepted accounting principles established by the Public Sector Accounting Board of the Canadian Institute of Chartered Professional Accountants.

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

MNP LLP

Brandon, Manitoba
November 1, 2017

Chartered Professional Accountants

I hereby certify that the preceding report and the statements and reports referenced herein have been presented to the members of the Board of Rolling River School Division.

Original Document Signed
Chairperson of the Board

November 1, 2017
Date

MNP

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes			2017	2016
	Financial Assets			
	Cash and Bank		-	-
	Due from	- Provincial Government	805,196	833,655
		- Federal Government	48,852	177,233
		- Municipal Government	4,986,979	4,687,523
		- Other School Divisions	-	-
		- First Nations	437,964	831,606
	Accounts Receivable		310,935	213,309
	Accrued Investment Income		-	-
	Portfolio Investments		-	-
			6,589,926	6,743,326
	Liabilities			
3	Overdraft		2,972,556	2,928,003
	Accounts Payable		352,374	651,434
	Accrued Liabilities		436,307	342,304
4	Employee Future Benefits		147,570	83,622
	Accrued Interest Payable		91,641	108,295
	Due to	- Provincial Government	1,215	3,242
		- Federal Government	-	-
		- Municipal Government	-	-
		- Other School Divisions	-	-
		- First Nations	-	-
5	Deferred Revenue		120,084	295,534
6	Borrowings from the Provincial Government		5,355,811	5,894,758
	Other Borrowings		-	-
	School Generated Funds Liability		-	-
			9,477,558	10,307,192
	Net Debt		(2,887,632)	(3,563,866)
	Non-Financial Assets			
7	Net Tangible Capital Assets (TCA Schedule)		10,621,839	11,117,474
	Inventories		-	-
	Prepaid Expenses		605,462	732,938
			11,227,301	11,850,412
8	**Accumulated Surplus**		8,339,669	8,286,546

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes			2017	2016
	Revenue			
	Provincial Government		14,811,915	14,840,518
	Federal Government		46,460	94,373
	Municipal Government	- Property Tax	8,675,887	8,135,742
		- Other	-	-
	Other School Divisions		91,996	113,009
	First Nations		1,284,654	1,360,665
	Private Organizations and Individuals		102,968	63,176
	Other Sources		216,973	239,803
	School Generated Funds		568,163	563,246
	Other Special Purpose Funds		-	-
			25,799,016	25,410,532
	Expenses			
	Regular Instruction		13,967,290	13,462,990
	Student Support Services		2,926,805	2,820,091
	Adult Learning Centres		123,434	120,012
	Community Education and Services		57,082	53,652
	Divisional Administration		909,967	898,910
	Instructional and Other Support Services		742,408	768,710
	Transportation of Pupils		1,592,667	1,531,106
	Operations and Maintenance		3,038,043	2,686,855
10	Fiscal	- Interest	328,305	344,874
		- Other	377,535	361,421
	Amortization		1,094,555	1,060,425
	Other Capital Items		-	-
	School Generated Funds		523,854	564,106
	Other Special Purpose Funds		-	-
			25,681,945	24,673,152
	Current Year Surplus (Deficit) before Non-vested Sick Leave		117,071	737,380
	Less: Non-vested Sick Leave Expense (Recovery)		63,948	(28,706)
	Net Current Year Surplus (Deficit)		53,123	766,086
	Opening Accumulated Surplus		8,286,546	7,520,460
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	-
		Other than Tangible Cap. Assets	-	-
		Non-vested sick leave - prior years	-	-
	Opening Accumulated Surplus, as adjusted		8,286,546	7,520,460
	Closing Accumulated Surplus		8,339,669	8,286,546

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2017

	2017	2016
Net Current Year Surplus (Deficit)	53,123	766,086
Amortization of Tangible Capital Assets	1,094,555	1,060,425
Acquisition of Tangible Capital Assets	(598,920)	(1,617,372)
(Gain) / Loss on Disposal of Tangible Capital Assets	-	-
Proceeds on Disposal of Tangible Capital Assets	-	-
	495,635	(556,947)
Inventories (Increase)/Decrease	-	-
Prepaid Expenses (Increase)/Decrease	127,476	190,361
	127,476	190,361
(Increase)/Decrease in Net Debt	676,234	399,500
Net Debt at Beginning of Year	(3,563,866)	(3,963,366)
Adjustments Other than Tangible Cap. Assets	-	-
	(3,563,866)	(3,963,366)
Net Debt at End of Year	(2,887,632)	(3,563,866)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2017

	2017	2016
Operating Transactions		
Net Current Year Surplus (Deficit)	53,123	766,086
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	1,094,555	1,060,425
(Gain)/Loss on Disposal of Tangible Capital Assets	-	-
Employee Future Benefits Increase/(Decrease)	63,948	(28,706)
Due from Other Organizations (Increase)/Decrease	251,026	(677,200)
Accounts Receivable & Accrued Income (Increase)/Decrease	(97,626)	(87,453)
Inventories and Prepaid Expenses - (Increase)/Decrease	127,476	190,361
Due to Other Organizations Increase/(Decrease)	(2,027)	(5,008)
Accounts Payable & Accrued Liabilities Increase/(Decrease)	(221,711)	272,042
Deferred Revenue Increase/(Decrease)	(175,450)	295,534
School Generated Funds Liability Increase/(Decrease)	-	-
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by (Applied to) Operating Transactions	1,093,314	1,786,081
Capital Transactions		
Acquisition of Tangible Capital Assets	(598,920)	(1,617,372)
Proceeds on Disposal of Tangible Capital Assets	-	-
Cash Provided by (Applied to) Capital Transactions	(598,920)	(1,617,372)
Investing Transactions		
Portfolio Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
Financing Transactions		
Borrowings from the Provincial Government Increase/(Decrease)	(538,947)	(320,327)
Other Borrowings Increase/(Decrease)	-	-
Cash Provided by (Applied to) Financing Transactions	(538,947)	(320,327)
Cash and Bank / Overdraft (Increase)/Decrease	(44,553)	(151,618)
Cash and Bank (Overdraft) at Beginning of Year	(2,928,003)	(2,776,385)
Cash and Bank (Overdraft) at End of Year	(2,972,556)	(2,928,003)

Rolling River School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2017

	Buildings and Leasehold Improvements		School	Other	Furniture / Fixtures &	Computer Hardware &		Land	Assets Under	2017	2016
	School	Non-School	Buses	Vehicles	Equipment	Software *	Land	Improvements	Construction	TOTALS	TOTALS
Tangible Capital Asset Cost											
Opening Cost, as previously reported	20,911,724	1,022,730	4,091,281	523,562	733,439	459,892	153,468	-	1,017,524	28,913,620	27,296,248
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	20,911,724	1,022,730	4,091,281	523,562	733,439	459,892	153,468	-	1,017,524	28,913,620	27,296,248
Add:											
Additions during the year	27,584	1,325,596	-	32,745	139,169	-	-	-	(926,174)	598,920	1,617,372
Less:											
Disposals and write downs	-	-	-	-	-	-	-	-	-	-	-
Closing Cost	20,939,308	2,348,326	4,091,281	556,307	872,608	459,892	153,468	-	91,350	29,512,540	28,913,620
Accumulated Amortization											
Opening, as previously reported	13,953,002	149,596	2,728,949	405,289	357,081	202,229		-		17,796,146	16,735,721
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	13,953,002	149,596	2,728,949	405,289	357,081	202,229		-		17,796,146	16,735,721
Add:											
Current period Amortization	532,753	69,755	244,761	41,037	106,929	99,320		-		1,094,555	1,060,425
Less:											
Accumulated Amortization on Disposals and Writedowns	-	-	-	-	-	-		-		-	-
Closing Accumulated Amortization	14,485,755	219,351	2,973,710	446,326	464,010	301,549		-		18,890,701	17,796,146
Net Tangible Capital Asset	6,453,553	2,128,975	1,117,571	109,981	408,598	158,343	153,468	-	91,350	10,621,839	11,117,474
Proceeds from Disposal of Capital Assets	-	-	-	-	-	-				-	-

* Includes network infrastructure.

1. Nature of Organization and Economic Dependence

The School Division (Division) is a public body that provides education services to residents within its geographic location. The division is funded mainly by grants from the Province of Manitoba (Province), and a special levy on the property assessment included in the Division's boundaries. The Division is exempt from income tax and is a registered charity under the Income Tax Act.

The Division is economically dependent on the Province for the majority of its revenue and capital financing requirements. Without this funding, the Division would not be able to continue its operations.

2. Significant Accounting Policies

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles established by PSAB of the Canadian Institute of Chartered Accountants (CICA).

a) Reporting Entity and Consolidation

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the operating fund, capital fund, and special purpose fund of the Division. The Division reporting entity includes school generated funds controlled by the Division.

All inter-fund accounts and transactions are eliminated upon consolidation.

b) Trust funds

The Division administers various trust funds. Trust funds and their related operations are not included in the consolidated financial statements as they are not owned or controlled by the Division. A schedule of trust funds is attached as part of the notes to the consolidated financial statements.

Trust funds, under PSAB are properties assigned to a trustee (school division) under a trust agreement or statute; the trustee merely administers the terms and conditions embodied in the agreement, and it has no unilateral authority to change the conditions set out in the trust indenture.

c) Basis of Accounting

Revenues and expenses are reported on the accrual basis of accounting except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable. 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.

d) Fund Accounting

The fund method of accounting is employed by the Division to record financial transactions in separate funds as defined by Financial Reporting and Accounting in Manitoba Education (FRAME) in accordance with the purpose for which the funds have been created.

The Operating Fund is maintained to record all the day to day operating revenues and expenses. The Capital Fund is used to account for the acquisition, amortization, disposal and financing of capital assets. The Special Purpose Fund is used to account for school generated funds and charitable foundations controlled by the Division.

e) School Generated Funds

School generated funds are moneys raised by the school, or under the auspices of the school, through extra curricular activities for the sole use of the school that the principal of each school, subject to the rules of the school board, may raise, hold, administer and expend for the purposes of the school.

Only revenue and expenses of school generated funds controlled by the Division are included in the Consolidated Statement of Revenue, Expenses and Accumulated Surplus. To be deemed as controlled, a school must have the unilateral authority to make the decisions as to when, how and on what the funds are to be spent.

Period end cash balances of all school generated funds are included in the Consolidated Statement of Financial Position. The uncontrolled portion of this amount is reflected in the School Generated Funds Liability account. Examples of uncontrolled school generated funds are parent council funds, other parent group funds, student council funds and travel club funds. Revenues and expenses of uncontrolled school generated funds are not included in the consolidated financial statements.

f) Tangible Capital Assets

Tangible capital assets are non-financial assets that are used by the Division to provide services to the public and have an economic life beyond one fiscal year. Tangible capital assets include land, buildings, buses, other vehicles, furniture and equipment, computers, capital leases, leasehold improvements, and assets under construction.

To be classified as tangible capital assets, each asset other than land must individually meet the capitalization threshold for its class as prescribed by FRAME.

Asset Description	Capitalization Threshold ($)	Estimated Useful Life (years)
Land	N/A	N/A
Land Improvements **(1)**	50,000	10
Buildings - bricks, mortar and steel	50,000	40
Buildings - wood frame	50,000	25
School buses	50,000	10
Vehicles **(2)**	10,000	5
Equipment **(3)**	10,000	5
Network Infrastructure **(4)**	25,000	10
Computer Hardware, Servers & Peripherals **(5)**	10,000	4
Computer Software **(6)**	10,000	4
Furniture & Fixtures	10,000	10
Leasehold Improvements	25,000	Over term of lease

Grouping of assets is not permitted except for computer work stations.

With the exception of land, donated capital assets and capital leases, all tangible capital assets, are recorded at historical cost, which includes purchase price, installation costs and other costs incurred to put the asset into service.

Buildings are recorded at historical cost when known. For buildings acquired prior to June 30, 2005 where the actual cost was not known, the replacement value for insurance purposes as at June 30, 2005 was regressed to the date of acquisition using a regression index based on Southam and CanaData construction cost indices.

Capital leases are recorded at the present value of the minimum lease payments excluding executory costs (e.g. insurance, maintenance costs, etc.). The discount rate used to determine the present value of the lease payments is the lower of the Division's rate for incremental borrowing or the interest rate implicit in the lease.

Donated tangible capital assets are recorded at fair market value at the date of donation. Deferred revenue is recorded in an equivalent amount, for all donated assets except land. The deferred revenue will be recognized as revenue over the useful life of the related asset, on the same basis that the asset is amortized.

All tangible capital assets, except for land, capital leases, and assets under construction, are amortized on a straight-line basis over their estimated useful lives as prescribed by FRAME. Land is not amortized. Capital leases with lease terms that have a bargain purchase option or allow ownership to pass to the Division are amortized over the useful life of the asset class. All other capital leases are amortized over the lesser of the lease term and the useful life of the asset class.

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal if not fully amortized.
Assets under construction are not amortized until the date of substantial completion. Interest on funds used to finance school buildings under construction is capitalized for the periods preceding the date of substantial completion.

g) Employee Future Benefits

The Province of Manitoba pays the employer portion of the Teachers' Retirement Allowances Fund (TRAF), the pension plan for all certified teachers of the Division. The Division does not contribute to TRAF, and no costs relating to this plan are included in the Division's financial statements.

However, the Division provides other future benefits to its employees. These benefits include supplemental employment benefits and sick leave. These benefits are event driven and the costs are recognized when the event becomes known. Effective with the 2009/2010 fiscal year, expected future payment of non-vested accumulated sick leave benefits for employees based on estimated sick days that will be used over earned per year has been set up as a future benefit.

h) Capital Reserve

Certain amounts, as approved by the Board of Trustees and the Public Schools Finance Board (PSFB), have been set aside in reserve accounts for future capital purposes. These Capital Reserve accounts are internally restricted funds that form part of the Accumulated Surplus presented in the Consolidated Statement of Financial Position.

i) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

j) Financial instruments

There are no significant terms and conditions related to financial instruments (cash, accounts receivable, investments, and bank indebtedness, accounts payable and long-term debt) that may affect the amount, timing and certainty of future cash flows. The Division is exposed to credit risk from the potential non-payment of accounts receivable. However, the majority of the receivables are from local, provincial and federal governments, and therefore, the credit risk is minimal. The carrying amounts of the financial instruments approximate their carrying values, unless otherwise noted.

3. Overdraft

The Division has an authorized line of credit with Minnedosa Credit Union of $6,500,000 by way of overdrafts and is repayable on demand at prime less 0.75%, interest is paid monthly. Overdrafts are secured by borrowing by law.

4. Employee Future Benefits

Employee future benefits are benefits earned by employees in the current period, but will not be paid out until future periods. Expected future payment of non-vested accumulated sick leave benefits for employees based on estimated sick days that will be used over earned per year has been set up as a future benefit.

Non-vested accumulated sick leave benefits are measured using net present value techniques on the expected future utilization of excess of sick benefits used over earned per year, to maximum entitlement. The impact of the estimated non-vested sick leave benefits cost for 2016/17 is an increase of the liability in the amount of $63,948.

The Division sponsors a defined contribution pension plan. The defined contribution plan is provided to support employees based on their length of service and rates of pay. Eligible employees contribute 10.65% to 12.65% of their earnings to the plan. The Division contributions equal the employee contributions to the plan. No pension liability is included in the financial statements.

Long term disability benefits are covered by an insured plan. The costs of salary compensation paid to employees on long-term disability leave are fully insured and are not included in the financial statements.

The employee future benefit expense is a part of the Employee Benefits and Allowances expense account. It includes the Division's contribution and amortized actuarial gains for the period. Any related pension interest expense is recorded under the Interest and Bank Charges account of the Operating Fund.

5. Deferred Revenue

The deferral method of accounting is used for revenues received that, pursuant to legislation, regulation or agreement, may only be used for specific purposes. These amounts are recognized as revenue in the fiscal year the related expenses are incurred or services performed. The following is a breakdown of the account balance:

	Balance as at June 30, 2016	Additions in the period	Recognized in the period	Balance as at June 30, 2017
Manitoba Textbook Bureau	$ -	$ -	$ -	$ -
General Support Grant	-		-	-
Education Property Tax Credit	295,534	783,379	958,829	120,084
	$ 295,534	$ 783,379	$ 958,829	$ 120,084

6. Borrowings from the Provincial Government

The long term borrowing of the Division is in the form of twenty-year debentures payable, principal and interest, in twenty equal yearly installments and maturing at various dates from 2018 to 2037. Payment of principal and interest is funded entirely by grants from the Province of Manitoba, except for the debenture debt on self-funded capital projects. The debentures carry interest rates that range from 3.375 % to 7.25 %. Debenture interest expense payable as at June 30, 2017, is accrued and recorded in Accrued Interest Payable, and a grant in an amount equal to the interest accrued on provincially funded debentures is recorded in Due from the Provincial Government. The debenture principal and interest repayments in the next five years are:

	Principal	Interest
2017/18	566,469	265,673
2018/19	573,255	233,440
2019/20	503,077	201,009
2020/21	417,573	172,863
2021/22	435,042	150,815
	$ 2,495,416	$ 1,023,800

7. Net Tangible Capital Assets

The Schedule of Tangible Capital Assets (TCA), page 23 of the audited financial statements, provides a breakdown of cost, accumulated amortization and net book value by class. The amount of interest capitalized in the period included in Assets under Construction was nil.

	Gross Amount	Accumulated Amortization	2017 Net Book Value
Owned-tangible capital assets	$ 29,512,540	$ 18,890,701	$ 10,621,839
Capital lease	-	-	-
	$ 29,512,540	$ 18,890,701	$ 10,621,839

8. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2017
Operating Fund	
Designated Surplus	-
Undesignated Surplus	840,723
Non-vested sick leave	(147,570)
	693,153
Capital Fund	
Reserve Accounts	2,217,069
Equity in Tangible Capital Assets	5,191,778
	7,408,847
Special Purpose Fund	
School Generated Funds	237,669
Other Special Purpose Funds	
	237,669
Total Accumulated Surplus	$ 8,339,669

Designated Surplus under the Operating Fund represents internally restricted amounts appropriated by the board or, in the case of school budget carryovers, by board policy. See page 5 of the audited financial statements for a breakdown of the Designated Surplus.

	2017
Board approved appropriation by motion	
School budget carryovers by board policy	-
Designated surplus	$ -

Reserve Accounts under the Capital Fund represents internally restricted reserves for specific purposes approved by the Board of Trustees and PSFB. A Schedule of Capital Reserve Accounts is provided on pages 24 and 24A of the audited financial statements.

	2017
Bus reserves	809,572
Other reserves	1,407,497
Division Fleet Vechicles $10,000	
High School Water and Sewer Replacement 450,000	
Gym Floor Replacment $93,823	
School Security-Serveillance System $350,000	
Maintenance/Transportation Renovations $503,674	
Capital Reserve	$ 2,217,069

School Generated Funds and Other Special Purpose Funds are externally restricted moneys for school use.

	2017
Foundation-Scholarship	-
Other - *Specify*	-
Other Special Purpose Funds	$ -

9. Municipal Government – Property Tax and related Due from Municipal

Education property tax or Special Levy is raised as the Division's contribution to the cost of providing public education for the students who reside in the division. The Municipal Government-Property Tax shown on the consolidated statement of revenue and expense is raised over the two calendar (tax) years; 42.3% from 2016 tax year and 57.7% from 2017 tax year. Below are the related revenue and receivable amounts:

	2017	2016
Revenue-Municipal Government-Property Tax	$ 8,675,887	$ 8,135,742
Receivable-Due from Municipal-Property Tax	$ 4,986,979	$ 4,687,523

10. Interest Received and Paid

The Division received interest during the year of $2,046 (previous year $5,761); interest paid during the year was $328,305 (previous year $344,874).

Interest expense is included in Fiscal and is comprised of the following:

		2017
Operating Fund		
Fiscal-short term loan, interest and bank charges	$	44,782
Capital Fund		
Interest on Borrowings from the Provinicial Government		283,523
Other interest		-
	$	328,305

The pension and other employee benefit interest expenses of $0 are included under the Operating Fund-Fiscal-short term loan, interest and bank charges.

The accrual portion of debenture debt interest expense of $91,641 included under the Capital Fund-Debenture debt interest is offset by an accrual of the debt servicing grant from the Province of Manitoba.

11. Allowance for Doubtful Accounts

All receivables presented on the consolidated statement of financial position are net of an allowance for doubtful accounts. Below is the total allowance for doubtful accounts as at June 30, 2017:

	2017
Allowance for doubtful accounts deducted from Receivable below:	
Due from First Nations	
Accounts Receivable	
	NIL
Bad debts expense (included in fiscal-Other)	NIL

12. Expenses by object

Expenses in the consolidated statement of revenue, expenses and accumulated surplus are reported by function as defined by FRAME. Below is the detail of expenses by object:

	2017	2017	2016
Salaries	$ 17,859,081	$ 17,940,910	$ 17,037,126
Employees benefits & allowances	1,363,989	1,397,685	1,316,449
Services	1,920,438	2,054,905	1,907,431
Supplies, materials & minor equipment	1,876,363	1,845,400	1,780,859
Interest	328,305	50,000	344,874
Transfers	337,825	726,255	300,461
Payroll tax	377,535	378,355	361,421
Amortization	1,094,555		1,060,425
Other capital items			
School generated funds	523,854		564,106
Other special purpose funds			
	$ 25,681,945	$ 24,393,510	$ 24,673,152

13. Non Financial Information

The 2017 figures for transportation statistics, full time equivalent personnel and senior staff allocations are unaudited and have been presented for information purposes only.

14. Special Levy Raised for la Division scolaire franco-manitobaine

In accordance with Section 190.1 of The Public Schools Act the Division is required to collect a special levy on behalf of la Division scolaire franco-manitobaine. As at June 30, 2017, the amount of this special levy was $22,581 (previous year $21,759). These amounts are not included in the Division's consolidated financial statements.

15. High Speed Connectivity Agreement

The Division has entered into a long term service agreement with Westman Communications Group to provide high speed internet and wide area network service for the majority of schools and the Division Offices in the division. The initial term of the agreement is for 10 years and there are two options to renew for a further five years each. The Division Offices and all schools except Hutterite Colony Schools and Oak River Elementary School are covered by the agreement and will utilize fiber optic cable technology. The Division has paid $1,250,000 net of taxes for this service to cover the initial 10 year service period.

16. Adoption of New Accounting Policy

Effective July 1, 2014, the division has adopted the new Public Sector Accounting Board accounting standard - Liability for Contaminated Sites, Section PS3260. The standard was applied on a retroactive basis to July 1, 2013 and did not result in any adjustments to financial liabilities, tangible capital assets or accumulated surplus of the school division.

St. James-Assiniboia School Division

Great Schools for Growing and Learning

B.J. Lough
Chief Superintendent

M.J. Friesen
Secretary-Treasurer/ Chief Financial Officer

No. 1110843

10 MF
October ~~5,~~ 2017

PricewaterhouseCoopers LLP
Richardson Building
1 Lombard Place, Suite 2300
Winnipeg, Manitoba R3B 0X6

Dear Sir:

We are providing this letter in connection with your audit of the financial statements of St. James - Assiniboia School Division (the "School Division") as at June 30, 2017 and for the year then ended for the purpose of expressing an opinion as to whether such financial statements present fairly, in all material respects, the financial position, results of operations, changes in net debt, and cash flows of the School Division in accordance with Canadian public sector accounting standards.

Management's responsibilities
We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated September 5, 2017. In particular, we confirm to you that:

- We are responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards;
- We are responsible for designing, implementing and maintaining an effective system of internal control over financial reporting to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error. In this regard, we are responsible for establishing policies and procedures that pertain to the maintenance of accounting systems and records, the authorization of receipts and disbursements, the safeguarding of assets and for reporting financial information;
- We have provided you with all relevant information and access, as agreed in the terms of the audit engagement; and
- All transactions have been recorded in the accounting records and are reflected in the financial statements.

We confirm the following representations:

Preparation of financial statements
The financial statements include all disclosures necessary for fair presentation in accordance with Canadian public sector accounting standards and disclosures otherwise required to be included therein by the laws and regulations to which the School Division is subject.

We have appropriately reconciled our books and records (e.g. general ledger accounts) underlying the financial statements to their related supporting information (e.g. sub ledger or third party data). All related reconciling items considered to be material were identified and included on the reconciliations and were appropriately adjusted in the financial statements. There were no material unreconciled differences or material general ledger suspense account items that should have been adjusted or reclassified to another account balance. There were no material general ledger suspense account items written off to a balance sheet account, which should have been written off to a profit and loss account and vice versa. All intracompany accounts have been eliminated or appropriately measured and considered for disclosure in the financial statements.

2574 Portage Avenue, Winnipeg, Manitoba Canada R3J 0H8
Telephone: 204-888-7951 Fax: 204-831-0859 Website: www.sjasd.ca

Accounting policies
We confirm that we have reviewed the School Division's accounting policies and, having regard to the possible alternative policies, our selection and application of accounting policies and estimation techniques used for the preparation and presentation of the financial statements is appropriate in the School Division's particular circumstances to present fairly in all material respects its financial position, results of operations and cash flows in accordance with Canadian public sector accounting standards.

Internal controls over financial reporting
We have designed disclosure controls and procedures to ensure material information relating to the School Division is made known to us by others.

We have designed internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with Canadian public sector accounting standards.

We have disclosed to you all deficiencies in the design or operation of disclosure controls and procedures and internal control over financial reporting that we are aware.

Completeness of transactions
All contractual arrangements entered into by the School Division with third parties have been properly reflected in the accounting records and, where material (or potentially material) to the financial statements, have been disclosed to you. We have complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance.

Fraud
We have disclosed to you:

- The results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- All information in relation to fraud or suspected fraud of which we are aware affecting the School Division involving management, employees who have significant roles in internal control or others where the fraud could have a material effect on the financial statements; and
- All information in relation to any allegations of fraud, or suspected fraud, affecting the School Division's financial statements, communicated by employees, former employees, analysts, regulators or others.

Disclosure of information
We have provided you with:

- Access to all information of which we are aware that is relevant to the preparation of the financial statements, such as records, documentation and other matters including:
  - Contracts and related data;
  - Information regarding significant transactions and arrangements that are outside the normal course of business;
  - Minutes of the meetings of shareholders, management, trustees and committees of trustees. The most recent meeting held for which minutes were made available was the Board of Trustees on August 29, 2017; and
- Additional information that you have requested from us for the purpose of the audit; and
- Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

We have no knowledge of any allegations of fraud or suspected fraud affecting the School Division received in communications from employees, former employees, analysts, regulators, short sellers, or others.

Compliance with laws and regulations
We have disclosed to you all aspects of laws, regulations and contractual agreements that may affect the financial statements, including actual or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

We are not aware of any illegal or possibly illegal acts committed by the School Division's directors, officers or employees acting on the School Division's behalf.

Accounting estimates and fair value measurements
Significant assumptions used by the School Division in making accounting estimates, including fair value accounting estimates, are reasonable.

For recorded or disclosed amounts in the financial statements that incorporate fair value measurements, we confirm that:

- The measurement methods are appropriate and consistently applied;
- The significant assumptions used in determining fair value measurements represent our best estimates, are reasonable and have been consistently applied;
- No subsequent event requires adjustment to the accounting estimates and disclosures included in the financial statements; and
- The significant assumptions used in determining fair value measurements are consistent with the School Division's planned courses of action. We have no plans or intentions that have not been disclosed to you, which may materially affect the recorded or disclosed fair values of assets or liabilities.

Significant estimates and measurement uncertainties known to management that are required to be disclosed in accordance with CPA Canada Public Sector Accounting Handbook Section PS 2130, Measurement Uncertainty, have been appropriately disclosed.

Related parties
We confirm that we have disclosed to you the identity of related parties as defined by Canadian Auditing Standard 550, Related Parties, and all the related party relationships and transactions.

We have not identified any related party transactions, as defined by Canadian Auditing Standard 550, Related Parties.

Going concern
We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements (e.g. to dispose of the business or to cease operations).

Assets and liabilities
We have satisfactory title or control over all assets. All liens or encumbrances on the School Division's assets and assets pledged as collateral, to the extent material, have been disclosed in the financial statements.

We have recorded or disclosed, as appropriate, all liabilities, in accordance with Canadian public sector accounting standards. All liabilities and contingencies, including those associated with guarantees, whether written or oral, under which the School Division is contingently liable in accordance with the CPA Canada Public Sector Accounting Handbook Section PS 3300, Contingent Liabilities, have been disclosed to you and are appropriately reflected in the financial statements.

Litigation and claims
All known actual or possible litigation and claims, which existed at the statement of financial position date or exist now, have been disclosed to you and accounted for and disclosed in accordance with Canadian public sector accounting standards, whether or not they have been discussed with legal counsel.

Misstatements detected during the audit
Certain representations in this letter are described as being limited to those matters that are material. Items are also considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement.

We confirm that the financial statements are free of material misstatements, including omissions.

The effects of the uncorrected misstatements in the financial statements, as summarized in the accompanying schedule (Appendix A), is immaterial, to the financial statements taken as a whole. We confirm that we are not aware of any uncorrected misstatements other than those included in Appendix A.

There are no adjusted misstatements identified during your audit.

Events after balance sheet date
We have identified all events that occurred between the statement of financial position date and the date of this letter that may require adjustment of, or disclosure in, the financial statements, and have effected such adjustment or disclosure.

Retirement benefits, post-employment benefits, compensated absences and termination benefits
All arrangements to provide retirement benefits, post-employment benefits, compensated absences and termination benefits have been identified to you and have been included in the actuarial valuation as required.

The details of all pension plan amendments since December 31, 2016, the date of the last actuarial valuation, have been identified to you and have been included in the actuarial valuation report as required.

The actuarial assumptions and methods used to measure liabilities and costs for financial accounting purposes for pension and other post-retirement benefits are appropriate in the circumstances.

The School Division does not plan to make frequent amendments to the pension or other post-retirement benefit plans.

All changes to the plan and the employee group and the plan's performance since the last actuarial valuation have been reviewed and considered in determining the plan expense and the estimated actuarial present value of accrued pension benefits and value of plan assets.

The School Division's actuaries have been provided with all information required to complete their valuation as at December 31, 2016 and their extrapolation to June 30, 2017.

We confirm that the extrapolations are accurate and include the proper reflection of the effects of changes and events occurring subsequent to the most recent valuation that had a material effect on the extrapolations.

The employee future benefit costs, assets and obligations have been determined, accounted for and disclosed in accordance with CPA Canada Public Sector Accounting Handbook Section PS 3250, Retirement Benefits and CPA Canada Public Sector Accounting Handbook Section PS 3255, Post-employment Benefits, Compensated Absences and Termination Benefits. In particular:

The significant accounting policies that the School Division has adopted in applying CPA Canada Public Sector Accounting Handbook Section PS 3250 and CPA Canada Public Sector Accounting Handbook Section PS 3255 are accurately and completely disclosed in the notes to the financial statements. Each of the best estimate assumptions used reflects management's judgment of the most likely outcomes of future events.

The best estimate assumptions used are, as a whole, internally consistent, and consistent with the asset valuation method adopted.

The discount rate used to determine the accrued benefit obligation was determined by reference to the School Division's plan asset earnings using assumptions that are internally consistent with other actuarial assumptions used in the calculation of the accrued benefit obligation and plan assets.

The assumptions included in the actuarial valuation are those that management instructed Ellement Consulting Actuaries to use in computing amounts to be used by management in determining pension costs and obligations and in making required disclosures in the above-named financial statements, in accordance with CPA Canada Public Sector Accounting Handbook Section PS 3250.

In arriving at these assumptions, management has obtained the advice of Ellement Consulting Actuaries, but has retained the final responsibility for the assumptions.

The source data and plan provisions provided to the actuary for preparation of the actuarial valuation are accurate and complete.

The percentage of the fair value of total plan assets represented by each major category held at the measurement date is not disclosed because it is not expected to be useful in understanding the risks and expected long-term rate of return for the plan assets.

All changes to plan provisions or events occurring subsequent to the date of the actuarial valuation and up to the date of this letter have been considered in the determination of pension costs and obligations and as such have been communicated to you as well as to the actuary.

Yours truly,

St. James - Assiniboia School Division

Original Document Signed

Mr. Mike Friesen
Secretary-Treasurer / CFO

pwc

October 10, 2017

Independent Auditor's Report

To the Board of Trustees of
St. James-Assiniboia School Division

We have audited the accompanying financial statements of St. James-Assiniboia School Division, which comprise the statement of financial position as at June 30, 2017 and the statements of revenue, expenses and accumulated surplus, change in net debt and cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

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

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

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

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

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of St. James-Assiniboia School Division as at June 30, 2017 and the results of its operations, the change in its net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

PricewaterhouseCoopers LLP
One Lombard Place, Suite 2300, Winnipeg, Manitoba, Canada R3B 0X6
T: +1 204 926 2400, F: +1 204 944 1020

I hereby certify that the preceding report has been presented to the members of the Board of St. James-Assiniboia School Division.

Oct 24/17 — Date

Original Document Signed — Chairperson

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2017	2016
	Financial Assets		
	Cash and Bank	3,565,141	2,322,719
	Due from - Provincial Government	3,285,854	3,243,563
	- Federal Government	104,476	70,313
	- Municipal Government	24,186,146	22,234,818
	- Other School Divisions	-	22,164
	- First Nations	6,434	32,960
	Accounts Receivable	254,825	170,712
	Accrued Investment Income	-	-
	Portfolio Investments	-	-
		31,402,876	28,097,249
	Liabilities		
	Overdraft	-	-
	Accounts Payable	6,519,738	6,173,968
	Accrued Liabilities	5,785,308	5,653,892
*	Employee Future Benefits	1,844,389	1,815,697
	Accrued Interest Payable	376,299	335,979
	Due to - Provincial Government	-	-
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
*	Deferred Revenue	7,536,130	7,128,128
*	Borrowings from the Provincial Government	23,374,055	21,719,277
	Other Borrowings	-	-
	School Generated Funds Liability	164,586	187,395
		45,600,505	43,014,336
	Net Debt	(14,197,629)	(14,917,087)
	Non-Financial Assets		
*	Net Tangible Capital Assets (TCA Schedule)	49,685,357	49,337,399
	Inventories	-	-
	Prepaid Expenses	499,917	444,734
		50,185,274	49,782,133
*	**Accumulated Surplus**	35,987,645	34,865,046

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes			2017	2016
	Revenue			
	Provincial Government		61,048,812	60,570,590
	Federal Government		-	-
	Municipal Government	- Property Tax	44,286,375	40,899,886
		- Other	-	-
	Other School Divisions		609,670	704,460
	First Nations		243,955	179,632
	Private Organizations and Individuals		3,173,638	2,800,183
	Other Sources		941,305	819,747
	School Generated Funds		783,754	737,122
	Other Special Purpose Funds		-	-
			111,087,509	106,711,620
	Expenses			
	Regular Instruction		59,544,915	57,575,098
	Student Support Services		22,188,693	21,859,826
	Adult Learning Centres		-	-
	Community Education and Services		998,811	1,030,396
	Divisional Administration		3,588,924	3,645,579
	Instructional and Other Support Services		3,590,232	3,525,141
	Transportation of Pupils		2,560,230	2,108,214
	Operations and Maintenance		10,473,510	10,848,005
*	Fiscal	- Interest	1,092,884	1,048,742
		- Other	1,768,178	1,686,587
	Amortization		3,382,004	3,297,462
	Other Capital Items		8,256	38,083
	School Generated Funds		724,105	802,901
	Other Special Purpose Funds		-	-
			109,920,742	107,466,034
	Current Year Surplus (Deficit) before Non-vested Sick Leave		1,166,767	(754,414)
	Less: Non-vested Sick Leave Expense (Recovery)		44,168	(59,006)
	Net Current Year Surplus (Deficit)		1,122,599	(695,408)
	Opening Accumulated Surplus		34,865,046	35,560,454
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	-
		Other than Tangible Cap. Assets	-	-
		Non-vested sick leave - prior years	-	-
	Opening Accumulated Surplus, as adjusted		34,865,046	35,560,454
	Closing Accumulated Surplus		35,987,645	34,865,046

See accompanying notes to the Financial Statements

* NOTE REQUIRED

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2017

	2017	2016
Net Current Year Surplus (Deficit)	1,122,599	(695,408)
Amortization of Tangible Capital Assets	3,382,004	3,297,462
Acquisition of Tangible Capital Assets	(3,729,962)	(5,192,362)
(Gain) / Loss on Disposal of Tangible Capital Assets	-	34,380
Proceeds on Disposal of Tangible Capital Assets	-	-
	(347,958)	(1,860,520)
Inventories (Increase)/Decrease	-	-
Prepaid Expenses (Increase)/Decrease	(55,183)	(85,145)
	(55,183)	(85,145)
(Increase)/Decrease in Net Debt	719,458	(2,641,073)
Net Debt at Beginning of Year	(14,917,087)	(12,276,014)
Adjustments Other than Tangible Cap. Assets	-	-
	(14,917,087)	(12,276,014)
Net Debt at End of Year	(14,197,629)	(14,917,087)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2017

	2017	2016
Operating Transactions		
Net Current Year Surplus (Deficit)	1,122,599	(695,408)
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	3,382,004	3,297,462
(Gain)/Loss on Disposal of Tangible Capital Assets	-	34,380
Employee Future Benefits Increase/(Decrease)	28,692	7,008
Due from Other Organizations (Increase)/Decrease	(1,979,092)	(1,441,721)
Accounts Receivable & Accrued Income (Increase)/Decrease	(84,113)	(85,192)
Inventories and Prepaid Expenses - (Increase)/Decrease	(55,183)	(85,145)
Due to Other Organizations Increase/(Decrease)	-	-
Accounts Payable & Accrued Liabilities Increase/(Decrease)	517,506	(84,326)
Deferred Revenue Increase/(Decrease)	408,002	185,007
School Generated Funds Liability Increase/(Decrease)	(22,809)	29,600
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by (Applied to) Operating Transactions	3,317,606	1,161,665
Capital Transactions		
Acquisition of Tangible Capital Assets	(3,729,962)	(5,192,362)
Proceeds on Disposal of Tangible Capital Assets	-	-
Cash Provided by (Applied to) Capital Transactions	(3,729,962)	(5,192,362)
Investing Transactions		
Portfolio Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
Financing Transactions		
Borrowings from the Provincial Government Increase/(Decrease)	1,654,778	1,506,359
Other Borrowings Increase/(Decrease)	-	-
Cash Provided by (Applied to) Financing Transactions	1,654,778	1,506,359
Cash and Bank / Overdraft (Increase)/Decrease	1,242,422	(2,524,338)
Cash and Bank (Overdraft) at Beginning of Year	2,322,719	4,847,057
Cash and Bank (Overdraft) at End of Year	3,565,141	2,322,719

St. James - Assiniboia School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2017

	Buildings and Leasehold Improvements		School	Other	Furniture / Fixtures &	Computer Hardware &		Land	Assets Under	2017	2016
	School	Non-School	Buses	Vehicles	Equipment	Software *	Land	Improvements	Construction	TOTALS	TOTALS
Tangible Capital Asset Cost											
Opening Cost, as previously reported	76,296,745	4,324,198	948,680	721,711	3,666,843	3,436,687	7,025,776	6,749,599	1,578,487	104,748,726	100,403,098
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	76,296,745	4,324,198	948,680	721,711	3,666,843	3,436,687	7,025,776	6,749,599	1,578,487	104,748,726	100,403,098
Add:											
Additions during the year	3,236,704	128,475	-	-	205,380	96,381	-	604,800	(541,778)	3,729,962	5,192,362
Less:											
Disposals and write downs	-	-	-	-	148,725	36,754	-	-	-	185,479	846,734
Closing Cost	79,533,449	4,452,673	948,680	721,711	3,723,498	3,496,314	7,025,776	7,354,399	1,036,709	108,293,209	104,748,726
Accumulated Amortization											
Opening, as previously reported	42,850,523	2,955,439	608,471	639,542	3,158,376	2,111,831		3,087,145		55,411,327	52,926,219
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	42,850,523	2,955,439	608,471	639,542	3,158,376	2,111,831		3,087,145		55,411,327	52,926,219
Add:											
Current period Amortization	2,061,294	94,703	60,165	31,385	207,790	325,566		601,101		3,382,004	3,297,462
Less:											
Accumulated Amortization on Disposals and Writedowns	-	-	-	-	148,725	36,754		-		185,479	812,354
Closing Accumulated Amortization	44,911,817	3,050,142	668,636	670,927	3,217,441	2,400,643		3,688,246		58,607,852	55,411,327
Net Tangible Capital Asset	34,621,632	1,402,531	280,044	50,784	506,057	1,095,671	7,025,776	3,666,153	1,036,709	49,685,357	49,337,399
Proceeds from Disposal of Capital Assets	-	-	-	-	-	-				-	-

* Includes network infrastructure.

1 Nature of organization and economic dependence

St. James-Assiniboia School Division (the Division) is a public body that provides education services to residents within its geographic location. The Division is funded mainly by grants from the Province of Manitoba (the Province), and a special levy on the property assessment included in the Division's boundaries. The Division is exempt from income tax and is a registered charity under the Income Tax Act.

The Division is economically dependent on the Province for the majority of its revenue and capital financing requirements. Without this funding, the Division would not be able to continue its operations.

2 Summary of significant accounting policies

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles established by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada (CPA Canada).

a) Reporting entity

The financial statements reflect the assets, liabilities, revenues and expenses of the Operating Fund, Capital Fund, and Special Purpose Fund of the Division. The Division's reporting entity includes school generated funds controlled by the Division.

The Operating Fund is maintained to record all the day to day operating revenues and expenses. The Capital Fund is used to account for the acquisition, amortization, disposal and financing of capital assets. The Special Purpose Fund is used to account for school generated funds controlled by the Division.

All inter-fund accounts and transactions are eliminated in the Division's financial statements.

b) Basis of accounting

Revenues and expenses are reported on the accrual basis of accounting except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable. 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.

c) Revenue

The deferral method of accounting is used for revenues received that, pursuant to legislation, regulation or agreement, may only be used for specific purposes. These amounts are recognized as revenue in the fiscal year the related expenses are incurred or the services performed.

d) School generated funds

School generated funds are monies raised by the school, or under the auspices of the school, through extracurricular activities for the sole use of the school that the principal of each school, subject to the rules of the school board, may raise, hold, administer and expend for the purposes of the school.

Only revenue and expenses of school generated funds controlled by the Division are included in the statement of revenue, expenses and accumulated surplus. To be deemed as controlled, a school must have the unilateral authority to make the decisions as to when, how and on what the funds are to be spent.

Year-end cash balances of all school generated funds are included in the statement of financial position. The uncontrolled portion of this amount is reflected in the School Generated Funds Liability account. Examples of uncontrolled school generated funds are parent council funds, other parent group funds, student council funds and travel club funds. Revenues and expenses of uncontrolled school generated funds are not included in the financial statements.

e) Tangible capital assets

Tangible capital assets are non-financial assets that are used by the Division to provide services to the public and have an economic life beyond one year. Tangible capital assets include land, buildings, buses, other vehicles, furniture and equipment, computers and assets under construction.

To be classified as tangible capital assets, each asset other than land must individually meet the capitalization threshold for its class as follows:

Asset description	Capitalization threshold $	Estimated useful life (years)
Land improvements	50,000	10
Buildings (school and non-school)		
Bricks, mortar and steel	50,000	15 - 40
Wood frame	50,000	15 - 25
School buses	50,000	10
Other vehicles	10,000	5
Equipment	10,000	5
Network infrastructure	25,000	10
Computer hardware	10,000	4
Computer software	10,000	4
Furniture and fixtures	10,000	10

Grouping of assets is not permitted except for computer workstations.

With the exception of land and donated capital assets, all tangible capital assets are recorded at historical cost. Cost includes the purchase price, installation costs and other costs incurred to put the asset into service.

Buildings are recorded at historical cost when known. For buildings acquired prior to June 30, 2005, where the historical cost was not known, buildings have been recorded based on the replacement value for insurance purposes as at June 30, 2005 regressed to the date of acquisition using a regression index based on Southam and CanaData construction cost indices.

Donated tangible capital assets are recorded at fair value at the date of donation. Deferred revenue is recorded in an equivalent amount for all donated assets except land. The deferred revenue is recognized as revenue on the same basis that the related asset is amortized.

Land is recorded at historical cost when known. For land acquired prior to June 30, 2006, where historical cost was not known, land has been recorded based on values determined by the Crown Lands and Property Agency.

All tangible capital assets, except for land and assets under construction, are amortized on a straight-line basis over their estimated useful lives. Land is not amortized.

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal if not fully amortized.

Assets under construction are not amortized until the date of substantial completion. Interest on funds used to finance school buildings under construction is capitalized for the periods preceding the date of substantial completion.

f) Employee future benefits

The Province pays the employer portion of the Teachers' Retirement Allowances Fund (TRAF), the pension plan for all certified teachers of the Division. The Division does not contribute to TRAF, and no costs relating to this plan are included in the Division's financial statements.

However, the Division provides retirement and other future benefits to its non-teacher employees. These benefits include a defined benefit pension plan for non-teacher employees, vacation pay and parental leave benefits. The Division adopted the following policies with respect to accounting for these employee future benefits:

i) Defined benefit pension plan

Under this plan, benefits to be received by employees or the method for determining those benefits have been specified by the Division. The actuarial risk (with respect to the amount of the benefit that each employee will receive) and the investment risk (with respect to the investment returns on any assets set aside to pay for the cost of these benefits) are assumed by the Division. An accrued benefit asset is presented net of any valuation allowance.

A market discount rate is used to measure the benefit obligations. The expected return on pension plan assets is calculated on the market related value of the assets. The cost of the plan is actuarially determined using the projected benefit method pro-rated on years of employee service, final average salary levels during specified years of employment, retirement ages of employees and other actuarial factors, together with the expected rate of return on pension plan assets. Current service costs and interest costs on the benefit obligation are charged to income as they accrue. Actuarial gains and losses are amortized to earnings on a straight-line basis over the expected average remaining service lives (12 years) of active plan members.

ii) Other future benefits

For those benefit obligations that are event driven (vacation pay and parental leave), the benefit costs are recognized and recorded when earned.

The employee future benefits expense includes the Division's contribution for the period.

iii) Non-vested sick leave

For non-vesting accumulating sick days, the benefit costs are recognized, based on a projection of expected future utilization of sick time, discounted using net present value techniques.

g) Capital reserve

Certain amounts, as approved by the Board of Trustees and the Public Schools Finance Board (PSFB), have been set aside in reserve accounts for future capital purposes. These capital reserve accounts are internally restricted funds that form part of the accumulated surplus presented in the statement of financial position (note 9).

h) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles established by the Public Sector Accounting Board of CPA Canada requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period.

3 Overdraft

The Division has an authorized line of credit with The Royal Bank of Canada of $15,000,000 by way of overdrafts and is repayable on demand at prime less 0.25%; interest is paid monthly.

4 Employee future benefits

Employee future benefits are benefits earned by employees, but will not be paid out until future years.

	2017 $	2016 $
Employee future benefit liabilities		
Defined benefit pension plan - accrued benefit asset	-	-
Maternity leave earned	428,905	455,970
Vacation payable	736,019	724,430
Non-vested accumulated sick leave (note 9)	679,465	635,297
Total employee future benefit liability	1,844,389	1,815,697

The Division sponsors a defined benefit plan for non-teaching employees that is actuarially valued every three years using a number of assumptions about future events, including inflation rate (2%), wage and salary increases (3%), and employee turnover and mortality to determine the accrued benefit obligation. The most recent actuarial report was prepared as at December 31, 2015. The expected average remaining service life of the related employee groups is 12 years. Pension plan assets are valued at market related values and the expected rate of return is 5.50%.

As at June 30, 2017, there were 506 active members, 187 deferred benefit members and 284 pensioners receiving payments.

Non-vested accumulated sick leave benefits are measured using net present value techniques on the expected future utilization of excess of sick benefits used over earned per year, to maximum entitlement. The impact of the estimated non-vested sick leave benefit cost for 2017 is $44,168 (2016 - a recovery of $59,006).

	2017 $	2016 $
Change in accrued benefit obligation		
Balance - beginning of year	52,718,001	49,727,523
Current service cost		
Division	1,037,654	815,695
Employees	1,668,385	1,427,622
Interest cost	2,905,564	2,727,445
Benefits paid	(2,376,888)	(2,414,028)
Non-investment expenses paid	(108,295)	(104,531)
Actual experience loss	646,407	538,275
Balance - end of year	56,490,828	52,718,001
Change in plan assets		
Market related value - beginning of year	52,915,219	48,689,015
Contributions		
Division	1,648,275	1,398,929
Employees	1,668,385	1,427,622
Expected return on plan assets	2,933,203	2,686,366
Experience gain	1,962,806	1,231,846
Benefits paid	(2,376,888)	(2,414,028)
Non-investment expenses paid	(108,295)	(104,531)
Market related value - end of year	58,642,705	52,915,219
Funded status		
Benefit obligation less than plan assets	2,151,878	197,218
Unamortized net actuarial gain	(1,316,399)	(693,571)
Valuation allowance	(835,479)	496,353
Accrued benefit asset	-	-
Net benefit plan cost		
Current service cost - Division	1,037,654	815,695
Interest cost	2,905,564	2,727,445
Expected return on plan assets	(2,933,203)	(2,686,366)
Amortization of actuarial gains	622,828	270,491
Valuation allowance	15,432	271,664
Net benefit plan expense for the year	1,648,275	1,398,929

As at June 30, 2017, total additional contributions to the plan are $1,827,885 (2016 - $1,827,855) and these contributions may, at the Division's discretion, be used to reduce or eliminate future contribution requirements if and when the plan's assets are in a surplus position as determined by the actuary of the plan.

	2017 %	2016 %
Plan assets in equities (includes real estate)	66.73	54.40
Plan assets in fixed income	33.27	45.60

	2017 %	2016 %
Significant assumptions		
Accrued benefit obligation as at June 30		
Discount rate	5.50	5.50
Rate of compensation increase	3.00	3.00
Net benefit plan cost for the year ended June 30		
Discount rate	5.50	5.50
Expected return on plan assets	5.50	5.50
Rate of compensation increase	3.00	3.00
Expected Average Remaining Service Life (EARSL)	12 years	12 years

Maternity leave earned and vacation payable are defined benefits that are recognized and recorded when earned.

5 Deferred revenue

The following is a breakdown of deferred revenue:

	Balance as at June 30, 2016 $	Additions in the year $	Revenue recognized in the year $	Balance as at June 30, 2017 $
Donated capital assets	246,688	46,685	40,637	252,736
International student program fees	972,679	1,396,195	972,679	1,396,195
Province of MB Green Team Grant	7,177	6,394	7,177	6,394
Property tax	5,899,584	5,880,805	5,899,584	5,880,805
Grant - Stevenson Britannia	2,000	-	2,000	-
	7,128,128	7,330,079	6,922,077	7,536,130

6 School generated funds liability

School generated funds liability includes the non-controlling portion of school generated funds consolidated in the cash balance in the amount of $164,586.

	2017 $	2016 $
Parent council funds	620	529
Student funds (including travel)	135,420	167,487
Other	28,546	19,379
	164,586	187,395

7 Debenture debt

The debenture debt of the Division is in the form of twenty-year debentures payable, principal and interest, in twenty equal yearly instalments and maturing at various dates from 2017 to 2037 and is owing to the Public Schools Finance Board (PSFB). Payment of principal and interest is funded entirely by grants from the Province, except for the debenture debt on self-funded capital projects. There were no self-funded capital projects outstanding during the year. The debentures carry interest rates that range from 3.00% to 8.38%.

Debenture interest expense payable as at June 30, 2017, is accrued and recorded in accrued interest payable, and a grant in an amount equal to the interest accrued on provincially funded debentures is recorded in due from the provincial government. The debenture principal and interest repayments in the next five years are as follows:

	Principal $	Interest $	Total $
2017 - 2018	1,479,978	1,035,592	2,515,570
2018 - 2019	1,521,604	960,250	2,481,854
2019 - 2020	1,566,065	882,938	2,449,003
2020 - 2021	1,527,172	803,462	2,330,634
2021 - 2022	1,543,838	728,276	2,272,114

8 Tangible capital assets

The schedule of tangible capital assets (schedule attached) of the audited financial statements provides a breakdown of cost, accumulated amortization and net book value by class.

A summary is as follows:

	2017			2016
	Gross amount $	Accumulated amortization $	Net book value $	Net book value $
Tangible capital assets	108,293,209	58,607,852	49,685,357	49,337,399

9 Accumulated surplus

The accumulated surplus is comprised of the following:

	2017 $	2016 $
Operating Fund		
Designated surplus	489,721	843,290
Undesignated surplus	4,229,583	2,900,807
Non-vested sick leave	(679,465)	(635,297)
	4,039,839	3,108,800
Capital Fund		
Reserve accounts	6,537,809	6,537,809
Equity in tangible capital assets	25,027,772	24,895,861
	31,565,581	31,433,670
Special Purpose Fund		
School generated funds	382,225	322,576
Total accumulated surplus	35,987,645	34,865,046

The designated surplus under the Operating Fund represents internally restricted amounts appropriated by the Board or, in the case of school budget carryovers, by board policy.

	2017 $	2016 $
Middle years reorganization	379,000	764,000
School budget carryovers by board policy	110,721	79,290
Designated surplus	489,721	843,290

Reserve accounts under the Capital Fund represent internally restricted reserves for specific projects approved by the Board of Trustees and the PSFB.

	2017 $	2016 $
Undesignated	115,094	115,094
Information technology	1,200,000	1,200,000
Equipment/vehicle	500,000	500,000
School building reserve	3,376,130	3,376,130
School bus reserve	827,000	827,000
Other reserves - Sturgeon Heights Reserve	19,585	19,585
Lease reserve	500,000	500,000
Capital reserve	6,537,809	6,537,809

School generated funds and other special purpose funds are externally restricted monies for school use.

10 Interest received and paid

The Division received interest during the year of $102,559 (2016 - $89,501); interest paid during the year was $1,092,884 (2016 - $1,048,742).

Interest expense is included in fiscal on the statement of revenue, expenses and accumulated surplus and is comprised of the following:

	2017 $	2016 $
Operating Fund		
Fiscal short-term loan, interest and bank charges	52,100	47,098
Capital Fund		
Debenture debt interest	1,040,784	1,001,644
	1,092,884	1,048,742

The accrued portion of debenture debt interest expense of $376,299 (2016 - $335,979) is offset by an accrual of the debt servicing grant from the province.

11 Expenses by object

Expenses in the statement of revenue, expenses and accumulated surplus are reported by function. Below is the detail of expenses by object:

	2017 $	2016 $
Salaries	79,891,433	77,469,189
Employees' benefits and allowances	6,115,430	6,286,665
Services	11,020,342	10,623,990
Supplies, materials and minor equipment	5,496,432	5,734,775
Interest and bank charges	52,100	47,098
Interest - debenture	1,040,784	1,001,644
Payroll tax	1,768,178	1,686,587
Transfers	421,678	477,640
Amortization	3,382,004	3,297,462
School generated funds	724,105	802,901
Other capital items	8,256	38,083
	109,920,742	107,466,034

12 Contractual obligations

Agreements with respect to student transportation were entered into for terms ranging from one to five years. The specific costs for these services are approximately $1,705,787 for 2017 - 2018. As costs are based on student enrolment and transportation requirements, the service agreements do not contain predetermined costs for subsequent years.

13 Lease revenue

The Division recorded lease revenue of $391,549 from other sources relating to various unoccupied building space. Minimum payments under the lease terms over the next three years are as follows:

	$
2017 - 2018	103,580
2018 - 2019	105,545
2019 - 2020	107,558

14 Special levy raised for la Division scolaire franco-manitobaine

In accordance with Section 190.1 of The Public Schools Act, the Division is required to collect a special levy on behalf of la Division scolaire franco-manitobaine. For the year ended June 30, 2017, the amount of this special levy was $815,994 (2016 - $563,965). These amounts are not included in the Division's financial statements.

St. James-Assiniboia School Division

Schedule of Tangible Capital Assets

For the year ended June 30, 2017

	Buildings and leasehold improvements									2017	2016
	School $	Non-school $	School buses $	Other vehicles $	Furniture, fixtures and equipment $	Computer hardware and software* $	Land $	Land improvements $	Assets under construction $	Total $	Total $
Tangible capital asset cost											
Opening cost	76,296,745	4,324,198	948,680	721,711	3,666,843	3,436,689	7,025,772	6,749,601	1,578,487	104,748,726	100,403,098
Add: Additions during the year	3,236,704	128,475	-	-	205,380	96,381	-	604,800	(541,778)	3,729,962	5,192,362
Less: Disposals and writedowns	-	-	-	-	(148,725)	(36,754)	-	-	-	(185,479)	(846,734)
Closing cost	79,533,449	4,452,673	948,680	721,711	3,723,498	3,496,316	7,025,772	7,354,401	1,036,709	108,293,209	104,748,726
Accumulated amortization											
Opening balance	42,850,522	2,955,438	608,471	639,542	3,158,374	2,111,832	-	3,087,148	-	55,411,327	52,926,219
Add: Current period amortization	2,061,294	94,703	60,165	31,385	207,790	325,566	-	601,101	-	3,382,004	3,297,462
Less: Accumulated amortization on disposals and writedowns	-	-	-	-	(148,725)	(36,754)	-	-	-	(185,479)	(812,354)
Closing accumulated amortization	44,911,816	3,050,141	668,636	670,927	3,217,439	2,400,644	-	3,688,249	-	58,607,852	55,411,327
Net tangible capital assets	34,621,633	1,402,532	280,044	50,784	506,059	1,095,672	7,025,772	3,666,152	1,036,709	49,685,357	49,337,399
Proceeds from disposal of capital assets	-	-	-	-	-	-	-	-	-	-	-

* Includes network infrastructure.

Rivière Seine River

Seine River School Division • 475-A Senez St. • Lorette MB • R0A 0Y0 • 204 878-4713 • 204 878-4717(fax) • www.srsd.mb.ca

MANAGEMENT REPORT

Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of Seine River School Division ("Division") are the responsibility of the Division's management and have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board of Chartered Professional Accountants Canada. A summary of the significant accounting policies are described in Note 2 to the consolidated financial statements.

The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. Division management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The Board of Trustees of the Division met with management to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by BDO Canada LLP, independent external auditor, appointed by the Board of Trustees. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Division's consolidated financial statements.

Original Document Signed

Secretary-Treasurer

October 24, 2017

BDO

Tel.: 204 956 7200
Fax.: 204 926 7201
Toll-free: 800 268 3337
www.bdo.ca

BDO Canada LLP
700 - 200 Graham Avenue
Winnipeg MB R3C 4L5 Canada

Independent Auditor's Report

To the Board of Trustees of
Seine River School Division

We have audited the accompanying consolidated financial statements of **Seine River School Division** ("Division"), which comprise the consolidated statement of financial position as at June 30, 2017, and the consolidated statement of revenue, expenses and accumulated surplus, statement of change in net debt and statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the 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.

Auditor's 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 auditor's 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 financial position of **Seine River School Division** as at June 30, 2017, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

BDO Canada LLP

Chartered Professional Accountants

Winnipeg, Manitoba
October 24, 2017

I hereby certify that this report and the statements, schedules and reports referenced herein have been presented to the Members of the Board of Trustees of the above-mentioned Division.

October 24, 2017
Date

Original Document Signed
Chairperson

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2017	2016
	Financial Assets		
	Cash and Bank	-	-
	Due from - Provincial Government	1,090,737	1,104,511
	- Federal Government	145,041	164,566
10	- Municipal Government	9,606,955	8,858,388
	- Other School Divisions	13,337	-
	- First Nations	-	-
	Accounts Receivable	119,713	39,283
	Accrued Investment Income	-	-
	Portfolio Investments	-	-
		10,975,783	10,166,748
	Liabilities		
3	Overdraft	3,656,592	3,617,951
	Accounts Payable	1,428,642	1,522,379
	Accrued Liabilities	640,260	687,754
4	Employee Future Benefits	165,276	176,903
	Accrued Interest Payable	511,968	550,550
	Due to - Provincial Government	170,648	161,360
	- Federal Government	2,148,275	2,097,763
	- Municipal Government	68,334	67,288
	- Other School Divisions	-	-
	- First Nations	-	-
5	Deferred Revenue	1,296,850	751,508
6	Borrowings from the Provincial Government	27,086,156	27,237,866
7	Other Borrowings	-	-
	School Generated Funds Liability	51,149	42,280
		37,224,150	36,913,602
	Net Debt	(26,248,367)	(26,746,854)
	Non-Financial Assets		
8	Net Tangible Capital Assets (TCA Schedule)	38,665,267	37,919,027
	Inventories	-	-
	Prepaid Expenses	13,069	508
		38,678,336	37,919,535
9	**Accumulated Surplus**	12,429,969	11,172,681

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes			2017	2016
	Revenue			
	Provincial Government		40,204,483	39,320,407
	Federal Government		112,864	15,748
10	Municipal Government	- Property Tax	14,592,037	13,243,525
		- Other	-	-
	Other School Divisions		303,538	300,736
	First Nations		-	32,956
	Private Organizations and Individuals		158,901	51,917
	Other Sources		63,505	100,080
	School Generated Funds		701,176	733,127
	Other Special Purpose Funds		-	-
			56,136,504	53,798,496
12	**Expenses**			
	Regular Instruction		28,984,408	27,588,757
	Student Support Services		8,512,089	8,151,758
	Adult Learning Centres		315,175	311,899
	Community Education and Services		443,060	354,871
	Divisional Administration		1,691,192	1,617,939
	Instructional and Other Support Services		1,673,868	1,600,650
	Transportation of Pupils		3,171,465	3,108,546
	Operations and Maintenance		5,071,713	4,719,866
11	Fiscal	- Interest	1,255,841	1,290,987
		- Other	827,797	792,859
	Amortization		2,222,140	2,151,267
	Other Capital Items		-	-
	School Generated Funds		722,095	785,437
	Other Special Purpose Funds		-	-
			54,890,843	52,474,836
	Current Year Surplus (Deficit) before Non-vested Sick Leave		1,245,661	1,323,660
	Less: Non-vested Sick Leave Expense (Recovery)		(11,627)	(5,431)
	Net Current Year Surplus (Deficit)		1,257,288	1,329,091
9	Opening Accumulated Surplus		11,172,681	9,843,590
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	-
		Other than Tangible Cap. Assets	-	-
		Non-vested sick leave - prior years	-	-
9	Opening Accumulated Surplus, as adjusted		11,172,681	9,843,590
9	**Closing Accumulated Surplus**		12,429,969	11,172,681

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2017

	2017	2016
Net Current Year Surplus (Deficit)	1,257,288	1,329,091
Amortization of Tangible Capital Assets	2,222,140	2,151,267
Acquisition of Tangible Capital Assets	(3,033,067)	(2,998,243)
(Gain) / Loss on Disposal of Tangible Capital Assets	(8,913)	(2,500)
Proceeds on Disposal of Tangible Capital Assets	73,600	2,500
	(746,240)	(846,976)
Inventories (Increase)/Decrease	-	-
Prepaid Expenses (Increase)/Decrease	(12,561)	43,360
	(12,561)	43,360
(Increase)/Decrease in Net Debt	498,487	525,475
Net Debt at Beginning of Year	(26,746,854)	(27,272,329)
Adjustments Other than Tangible Cap. Assets	-	-
	(26,746,854)	(27,272,329)
Net Debt at End of Year	(26,248,367)	(26,746,854)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2017

	2017	2016
Operating Transactions		
Net Current Year Surplus (Deficit)	1,257,288	1,329,091
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	2,222,140	2,151,267
(Gain)/Loss on Disposal of Tangible Capital Assets	(8,913)	(2,500)
Employee Future Benefits Increase/(Decrease)	(11,627)	(5,431)
Due from Other Organizations (Increase)/Decrease	(728,605)	(416,571)
Accounts Receivable & Accrued Income (Increase)/Decrease	(80,430)	15,576
Inventories and Prepaid Expenses - (Increase)/Decrease	(12,561)	43,360
Due to Other Organizations Increase/(Decrease)	60,846	248,569
Accounts Payable & Accrued Liabilities Increase/(Decrease)	(179,813)	83,378
Deferred Revenue Increase/(Decrease)	545,342	(711,572)
School Generated Funds Liability Increase/(Decrease)	8,869	(3,697)
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by (Applied to) Operating Transactions	3,072,536	2,731,470
Capital Transactions		
Acquisition of Tangible Capital Assets	(3,033,067)	(2,998,243)
Proceeds on Disposal of Tangible Capital Assets	73,600	2,500
Cash Provided by (Applied to) Capital Transactions	(2,959,467)	(2,995,743)
Investing Transactions		
Portfolio Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
Financing Transactions		
Borrowings from the Provincial Government Increase/(Decrease)	(151,710)	(286,286)
Other Borrowings Increase/(Decrease)	-	-
Cash Provided by (Applied to) Financing Transactions	(151,710)	(286,286)
Cash and Bank / Overdraft (Increase)/Decrease	(38,641)	(550,559)
Cash and Bank (Overdraft) at Beginning of Year	(3,617,951)	(3,067,392)
Cash and Bank (Overdraft) at End of Year	(3,656,592)	(3,617,951)

Seine River School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2017

	Buildings and Leasehold Improvements		School	Other	Furniture / Fixtures &	Computer Hardware &		Land	Assets Under	2017	2016
	School	Non-School	Buses	Vehicles	Equipment	Software *	Land	Improvements	Construction	TOTALS	TOTALS
Tangible Capital Asset Cost											
Opening Cost, as previously reported	53,235,253	3,198,575	6,618,565	203,715	1,015,953	1,482,232	451,886	328,415	1,295,923	67,830,517	64,892,355
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	53,235,253	3,198,575	6,618,565	203,715	1,015,953	1,482,232	451,886	328,415	1,295,923	67,830,517	64,892,355
Add: Additions during the year	1,617,928	-	507,471	40,551	49,062	-	-	122,936	695,119	3,033,067	2,998,243
Less: Disposals and write downs	-	-	139,414	-	-	-	-	-	-	139,414	60,081
Closing Cost	54,853,181	3,198,575	6,986,622	244,266	1,065,015	1,482,232	451,886	451,351	1,991,042	70,724,170	67,830,517
Accumulated Amortization											
Opening, as previously reported	23,039,893	1,101,472	4,268,883	137,110	724,293	604,494		35,345		29,911,490	27,820,304
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	23,039,893	1,101,472	4,268,883	137,110	724,293	604,494		35,345		29,911,490	27,820,304
Add: Current period Amortization	1,444,826	101,945	418,119	23,785	88,953	105,524		38,988		2,222,140	2,151,267
Less: Accumulated Amortization on Disposals and Writedowns	-	-	74,727	-	-	-		-		74,727	60,081
Closing Accumulated Amortization	24,484,719	1,203,417	4,612,275	160,895	813,246	710,018		74,333		32,058,903	29,911,490
Net Tangible Capital Asset	30,368,462	1,995,158	2,374,347	83,371	251,769	772,214	451,886	377,018	1,991,042	38,665,267	37,919,027
Proceeds from Disposal of Capital Assets	-	-	73,600	-	-	-				73,600	2,500

* Includes network infrastructure.

1. Nature of Organization and Economic Dependence

The Seine River School Division (Division) is a public body that provides education services to residents within its geographic location. The division is funded mainly by grants from the Province of Manitoba (Province), and a special levy on the property assessment included in the Division's boundaries. The Division is exempt from income tax and is a registered charity under the Income Tax Act.

The Division is economically dependent on the Province for the majority of its revenue and capital financing requirements. Without this funding, the Division would not be able to continue its operations.

2. Significant Accounting Policies

The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards (PSAS) established by the Public Sector Accounting Board of Chartered Professional Accountants Canada (CPA Canada).

Reporting Entity and Consolidation

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the Operating Fund, Capital Fund, and Special Purpose Fund of the Division. The Division reporting entity includes school generated funds controlled by the Division.

All inter-fund accounts and transactions are eliminated upon consolidation.

Basis of Accounting

Revenues and expenses are reported on the accrual basis of accounting except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable. 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.

Fund Accounting

The fund method of accounting is employed by the Division to record financial transactions in separate funds as defined by Financial Reporting and Accounting in Manitoba Education (FRAME) in accordance with the purpose for which the funds have been created.

The Operating Fund is maintained to record all the day to day operating revenues and expenses. The Capital Fund is used to account for the acquisition, amortization, disposal and financing of capital assets. The Special Purpose Fund is used to account for school generated funds and charitable foundations controlled by the Division.

School Generated Funds

School generated funds are monies raised by the school, or under the auspices of the school, through extracurricular activities for the sole use of the school that the principal of each school, subject to the rules of the school board, may raise, hold, administer and expend for the purposes of the school.

Only revenue and expenses of school generated funds controlled by the Division are included in the Consolidated Statement of Revenue, Expenses and Accumulated Surplus. To be deemed as controlled, a school must have the unilateral authority to make the decisions as to when, how and on what the funds are to be spent.

Period end cash balances of all school generated funds are included in the Consolidated Statement of Financial Position. The uncontrolled portion of this amount is reflected in the School Generated Funds Liability account. Examples of uncontrolled school generated funds are parent council funds, other parent group funds, student council funds and travel club funds. Revenues and expenses of uncontrolled school generated funds are not included in the consolidated financial statements.

Tangible Capital Assets

Tangible capital assets are non-financial assets that are used by the Division to provide services to the public and have an economic life beyond one fiscal year. Tangible capital assets include land, buildings, buses, other vehicles, furniture and equipment, computers, capital leases, leasehold improvements, and assets under construction.

To be classified as tangible capital assets, each asset other than land must individually meet the capitalization threshold for its class as prescribed by FRAME.

Asset Description	Capitalization Threshold ($)	Estimated Useful Life
Land improvements	50,000	10 years
Buildings – bricks, mortar, steel	50,000	40 years
Buildings – wood frame	50,000	25 years
School buses	50,000	10 years
Vehicles	10,000	5 years
Equipment	10,000	5 years
Network infrastructure	25,000	10 years
Computer hardware, servers, peripherals	10,000	4 years
Computer software	10,000	4 years
Furniture and fixtures	10,000	10 years
Leasehold improvements	25,000	Over term of lease

Grouping of assets is not permitted except for computer work stations.

All land acquired prior to June 30, 2006 has been valued by the Crown Lands and Property Agency.

With the exception of land acquired prior to June 30, 2006, all tangible capital assets, are recorded at historical cost, which includes purchase price, installation costs and other costs incurred to put the asset into service.

Buildings are recorded at historical cost when known. For buildings acquired prior to June 30, 2005 where the actual cost was not known, the replacement value for insurance purposes as at June 30, 2005 was regressed to the date of acquisition using a regression index based on Southam and CanaData construction cost indices.

All tangible capital assets, except for land, and assets under construction, are amortized on a straight-line basis over their estimated useful lives as prescribed by FRAME. Land is not amortized.

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal if not fully amortized.

Assets under construction are not amortized until the date of substantial completion. Interest on funds used to finance school buildings under construction is capitalized for the periods preceding the date of substantial completion.

Employee Future Benefits

The Province of Manitoba pays the employer portion of the Teachers' Retirement Allowances Fund (TRAF), the pension plan for all certified teachers of the Division. The Division does not contribute to TRAF, and no costs relating to this plan are included in the Division's financial statements. The Division provides parental leave benefits to all certified teachers of the Division.

The Division provides retirement and other future benefits to its administrative employees. These benefits include defined contribution pension and parental leave. The Division adopted the following policy with respect to accounting for these employee future benefits:

<u>Defined Contribution Pension Plan</u>

The Division pays the employer portion of a defined contribution plan handled by the Manitoba School Boards Association (MSBA) for support staff. Under this plan, specific fixed amounts are contributed by the Division each period for services rendered by the employees, matching employee contributions. No responsibility is assumed by the Division to make any further contribution.

<u>Defined Benefit/Self-Insured Employee Future Benefit Plans</u>

For those defined benefit self-insured plans that are event driven such as non-vesting parental leave, the benefit costs are recognized and recorded only in the period when the event occurs.

For non-vesting accumulating sick days, the benefit costs are recognized, if deemed material, based on a projection of expected future utilization of sick time, discounted using net present value techniques.

Capital Reserve

Certain amounts, as approved by the Board of Trustees and the Public Schools Finance Board, have been set aside in reserve accounts for future capital purposes. These Capital Reserve accounts are internally restricted funds that form part of the Accumulated Surplus presented in the Consolidated Statement of Financial Position.

Use of Estimates

The preparation of financial statements in conformity with PSAS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates, as additional information becomes available in the future.

3. Bank Overdraft

The Division has an authorized line of credit for a maximum of $7,500,000 by way of overdrafts and is repayable on demand at prime less 0.75% (effective rate of 1.95% at June 30, 2017); interest is paid monthly. Overdrafts are secured by a borrowing by-law.

4. Employee Future Benefits

The Division sponsors a defined contribution pension plan, administered by MSBA. The defined contribution plan is provided to support staff based on their age at the beginning of the year and rates of pay. Each age group under the MSBA pension plan has a specific percentage for the employees to contribute. The Division contributions equal the employee contributions to the plan. No pension liability is included in the financial statements.

The employee future benefit expense is a part of the Employee Benefits and Allowances expense account, which includes pension expense for the year of $445,177 ($456,577 in 2016).

Non-vested accumulating sick leave benefits are measured using net present value techniques on the expected future utilization of excess of sick leave benefits used over earned per year, to maximum entitlement. The non-vested sick leave recovery for the year is $11,627 ($5,431 in 2016).

5. Deferred Revenue

The deferral method of accounting is used for revenues received that, pursuant to legislation, regulation or agreement, may only be used for specific purposes. These amounts are recognized as revenue in the fiscal year the related expenses are incurred or services performed. The following is a breakdown of the account balance:

	Balance as at June 30, 2016	Additions in year	Revenue recognized in year	Balance as at June 30, 2017
Education Property Tax Credit (EPTC)	$ 743,036	5,422,609	4,891,370	1,274,275
Other	8,472	22,575	8,472	22,575
	$ 751,508	5,445,184	4,899,842	1,296,850

6. Debenture Debt

The debenture debt of the Division is in the form of twenty-year debentures payable, principal and interest, in twenty equal yearly instalments and maturing at various dates from 2018 to 2037. Payment of principal and interest is funded entirely by grants from the Province of Manitoba. The debentures carry interest rates that range from 3.375% to 7.250%. Debenture interest expense payable as at June 30, 2017, is accrued and recorded in Accrued Interest Payable, and a grant in an amount equal to the interest accrued on provincially funded debentures is recorded in Due from the Provincial Government. The total debenture principal and interest repayments in the next five fiscal years ending are as follows:

2018	$ 3,222,400
2019	2,984,700
2020	2,647,800
2021	2,573,000
2022	2,545,100

7. School Generated Funds Liability

School Generated Funds Liability includes the non-controlled portion of school generated funds. At June 30, 2017, an amount equal to the liability or $51,149 ($42,280 at June 30, 2016) is included in overdraft on the Consolidated Statement of Financial Position.

8. Net Tangible Capital Assets

The Schedule of Tangible Capital Assets (TCA), page 23 of the consolidated financial statements, provides a breakdown of cost, accumulated amortization and net book value by class. The amount of interest capitalized in the period included in Assets under Construction was nil (nil in 2016).

9. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2017	2016
Operating Fund		
Designated Surplus	$ 368,585	316,783
Undesignated	1,538,581	1,515,659
Non-vested Sick Leave	(165,276)	(176,903)
	1,741,890	1,655,539
Capital Fund		
Reserve Accounts	103,592	29,992
Equity in Tangible Capital Assets	10,328,344	9,210,088
	10,431,936	9,240,080
Special Purpose Fund		
School Generated Funds	256,143	277,062
Other School Generated Funds	-	-
	256,143	277,062
Total Accumulated Surplus	$12,429,969	11,172,681

Designated Surplus under the Operating Fund represents internally restricted amounts appropriated by the Board of Trustees or, in the case of school budget carryovers, by Board policy. The details of the Designated Surplus as disclosed at page 5 of the consolidated financial statements are as follows:

	2017	2016
School budget carryovers	$ 167,333	138,110
Grounds improvement	201,252	178,673
Designated Surplus	$ 368,585	316,783

Reserve Accounts under the Capital Fund represents internally restricted reserves for specific purposes approved by the Board of Trustees and PSFB. A Schedule of Capital Reserve Accounts is provided on page 24 of the consolidated financial statements.

	2017	2016
Bus Reserve	$ 103,592	29,992
Other	-	-
Capital Reserve	$ 103,592	29,992

10. Municipal Government – Property Tax and Related Due from Municipal Government

Education property tax or Special Levy is raised as the Division's contribution to the cost of providing public education for the students' resident in the division. The Municipal Government - Property Tax shown on the consolidated revenue and expense is raised over the two calendar (tax) years; 42% from 2016 tax year and 58% from 2017 tax year. Below are the related revenue and receivable amounts:

	2017	2016
Revenue – Municipal Government – Property Tax	$ 14,592,037	13,243,525
Receivable – Due from Municipal – Property Tax	$ 9,606,955	8,858,388

11. Interest Received and Paid

The Division received interest during the year of $1,682 ($1,112 in 2016); interest paid during the year was $1,255,841 ($1,290,987 in 2016).

Interest expense for the year ended June 30, 2017 is comprised of the following:

	2017	2016
Operating Fund		
Fiscal-short term loan, interest and bank charges	$ 56,236	22,696
Capital Fund		
Debenture interest	1,199,605	1,268,291
	$ 1,255,841	1,290,987

The accrual portion of debenture debt interest expense of $511,968 ($550,550 in 2016) included under the Capital Fund - Debenture debt interest is offset by an accrual of the debt servicing grant from the Province of Manitoba of $511,968 as at June 30, 2017 ($550,550 in 2016).

12. Expenses by Object

Expenses in the consolidated statement of revenue, expenses and accumulated surplus are reported by function as defined by FRAME. Below is the detail of expenses by object:

	2017	2016
Salaries	$ 38,584,916	36,950,731
Employees benefits and allowances	2,782,472	2,797,658
Services	4,314,591	3,937,009
Supplies, materials and minor equipment	3,622,138	3,260,333
Interest	1,255,841	1,290,987
Payroll tax	827,797	792,859
Amortization	2,222,140	2,151,267
Transfers	558,853	508,555
School generated funds	722,095	785,437
Non-vested sick leave recovery	(11,627)	(5,431)
	$ 54,879,216	52,469,405

13. Financial Instruments

There are no significant terms and conditions related to financial instruments including cash and bank, accounts receivable, overdraft, accounts payable and debt that may affect the amount, timing and certainty of future cash flows. The Division is exposed to credit risk from the potential non-payment of accounts receivable. However, the majority of the receivables are from local, provincial and federal governments, and therefore, the credit risk is minimal. The carrying amounts of the financial instruments approximate their carrying values, unless otherwise noted.

14. Commitments

The Division has equipment lease agreements with future annual payments as follows for the fiscal years ending:

2018	$ 326,800
2019	199,800
2020	153,400
2021	70,600

The current overdraft amount includes an amount of $74,473 relating to the purchase and establishment of the Bus/Maintenance Facility in 2009; an amount of $154,610 relating to the Energy Savings Retrofit completed in 2011, and an amount of $100,807 relating to the IT infrastructure upgrades completed in 2014. These amounts will be recovered by transfers from the Operating Fund and can be recovered at any time. The planned annual recovery is $75,000 for the Bus/Maintenance Facility. $39,000 for the Energy Savings Retrofit and $138,000 for the IT infrastructure upgrades.

15. Trust Funds

The school division does not administer trust funds. As such, a separate schedule has not been attached to the notes to financial statements.

KPMG LLP
Suite 2000 - One Lombard Place
Winnipeg MB R3B 0X3
Canada

Telephone (204) 957-1770
Fax (204) 957-0808
Internet www.kpmg.ca

MANAGEMENT REPORT

Management's Responsibility for the Financial Statements

The accompanying consolidated financial statements of Seven Oaks School Division are the responsibility of the Division's management and have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards. A summary of the significant accounting policies are described in note 2 to the consolidated financial statements.

The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. The Division's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The Board of Trustees of the Division met with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by KPMG LLP, independent external auditors appointed by the Board. The accompanying Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Division's consolidated financial statements.

Original Document Signed
Chairperson

October 23, 2017
Secretary-Treasurer

October 23, 2017

KPMG LLP
Suite 2000 - One Lombard Place
Winnipeg MB R3B 0X3
Canada

Telephone (204) 957-1770
Fax (204) 957-0808
Internet www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees

We have audited the accompanying consolidated financial statements of Seven Oaks School Division, which comprise the consolidated statement of financial position as at June 30, 2017, the consolidated statements of revenue, expenses and accumulated surplus, change in net debt and cash flow for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information. These consolidated financial statements have been prepared to comply with the Public Schools Act.

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 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 our 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, we consider 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 Seven Oaks School Division as at June 30, 2017, and its consolidated results of operations, its consolidated change in net debt and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Other Matters

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

KPMG LLP

Chartered Professional Accountants

October 23, 2017

Winnipeg, Canada

I hereby certify that the preceding report has been presented to the members of the Board of Seven Oaks School Division.

Original Document Signed
Chairperson of the Board

October 23, 2017
Date

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2017	2016
	Financial Assets		
	Cash and Bank	-	-
	Due from - Provincial Government	7,281,958	6,645,272
	- Federal Government	514,492	747,956
	- Municipal Government	24,360,118	22,072,589
	- Other School Divisions	4,309	103
	- First Nations	392,000	493,969
	Accounts Receivable	499,045	491,996
	Accrued Investment Income	-	-
*	Portfolio Investments	625,052	497,290
		33,676,974	30,949,175
	Liabilities		
*	Overdraft	14,120,742	11,989,919
	Accounts Payable	5,157,034	6,259,524
	Accrued Liabilities	1,072,904	974,246
*	Employee Future Benefits	599,422	537,127
	Accrued Interest Payable	1,547,668	1,480,811
	Due to - Provincial Government	535,675	470,599
	- Federal Government	5,461,730	5,188,221
	- Municipal Government	106,904	128,869
	- Other School Divisions	10,587	3,743
	- First Nations	-	-
*	Deferred Revenue	4,839,488	5,129,634
*	Borrowings from the Provincial Government	87,518,034	83,105,644
*	Other Borrowings	13,058,247	13,833,037
	School Generated Funds Liability	439,881	353,624
		134,468,316	129,454,998
	Net Debt	(100,791,342)	(98,505,823)
	Non-Financial Assets		
*	Net Tangible Capital Assets (TCA Schedule)	147,882,359	143,758,949
	Inventories	6,179	-
	Prepaid Expenses	278,202	436,577
		148,166,740	144,195,526
*	**Accumulated Surplus**	47,375,398	45,689,703

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT
OF REVENUE, EXPENSES
AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes			2017	2016
	Revenue			
	Provincial Government		103,360,259	98,832,790
	Federal Government		1,230,684	912,500
	Municipal Government	- Property Tax	40,609,792	36,841,266
		- Other	290	714
	Other School Divisions		1,232,576	1,162,223
	First Nations		676,000	776,800
	Private Organizations and Individuals		1,384,618	1,108,201
	Other Sources		273,982	871,786
	School Generated Funds		46,280	29,077
	Other Special Purpose Funds		-	-
			148,814,481	140,535,357
	Expenses			
	Regular Instruction		81,326,004	75,481,237
	Student Support Services		24,635,458	23,247,977
	Adult Learning Centres		847,478	839,674
	Community Education and Services		2,096,892	1,890,604
	Divisional Administration		3,866,547	3,613,678
	Instructional and Other Support Services		5,171,026	4,822,493
	Transportation of Pupils		3,978,464	3,890,292
	Operations and Maintenance		12,598,081	12,078,151
*	Fiscal	- Interest	4,300,415	3,882,466
		- Other	2,250,466	2,133,607
	Amortization		5,709,597	5,313,578
	Other Capital Items		222,032	126,868
	School Generated Funds		64,031	40,459
	Other Special Purpose Funds		-	-
			147,066,491	137,361,084
	Current Year Surplus (Deficit) before Non-vested Sick Leave		1,747,990	3,174,273
	Less: Non-vested Sick Leave Expense (Recovery)		62,295	56,418
	Net Current Year Surplus (Deficit)		1,685,695	3,117,855
	Opening Accumulated Surplus		45,689,703	42,571,848
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	-
		Other than Tangible Cap. Assets	-	-
		Non-vested sick leave - prior years	-	-
	Opening Accumulated Surplus, as adjusted		45,689,703	42,571,848
	Closing Accumulated Surplus		47,375,398	45,689,703

See accompanying notes to the Financial Statements

* NOTE REQUIRED

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2017

	2017	2016
Net Current Year Surplus (Deficit)	1,685,695	3,117,855
Amortization of Tangible Capital Assets	5,709,597	5,313,578
Acquisition of Tangible Capital Assets	(9,837,688)	(22,250,184)
(Gain) / Loss on Disposal of Tangible Capital Assets	(15,683)	(304,388)
Proceeds on Disposal of Tangible Capital Assets	20,364	310,013
	(4,123,410)	(16,930,981)
Inventories (Increase)/Decrease	(6,179)	766
Prepaid Expenses (Increase)/Decrease	158,375	(165,937)
	152,196	(165,171)
(Increase)/Decrease in Net Debt	(2,285,519)	(13,978,297)
Net Debt at Beginning of Year	(98,505,823)	(84,527,526)
Adjustments Other than Tangible Cap. Assets	-	-
	(98,505,823)	(84,527,526)
Net Debt at End of Year	(100,791,342)	(98,505,823)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2017

	2017	2016
Operating Transactions		
Net Current Year Surplus (Deficit)	1,685,695	3,117,855
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	5,709,597	5,313,578
(Gain)/Loss on Disposal of Tangible Capital Assets	(15,683)	(304,388)
Employee Future Benefits Increase/(Decrease)	62,295	56,419
Due from Other Organizations (Increase)/Decrease	(2,592,988)	(2,781,149)
Accounts Receivable & Accrued Income (Increase)/Decrease	(7,049)	(6,173)
Inventories and Prepaid Expenses - (Increase)/Decrease	152,196	(165,171)
Due to Other Organizations Increase/(Decrease)	323,464	695,023
Accounts Payable & Accrued Liabilities Increase/(Decrease)	(936,975)	969,204
Deferred Revenue Increase/(Decrease)	(290,146)	28,450
School Generated Funds Liability Increase/(Decrease)	86,257	(59,303)
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by (Applied to) Operating Transactions	4,176,663	6,864,345
Capital Transactions		
Acquisition of Tangible Capital Assets	(9,837,688)	(22,250,184)
Proceeds on Disposal of Tangible Capital Assets	20,364	310,013
Cash Provided by (Applied to) Capital Transactions	(9,817,324)	(21,940,171)
Investing Transactions		
Portfolio Investments (Increase)/Decrease	(127,762)	(36,040)
Cash Provided by (Applied to) Investing Transactions	(127,762)	(36,040)
Financing Transactions		
Borrowings from the Provincial Government Increase/(Decrease)	4,412,390	15,105,486
Other Borrowings Increase/(Decrease)	(774,790)	4,727,098
Cash Provided by (Applied to) Financing Transactions	3,637,600	19,832,584
Cash and Bank / Overdraft (Increase)/Decrease	(2,130,823)	4,720,718
Cash and Bank (Overdraft) at Beginning of Year	(11,989,919)	(16,710,637)
Cash and Bank (Overdraft) at End of Year	(14,120,742)	(11,989,919)

Seven Oaks School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2017

	Buildings and Leasehold Improvements		School	Other	Furniture / Fixtures &	Computer Hardware &		Land	Assets Under	2017	2016
	School	Non-School	Buses	Vehicles	Equipment	Software *	Land	Improvements	Construction	TOTALS	TOTALS
Tangible Capital Asset Cost											
Opening Cost, as previously reported	150,120,383	2,177,320	4,916,656	438,295	2,191,047	3,484,387	16,420,593	917,635	22,007,051	202,673,367	180,863,437
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	150,120,383	2,177,320	4,916,656	438,295	2,191,047	3,484,387	16,420,593	917,635	22,007,051	202,673,367	180,863,437
Add: Additions during the year	23,220,344	-	491,771	35,180	311,585	14,046	2,628,411	215,025	(17,078,674)	9,837,688	22,250,184
Less: Disposals and write downs	-	-	352,722	15,605	51,945	48,037	-	-		468,309	440,254
Closing Cost	173,340,727	2,177,320	5,055,705	457,870	2,450,687	3,450,396	19,049,004	1,132,660	4,928,377	212,042,746	202,673,367
Accumulated Amortization											
Opening, as previously reported	50,695,472	1,707,905	2,948,458	355,863	1,403,719	1,484,684		318,317		58,914,418	54,035,469
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	50,695,472	1,707,905	2,948,458	355,863	1,403,719	1,484,684		318,317		58,914,418	54,035,469
Add: Current period Amortization	4,504,590	48,488	376,265	34,750	205,132	437,859		102,513		5,709,597	5,313,578
Less: Accumulated Amortization on Disposals and Writedowns	-	-	352,722	10,924	51,945	48,037		-		463,628	434,629
Closing Accumulated Amortization	55,200,062	1,756,393	2,972,001	379,689	1,556,906	1,874,506		420,830		64,160,387	58,914,418
Net Tangible Capital Asset	118,140,665	420,927	2,083,704	78,181	893,781	1,575,890	19,049,004	711,830	4,928,377	147,882,359	143,758,949
Proceeds from Disposal of Capital Assets	-	-	9,200	11,164	-	-				20,364	310,013

* Includes network infrastructure.

1. Nature of organization and economic dependence:

Seven Oaks School Division (the Division), is a public corporate body that provides educational programming to residents within its geographic location. The Division is funded mainly by grants from the Province of Manitoba (the Province), and a special levy on the property assessment included in the Division's boundaries. The Division is exempt from income tax under the *Income Tax Act*.

The Division is economically dependent on the Province for the majority of its revenue and capital financing requirements. Without this funding, the Division would not be able to continue its operations.

2. Significant accounting policies:

The significant accounting policies of the Division include:

(a) Reporting entity and consolidation:

The Division's reporting entities are comprised of the Division and school generated funds.

The consolidated financial statements reflect the assets, liabilities, revenues and expenditures of the Division's Operating Fund, Capital Fund, and Special Purpose Fund.

(b) Basis of accounting:

These consolidated financial statements are prepared by management in accordance with generally accepted accounting principles established by the Canadian Public Sector Accounting Board (PSAB). Revenues and expenditures are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they are earned and measurable; expenditures are recognized as they are incurred and measurable as a result of the receipt of goods and services acquired in the period whether or not payment has been made or invoices received.

2. Significant accounting policies (continued):

(c) Trust funds:

The Division administers various trust funds. Trust funds and their related operations are not included in the consolidated financial statements as they are not owned or controlled by the Division.

The Division holds funds in trust (amounts contributed in trust) for the following organizations:

Maples Youth Activity Centre	$	10,900
Kildonan Youth Activity Centre		(592)
	$	10,308

The amounts contributed by the Division will be reimbursed by these organizations.

(d) Fund accounting:

The Division records financial transactions in separate funds as defined by Financial Reporting and Accounting in Manitoba Education (FRAME).

The Operating Fund is maintained to record all the day to day operating revenues and expenditures. The Capital Fund is used to account for the acquisition, amortization, disposal and financing of capital assets. The Special Purpose Fund is used to account for school generated funds controlled by the Division.

(e) Deferred revenue:

Certain amounts are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the delivery of specific services and transactions. These amounts are recognized as revenue in the fiscal year the related expenditures are incurred or services performed.

2. Significant accounting policies (continued):

(f) Tangible capital assets:

Tangible capital assets are non-financial assets that are used by the Division to provide services to the public and have an economic life beyond one fiscal year. Tangible capital assets include land, buildings, buses, other vehicles, furniture and equipment, computers, capital leases, leasehold improvements, and assets under construction.

To be classified as tangible capital assets, each asset other than land must individually meet the capitalization threshold for its class as prescribed by FRAME as updated effective July 1, 2015.

Asset description	Capitalization threshold	Estimated useful life (years)
Land improvements	$ 50,000	10
Buildings - bricks, mortar and steel	50,000	40
Building - wood frame	50,000	25
School buses	50,000	10
Vehicles	10,000	5
Equipment	10,000	5
Network infrastructure	25,000	10
Computer hardware, services and peripherals	10,000	4
Computer software	10,000	4
Furniture and fixtures	10,000	10
Leasehold improvements	25,000	Over term of the lease

With the exception of certain buildings, all tangible capital assets are recorded at historical cost.

Buildings are recorded at historical cost when known. For buildings acquired prior to June 30, 2005 where the actual cost was not known, the replacement value for insurance purposes as at June 30, 2005 was regressed to the date of acquisition using a regression index based on Southam and CanaData construction cost indices.

Tangible capital assets are amortized on a straight-line basis over their estimated useful lives as prescribed by FRAME. Land is not amortized.

Assets under construction are not amortized until the date of substantial completion. Interest on funds used to finance school buildings under construction is capitalized for the periods preceding the date of substantial completion.

2. Significant accounting policies (continued):

(g) Employee future benefits:

The Province of Manitoba pays the employer portion of the Teachers' Retirement Allowances Fund (TRAF), the pension plan for all certified teachers of the Division. The Division does not contribute to TRAF, and no costs relating to this plan are included in the Division's financial statements.

However, the Division provides retirement and other future benefits to its employees. These benefits include pension and supplemental unemployment benefits.

The Division adopted the following policies with respect to accounting for these employee future benefits:

(i) Defined contribution plan:

The Division provides retirement benefits to its administrative employees through a defined contribution plan under the Manitoba School Boards Association Pension Plan (MSBA). Under this plan, specific fixed amounts are contributed by the Division each period for services rendered by the employees. No responsibility is assumed by the Division to make any further contributions.

(ii) Self-insured employee future benefits plan:

For those self-insured benefit obligations that are event driven (e.g. supplemental unemployment benefits; non-vesting parental leave), the benefit costs are recognized and recorded only in the period when the event occurs.

(iii) Non-vesting accumulated sick days:

For non-vesting accumulating sick days, the benefit costs are recognized, if deemed material, based on a projection of expected future utilization of sick time, discounted using net present value techniques.

(h) Capital reserve:

Certain amounts approved by the Board of Trustees and the Public Schools Finance Board (PSFB) have been set aside in reserve accounts for future capital purposes as detailed on page 24 of the consolidated financial statements. These capital reserve accounts are internally restricted funds that form part of the accumulated surplus presented in the consolidated statement of financial position.

2. **Significant accounting policies (continued):**

(i) Government transfers:

Government transfers, including legislative grants, are recognized in the consolidated financial statements in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met and reasonable estimates of the amount can be made.

(j) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the 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. Significant items subject to estimates include the carrying amount of capital assets. Actual results could differ from those estimates.

(k) Financial instruments:

There are no significant terms and conditions related to financial instruments (cash, accounts receivable, bank indebtedness, accounts payable and long-term debt) that may affect the amount, timing and certainty of future cash flows. The Division's exposure to credit risk from the potential non-payment of accounts receivable is minimal as the majority of receivables are from local, provincial and federal governments. The carrying amounts of the financial instruments approximate their carrying values, unless otherwise noted.

(l) Liability for contaminated sites:

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of contaminated sites is recognized when a site is not in productive use all the following criteria are met:

(i) An environmental standard exists;
(ii) Contamination exceeds the environmental standard;
(iii) The Division is directly responsible or accepts responsibility;
(iv) Is expected that the future economic benefits will be given up; and
(v) A reasonable estimate of the amount can be made.

The liability is recognized as management's estimate of the cost of post-remediation including operation, maintenance and monitoring that are an integral part of the remediation strategy for a contaminated site.

3. Overdraft:

The Division has an authorized revolving demand facility with the Royal Bank of Canada (RBC) of $20,000,000 by way of overdrafts and letters of guarantee. The loans are repayable on demand at RBC prime less 0.25 percent. Interest is paid monthly.

4. Non-vested accumulated sick leave benefits:

Non-vested accumulated sick leave benefits are measured using net present value techniques on the expected future utilization of excess of sick benefits used over earner per year, to maximum entitlement. The impact of the estimated non-vested sick leave benefit cost for the year ended June 30, 2017 is an increase of $62,295 (2016 - increase of $56,418). At June 30, 2017, the Division has recorded an estimated liability of $599,422 (2016 - $537,127) in respect of these benefits.

The significant assumptions adopted in measuring the non-vested accumulated sick leave benefit liability include a discount rate of 4 percent (2016 - 4 percent) and a rate of salary increase of 2 percent (2016 - 2 percent).

5. Employee future benefits:

The Division sponsors a defined contribution pension plan run by the Manitoba School Boards Association (MSBA). The defined contribution plan is provided to administrative employees based on their age at the beginning of the year and rates of pay. Each age group under the MSBA pension plan has a specific percentage for the employee to contribution. The Division contributions equal the employee contributions to the plan. No pension liability is included in the financial statements.

The employee benefit expense is part of the employee benefits and allowances expense account. It includes the Division's contribution of $1,815,485 for fiscal 2017 (2016 - $1,734,487).

Long-term disability benefits are covered by a defined contribution/ insured plan. The costs of salary compensation paid to employees on long-term disability leave are fully insured and are not included in the financial statements.

Supplemental unemployment benefits are defined benefits that are recognized and recorded only in the period when the events occur (e.g. maternity top up).

6. Commitments:

In July 2015, the Public Schools Finance Board approved the construction of a new stand-alone childcare facility at the R.F. Morrison school site. The project status is currently under review by the Province.

7. Deferred revenue:

	Balance, June 30, 2016	Additions in the period	Revenue recognized in the period	Balance, June 30, 2017
Education property tax credit	$ 5,040,466	$ 12,260,663	$ 12,665,724	$ 4,635,405
Bus pass fees	23,449	369,073	363,108	29,414
Other special purpose funds:				
Wayfinders - grants	6,500	17,355	17,855	6,000
My Camp	22,650	20,051	22,001	20,700
Summer school fees	4,830	14,167	11,667	7,330
School Grants	26,701	463,656	352,418	137,939
CVE Fees	3,900	20,650	21,850	2,700
Rent	1,138	–	1,138	–
	$ 5,129,634	$ 13,165,615	$ 13,455,761	$ 4,839,488

8. School generated funds:

School generated funds are monies raised by the school, or under the auspices of the school, which each school's principal may raise, hold, administer or expend subject to the rules of the Division. At June 30, 2017, school funds held in the Special Purpose Fund totaled $620,268 (2016 - $551,762).

The school generated funds liability of $439,881 at June 30, 2017 (2016 - $353,624) comprises the portion of the school generated funds that are not controlled.

9. Debenture debt:

The debenture debt of the Division is in the form of twenty-year debentures payable, principal and interest, in twenty equal yearly installments and maturing at various dates from fiscal 2018 to fiscal 2037. Payment of principal and interest is funded entirely by grants from the Province of Manitoba. The debentures carry interest rates that range from 3.0 percent to 7.5 percent. The debenture principal and interest repayments in the next five years and thereafter are:

	Principal	Interest	Total
2018	$ 4,505,725	$ 3,697,649	$ 8,203,374
2019	4,659,943	3,490,504	8,150,447
2020	4,808,965	3,276,863	8,085,828
2021	4,941,069	3,056,738	7,997,807
2022	5,013,332	2,832,082	7,845,414
Thereafter	63,589,000	16,926,845	80,515,845
	$ 87,518,034	$ 33,280,681	$ 120,798,715

During 2017, the Division had submitted claims for capital projects to the Public Schools Finance Board totaling $8,557,300 (2016 - $18,656,300) and received debenture proceeds of this amount in 2017.

10. Other borrowings:

Garden City Collegiate Link Loan, Fiber Network Loan, Cisco Systems, and Land Loans:

The Garden City Collegiate Link loan is a 5.20 percent fixed rate term loan from RBC Life Insurance Company which is repayable over 20 years. The principal amount outstanding at June 30, 2017 is $ 6,651,155 (2016 - $7,019,574). The purpose of the loan was to fund the construction of the Garden City Collegiate Link and Garden City Collegiate renovation project.

The Fiber Network loan is a 3.63 percent fixed rate term loan from RBC Life Insurance Company which is repayable over 10 years. The principal amount outstanding at June 30, 2017 is $ 1,350,250 (2016 - $1,526,096). The purpose of the loan was to fund the construction of a divisional fiber network.

The Cisco Systems loan is a 0 percent loan repayable over 3 years. The principal amount outstanding at June 30, 2017 is $ 5,842 (2016 - $23,367). The purpose of the loan was to purchase servers and phone equipment for a VOIP system.

10. Other borrowings (continued):

The Land loans are a 1.59 percent Interest Rate Swap loan repayable for a 5 year term and 2.47 percent Interest Rate Swap loan repayable over 20 years. The principal amount outstanding at June 30, 2017 is $ 3,471,000 and $1,580,000 (2016 - $3,614,000 and $1,650,000), respectively. The purpose of the loans is to provide interim financing until new school builds are approved.

Principal and interest payments in the next five years and thereafter are as follows:

	Principal	Interest	Total
2018	$ 793,218	$ 491,325	$ 1,284,543
2019	820,772	459,153	1,279,925
2020	854,517	426,069	1,280,586
2021	2,176,679	389,687	2,566,366
2022	850,329	333,414	1,183,743
2023 & Thereafter	7,562,732	1,441,792	9,004,524
	$ 13,058,247	$ 3,541,440	$ 16,599,687

11. Net tangible capital assets:

The schedule of tangible capital assets, page 23 of the consolidated financial statements provides a breakdown of cost, accumulated amortization and net book value by class.

	Gross amount	Accumulated amortization	Net book value
Tangible capital assets	$ 212,042,746	$ 64,160,387	$ 147,882,359

12. Expenditures by type:

Expenditures by type not otherwise disclosed in these consolidated financial statements are listed on page 11.

13. Related party transactions:

The Seven Oaks Education Foundation Inc. (the Foundation) was incorporated on July 17, 2001 to assist students to further their education beyond the high school level. Currently, there are no trustees of the Division sitting on the Foundation’s Board.

During fiscal 2017, the Division provided a grant to the Foundation in the amount of $16,000 (2016 - $16,000).

14. Interest paid:

Interest paid during the fiscal year is comprised of the following:

	2017	2016
Operating Fund:		
Overdraft interest	$ 84,746	$ 91,237
Capital Fund:		
Debenture debt interest - PSFB funded	3,671,787	3,308,034
Loan interest	543,882	483,195
	$ 4,300,415	$ 3,882,466

MANAGEMENT REPORT

Management's Responsibility for the Financial Statements

The accompanying consolidated financial statements of Southwest Horizon School Division are the responsibility of the Division management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of The Canadian Institute of Chartered Professional Accountants (CPA). A summary of the significant accounting policies is described in Note 2 to the consolidated financial statements.

The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. Division management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The Board of Trustees of the Division met with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by MNP LLP independent external auditors appointed by the Board. The accompanying Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Division's consolidated financial statements.

Original Document Signed	Original Document Signed
Chairperson	Secretary-Treasurer

October 11, 2017

Independent Auditors' Report

To the Board of Trustees of Southwest Horizon School Division:

We have audited the accompanying consolidated financial statements of Southwest Horizon School Division, which comprise the consolidated statement of financial position as at June 30, 2017, and the consolidated statements of revenue, expenses and accumulated surplus, change in net debt and cash flow for the year then ended, 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 generally accepted accounting principles established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants, 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 Southwest Horizon School Division as at June 30, 2017 and the consolidated results of its operations, consolidated changes in net debt and its consolidated cash flow for the year then ended in accordance with Canadian generally accepted accounting principles established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

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

MNP LLP

Brandon, Manitoba
October 11, 2017

Chartered Professional Accountants

I hereby certify that the preceding report and the statements and reports referenced herein have been presented to the members of the Board of Southwest Horizon School Division.

Original Document Signed

Chairperson of the board

Oct 11 2017

Date

MNP

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2017	2016
	Financial Assets		
	Cash and Bank	-	-
	Due from - Provincial Government	1,763,170	1,507,248
	- Federal Government	63,078	228,086
	- Municipal Government	5,902,601	5,498,887
	- Other School Divisions	-	-
	- First Nations	-	-
	Accounts Receivable	80,773	195,487
	Accrued Investment Income	-	-
	Portfolio Investments	-	-
		7,809,622	7,429,708
	Liabilities		
4	Overdraft	2,511,313	3,772,949
	Accounts Payable	832,342	585,258
	Accrued Liabilities	403,161	307,636
	Employee Future Benefits	-	-
	Accrued Interest Payable	336,247	362,388
	Due to - Provincial Government	-	-
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
5	Deferred Revenue	192,403	396,698
6	Borrowings from the Provincial Government	16,618,585	17,143,398
7	Other Borrowings	577,481	687,485
	School Generated Funds Liability	-	-
		21,471,532	23,255,812
	Net Debt	(13,661,910)	(15,826,104)
	Non-Financial Assets		
8	Net Tangible Capital Assets (TCA Schedule)	20,552,874	20,989,329
	Inventories	171,350	162,480
	Prepaid Expenses	637,639	746,755
		21,361,863	21,898,564
9	**Accumulated Surplus**	7,699,953	6,072,460

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes			2017	2016
	Revenue			
	Provincial Government		14,421,957	14,230,544
	Federal Government		-	-
10	Municipal Government	- Property Tax	10,953,273	10,242,920
		- Other	-	-
	Other School Divisions		103,850	97,850
	First Nations		-	-
	Private Organizations and Individuals		-	-
	Other Sources		121,776	52,717
	School Generated Funds		485,679	513,766
	Other Special Purpose Funds		-	-
			26,086,535	25,137,797
	Expenses			
	Regular Instruction		12,690,202	11,941,285
	Student Support Services		2,812,106	2,959,609
	Adult Learning Centres		-	-
	Community Education and Services		158,306	155,943
	Divisional Administration		871,676	877,549
	Instructional and Other Support Services		491,416	461,371
	Transportation of Pupils		1,918,846	1,792,058
	Operations and Maintenance		2,369,891	2,259,684
11	Fiscal	- Interest	848,574	879,738
		- Other	340,903	340,395
	Amortization		1,452,194	1,404,811
	Other Capital Items		-	-
	School Generated Funds		449,757	512,608
	Other Special Purpose Funds		-	-
			24,403,871	23,585,051
	Current Year Surplus (Deficit) before Non-vested Sick Leave		1,682,664	1,552,746
	Less: Non-vested Sick Leave Expense (Recovery)		55,171	26,708
	Net Current Year Surplus (Deficit)		1,627,493	1,526,038
	Opening Accumulated Surplus		6,072,460	4,546,422
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	-
		Other than Tangible Cap. Assets	-	-
		Non-vested sick leave - prior years	-	-
	Opening Accumulated Surplus, as adjusted		6,072,460	4,546,422
	Closing Accumulated Surplus		7,699,953	6,072,460

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2017

	2017	2016
Net Current Year Surplus (Deficit)	1,627,493	1,526,038
Amortization of Tangible Capital Assets	1,452,194	1,404,811
Acquisition of Tangible Capital Assets	(1,015,739)	(3,439,015)
(Gain) / Loss on Disposal of Tangible Capital Assets	(4,500)	-
Proceeds on Disposal of Tangible Capital Assets	4,500	-
	436,455	(2,034,204)
Inventories (Increase)/Decrease	(8,870)	(240)
Prepaid Expenses (Increase)/Decrease	109,116	101,794
	100,246	101,554
(Increase)/Decrease in Net Debt	2,164,194	(406,612)
Net Debt at Beginning of Year	(15,826,104)	(15,419,492)
Adjustments Other than Tangible Cap. Assets	-	-
	(15,826,104)	(15,419,492)
Net Debt at End of Year	(13,661,910)	(15,826,104)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2017

	2017	2016
Operating Transactions		
Net Current Year Surplus (Deficit)	1,627,493	1,526,038
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	1,452,194	1,404,811
(Gain)/Loss on Disposal of Tangible Capital Assets	(4,500)	-
Employee Future Benefits Increase/(Decrease)	-	-
Due from Other Organizations (Increase)/Decrease	(494,628)	(561,086)
Accounts Receivable & Accrued Income (Increase)/Decrease	114,714	(129,190)
Inventories and Prepaid Expenses - (Increase)/Decrease	100,246	101,554
Due to Other Organizations Increase/(Decrease)	-	-
Accounts Payable & Accrued Liabilities Increase/(Decrease)	316,468	(430,901)
Deferred Revenue Increase/(Decrease)	(204,295)	260,693
School Generated Funds Liability Increase/(Decrease)	-	-
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by (Applied to) Operating Transactions	2,907,692	2,171,919
Capital Transactions		
Acquisition of Tangible Capital Assets	(1,015,739)	(3,439,015)
Proceeds on Disposal of Tangible Capital Assets	4,500	-
Cash Provided by (Applied to) Capital Transactions	(1,011,239)	(3,439,015)
Investing Transactions		
Portfolio Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
Financing Transactions		
Borrowings from the Provincial Government Increase/(Decrease)	(524,813)	1,729,978
Other Borrowings Increase/(Decrease)	(110,004)	(569,597)
Cash Provided by (Applied to) Financing Transactions	(634,817)	1,160,381
Cash and Bank / Overdraft (Increase)/Decrease	1,261,636	(106,715)
Cash and Bank (Overdraft) at Beginning of Year	(3,772,949)	(3,666,234)
Cash and Bank (Overdraft) at End of Year	(2,511,313)	(3,772,949)

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2017

	Buildings and Leasehold Improvements		School	Other	Furniture / Fixtures &	Computer Hardware &		Land	Assets Under	2017	2016
	School	Non-School	Buses	Vehicles	Equipment	Software *	Land	Improvements	Construction	TOTALS	TOTALS
Tangible Capital Asset Cost											
Opening Cost, as previously reported	31,892,699	2,270,405	4,743,121	233,063	1,313,876	246,994	308,940	-	924	41,010,022	37,571,007
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	31,892,699	2,270,405	4,743,121	233,063	1,313,876	246,994	308,940	-	924	41,010,022	37,571,007
Add:											
Additions during the year	555,039	-	238,724	25,799	-	-	-	-	196,177	1,015,739	3,439,015
Less:											
Disposals and write downs	-	-	172,088	-	-	-	-	-	-	172,088	-
Closing Cost	32,447,738	2,270,405	4,809,757	258,862	1,313,876	246,994	308,940	-	197,101	41,853,673	41,010,022
Accumulated Amortization											
Opening, as previously reported	14,405,822	814,020	3,505,536	155,114	998,963	141,238		-		20,020,693	18,615,882
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	14,405,822	814,020	3,505,536	155,114	998,963	141,238		-		20,020,693	18,615,882
Add:											
Current period Amortization	954,472	62,976	239,358	28,447	134,542	32,399		-		1,452,194	1,404,811
Less:											
Accumulated Amortization on Disposals and Writedowns	-	-	172,088	-	-	-		-		172,088	-
Closing Accumulated Amortization	15,360,294	876,996	3,572,806	183,561	1,133,505	173,637		-		21,300,799	20,020,693
Net Tangible Capital Asset	17,087,444	1,393,409	1,236,951	75,301	180,371	73,357	308,940	-	197,101	20,552,874	20,989,329
Proceeds from Disposal of Capital Assets	-	-	4,500	-	-	-				4,500	-

* Includes network infrastructure.

1. Nature of Organization and Economic Dependence

The School Division is a public body that provides education services to residents within its geographic location. The division is funded mainly by grants from the Province of Manitoba, and a special levy on the property assessment included in the Division's boundaries. The Division is exempt from income tax and is a registered charity under the Income Tax Act.

The Division is economically dependent on the Province for the majority of its revenue and capital financing requirements. Without this funding, the Division would not be able to continue its operations.

2. Significant Accounting Policies

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles established by PSAB of the Canadian Institute of Chartered Professional Accountants (CPA).

a) Reporting Entity and Consolidation

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the operating fund, capital fund, and special purpose fund of the Division. The Division reporting entity includes school generated funds controlled by the Division.

All inter-fund accounts and transactions are eliminated upon consolidation.

b) Trust Funds

The Division administers various trust funds. Trust funds and their related operations are not included in the consolidated financial statements as they are not owned or controlled by the Division. A schedule of trust funds is attached as part of the notes to the consolidated financial statements.

Trust funds, under PSAB are properties assigned to a trustee (school division) under a trust agreement or statute; the trustee merely administers the terms and conditions embodied in the agreement, and it has no unilateral authority to change the conditions set out in the trust indenture.

c) Basis of Accounting

Revenues and expenses are reported on the accrual basis of accounting except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable. 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.

d) Fund Accounting

The fund method of accounting is employed by the Division to record financial transactions in separate funds as defined by Financial Reporting and Accounting in Manitoba Education (FRAME) in accordance with the purpose for which the funds have been created.

The Operating Fund is maintained to record all the day to day operating revenues and expenses. The Capital Fund is used to account for the acquisition, amortization, disposal and financing of capital assets. The Special Purpose Fund is used to account for school generated funds and charitable foundations controlled by the Division.

e) School Generated Funds

School generated funds are moneys raised by the school, or under the auspices of the school, through extra-curricular activities for the sole use of the school that the principal of each school, subject to the rules of the school board, may raise, hold, administer and expend for the purposes of the school.

Only revenue and expenses of school generated funds controlled by the Division are included in the Consolidated Statement of Revenue, Expenses and Accumulated Surplus. To be deemed as controlled, a school must have the unilateral authority to make the decisions as to when, how and on what the funds are to be spent.

Period end cash balances of all school generated funds are included in the Consolidated Statement of Financial Position. The uncontrolled portion of this amount is reflected in the School Generated Funds Liability account. Examples of uncontrolled school generated funds are parent council funds, other parent group funds, student council funds and travel club funds. Revenues and expenses of uncontrolled school generated funds are not included in the consolidated financial statements.

f) Tangible Capital Assets

Tangible capital assets are non-financial assets that are used by the Division to provide services to the public and have an economic life beyond one fiscal year. Tangible capital assets include land, buildings, buses, other vehicles, furniture and equipment, computers, capital leases, leasehold improvements, and assets under construction.

To be classified as tangible capital assets, each asset other than land must individually meet the capitalization threshold for its class as prescribed by FRAME.

Asset Description	Capitalization Threshold ($)	Estimated Useful Life (Years)
Land	N/A	N/A
Land Improvements	50,000	10
Buildings - bricks, mortar and steel	50,000	40
Buildings - wood frame	50,000	25
School buses	50,000	10
Vehicles	10,000	5
Equipment	10,000	5
Network Infrastructure	25,000	10
Computer Hardware, Servers & Peripherals	10,000	4
Computer Software	10,000	4
Furniture & Fixtures	10,000	10
Leasehold Improvements	25,000	Over term of lease

Grouping of assets is not permitted except for computer work stations.

With the exception of land, donated capital assets and capital leases, all tangible capital assets, are recorded at historical cost, which includes purchase price, installation costs and other costs incurred to put the asset into service.

Buildings are recorded at historical cost when known. For buildings acquired prior to June 30, 2005 where the actual cost was not known, the replacement value for insurance purposes as at June 30, 2005 was regressed to the date of acquisition using a regression index based on Southam and CanaData construction cost indices.

Capital leases are recorded at the present value of the minimum lease payments excluding executory costs (e.g. insurance, maintenance costs, etc.). The discount rate used to determine the present value of the lease payments is the lower of the Division’s rate for incremental borrowing or the interest rate implicit in the lease.

Donated tangible capital assets are recorded at fair market value at the date of donation. Deferred revenue is recorded in an equivalent amount, for all donated assets except land. The deferred revenue will be recognized as revenue over the useful life of the related asset, on the same basis that the asset is amortized.

All land acquired prior to June 30, 2006 has been valued by the Crown Lands and Property Agency.

All tangible capital assets, except for land, capital leases, and assets under construction, are amortized on a straight-line basis over their estimated useful lives as prescribed by FRAME. Land is not amortized. Capital leases with lease terms that have a bargain purchase option or allow ownership to pass to the Division are amortized over the useful life of the asset class. All other capital leases are amortized over the lesser of the lease term and the useful life of the asset class.

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal if not fully amortized.

Assets under construction are not amortized until the date of substantial completion.

g) Capital Reserve

Certain amounts, as approved by the Board of Trustees and the Public Schools Finance Board (PSFB), have been set aside in reserve accounts for future capital purposes. These Capital Reserve accounts are internally restricted funds that form part of the Accumulated Surplus presented in the Consolidated Statement of Financial Position.

h) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

i) Financial Instruments

There are no significant terms and conditions related to financial instruments (cash, accounts receivable, investments, bank indebtedness, accounts payable and long-term debt) that may affect the amount, timing and certainty of future cash flows. The Division is exposed to credit risk from the potential non-payment of accounts receivable. However, the majority of the receivables are from local, provincial and federal governments, and therefore, the credit risk is minimal. The carrying amounts of the financial instruments approximate their carrying values, unless otherwise noted.

j) Employee Future Benefits

The Province of Manitoba pays the employer portion of the Teacher's Retirement Allowances Fund (TRAF), the pension plan for all certified teachers in the Division. The Division does not contribute to TRAF, and no costs relating to this plan are included in the Division's financial statements.

However, the Division provides other future benefits to its employees. These benefits include supplemental employment benefits and sick leave. These benefits are event driven and the costs are recognized when the event becomes known.

Employee Future Benefits are benefits earned by employees in the current period, but will not be paid out until future periods and include vacation accrual, supplemental employment and sick leave benefits.

Non-vested accumulated sick leave benefits are measured using net present value techniques on the expected future utilization of excess sick benefits used over earned per year to maximum entitlement. The impact of the estimated non-vested sick leave benefit cost for 2016-2017 is an expense of $55,171.

3. Conversion to PSAB

Commencing with the 2006/07 fiscal year, the Board adopted generally accepted accounting principles established by PSAB

The following changes were implemented to comply with the PSAB standard:

(i) Tangible capital assets were restated and amortized over their useful lives to reflect net book value. Amortization of tangible capital assets and gain or loss on disposal of capital assets are recorded in the Statement of Revenue, Expenses and Accumulated Surplus.

(ii) The Operating Fund, Capital Fund and Special Purpose Fund are consolidated in the financial statements. The Special Purpose Fund was created to include school generated funds and charitable foundations controlled by the Division.

(iii) The Employee Future Benefits Liability was established to account for the Division's commitment to pay vested future benefits to its employees.

(iv) Accrued Interest Payable was established to account for accrual of interest on Debenture Debt and Other Borrowings from the last payment date. An equal amount is set up as due from the Province to offset the accrued interest payable on debenture.

4. Overdraft

The Division has an authorized line of credit and bankers' acceptance note with Royal Bank of Canada of $6,500,000 by way of overdrafts and is repayable at prime less .75% interest paid monthly. Included in the overdraft are capital projects totaling approximately $78,832, to be submitted to PSFB for promissory note funding. Overdrafts are secured by borrowing by-laws.

5. Deferred Revenue

The deferral method of accounting is used for revenues received that, pursuant to legislation, regulation or agreement, may only be used for specific purposes. These amounts are recognized as revenue in the fiscal year the related expenses are incurred or services performed. The following is a breakdown of the account balance:

	Balance as at June 30, 2016	Additions in the period	Revenue recognized in the period	Balance as at June 30, 2017
Summer Literacy	$11,461	$6,461	$11,461	$6,461
Nature Valley Recycling Grant	0	3,000	0	3,000
Study Manitoba Tuition Fees	21,725	40,600	21,725	40,600
Provincial Education Property Tax Credit	363,512	142,342	363,512	142,342
	$396,698	**$192,403**	**$396,698**	**$192,403**

6. Debenture Debt

The debenture debt of the Division is in the form of twenty-year promissory-notes payable, principal and interest, in twenty equal yearly installments and maturing at various dates from 2017 to 2037. Payment of principal and interest is funded entirely by grants from the Province of Manitoba, except for the debenture debt on self-funded capital projects. The debentures carry interest rates that range from 3.0% to 8.38%. Debenture interest expense payable as at June 30, 2017, is accrued and recorded in Accrued Interest Payable, and a grant in an amount equal to the interest accrued on provincially funded debentures is recorded in Due from the Provincial Government.

The debenture principal and interest repayments in the next five years are:

Year	Principal	Interest	Total
2018	$1,442,523	$710,573	$2,153,096
2019	1,520,570	632,525	2,153,095
2020	1,540,576	553,999	2,094,575
2021	1,483,993	480,045	1,964,038
2022	1,437,498	410,077	1,847,575
	$7,425,160	**$2,787,219**	**$10,212,379**

7. Other Borrowings

Other borrowings are debts other than overdrafts or debentures. This includes a loan to install and implement a private fully managed wide area network.

The wide-area network loan is a 10-year loan, bears an interest rate of prime less 0.75%, and has annual principal payments of $110,004. The payments to the end of the term are:

	Principal Payments	Estimated Interest	Total
2018	110,004	12,993	122,997
2019	110,004	10,518	120,522
2020	110,004	8,043	118,047
2021	110,004	5,568	115,572
2022	110,004	3,093	113,097
2023	27,461	618	28,079
	$577,481	**$40,833**	**$618,314**

8. Net Tangible Capital Assets

The Schedule of Tangible Capital Assets (TCA), page 23 of the audited financial statements, provides a breakdown of cost, accumulated amortization and net book value by class.

	Gross Amount	Accumulated Amortization	2017 Net Book Value
Owned Tangible Capital Assets	$41,853,673	$21,300,799	$20,552,874
Capital Lease	-	-	-
	$41,853,673	**$21,300,799**	**$20,552,874**

9. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2017
Operating Fund	
Designated Surplus	-
Undesignated Surplus	$752,014
	$752,014
Capital Fund	
Reserve Accounts	$2,829,448
Equity in Tangible Capital Assets	3,862,224
	$6,691,672
Special Purpose Fund	
School Generated Funds	$256,267
Other Special Purpose Funds	-
	$256,267
Total Accumulated Surplus	**$7,699,953**

Reserve Accounts under the Capital Fund represents internally restricted reserves for specific purposes approved by the Board of Trustees and PSFB. A Schedule of Capital Reserve Accounts is provided on page 24 of the audited financial statements.

Reserve	As at June 30, 2016	Changes in 2016/17	As at June 30, 2017
Buses	653,815	525,133	1,178,948
School Building	150,000	(100,000)	50,000
Non-School Building	75,000		75,000
Computer	75,000	250,000	325,000
Automotive Technician Program	200,000	(200,000)	0
Technical Vocational Trailers	150,000		150,000
Technical Vocational Equipment Replacement	25,000		25,000
Wawanesa Wall Upgrade/Window Replacement (2nd Wing)	125,000		125,000
Waskada School Site Grading	50,000		50,000
Video Conferencing Replacement		400,000	400,000
Environmental Sustainability Programming		150,500	150,500
Sustainability / LED Lighting Project		100,000	100,000
Woods / Metals Programming		200,000	200,000
Capital Reserve	**1,503,815**	**1,325,633**	**2,829,448**

The Board of Trustees repurposed two capital reserves in 2016/17. The reserve established in 2015/16 for an Automotive Technician Program was repurposed to a Woods/Metals Program and $100,000 from the School Buildings reserve was repurposed to a Sustainability/LED Lighting Project reserve.

School Generated Funds and Other Special Purpose Funds are externally restricted moneys for school use. School Generated Funds includes the controlled portion of school generated funds consolidated in the cash and bank balances in the amount of $256,267.

	2017
Foundation - Scholarship	$0
Other – School Funds	256,267
Other Special Purpose Funds	**$256,267**

10. Municipal Government – Property Tax and related Due from Municipal Government

Education property tax or Special Levy is raised as the Division's contribution to the cost of providing public education for the students resident in the division. The Municipal Government-Property Tax shown on the consolidated revenue and expense statement is raised over the two calendar (tax) years; 46% from 2016 tax year and 54% from 2017 tax year. Below are the related revenue and receivable amounts:

	2017	**2016**
Revenue-Municipal Government-Property Tax	$ 10,953,273	$ 10,242,920
Receivable-Due from Municipal-Property Tax	$ 5,902,601	$ 5,498,887

11. Interest Received and Paid

The Division received interest during the year of $133, (previous year $63); interest paid during the year was $848,574, (previous year $879,738).

Interest expense is included in Fiscal and is comprised of the following:

	2017
Operating Fund	
Fiscal-short term loan, interest and bank charges	$46,952
Capital Fund	
Long-term borrowing interest	801,622
Other interest	
	$848,574

The accrual portion of long-term borrowing interest expense of $336,247 included under the Capital Fund Long-term borrowing interest is offset by an accrual of the debt servicing grant from the Province of Manitoba.

12. Expenses by Object

Expenses in the consolidated statement of revenue, expenses and accumulated surplus are reported by function as defined by FRAME. Below is the detail of expenses by object:

	Actual 2017	**Budget 2017**	**Actual 2016**
Salaries	$15,874,642	$16,511,000	$15,364,649
Employees benefits & allowances	1,190,093	1,321,400	1,206,513
Services	2,204,560	2,536,694	2,114,776
Supplies, materials & minor equipment	1,798,837	2,089,585	1,584,957
Interest	848,574	125,000	879,738
Transfers	244,311	175,000	176,604
Payroll tax	340,903	315,000	340,395
Amortization	1,452,194	-	1,404,811
Other capital items		-	-
School generated funds	449,757	-	512,608
Other special purpose funds	-	-	-
	$24,403,871	**$23,073,679**	**$23,585,051**

13. Adoption of New Accounting Policy

Effective July 1, 2014, the division has adopted the new Public Sector Accounting Board accounting standard - Liability for Contaminated Sites, Section PS3260. The standard was applied on a retroactive basis to July 1, 2013 and did not result in any adjustments to financial liabilities, tangible capital assets or accumulated surplus of the division.

MANAGEMENT REPORT

Management's Responsibility for the Financial Statements

The accompanying consolidated financial statements of Sunrise School Division are the responsibility of the Division's management and have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. A summary of the significant accounting policies are described in Note 2 to the consolidated financial statements.

The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. Division management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The Board of Trustees of the Division met with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by BDO Canada LLP, independent external auditors, appointed by the Board. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Division's consolidated financial statements.

Original Document Signed	Original Document Signed
Chairperson	Secretary-Treasurer

October 17, 2017

Tel/Tél.: 204 956 7200
Fax/Téléc.: 204 926 7201
Toll-free/Sans frais: 800 268 3337
www.bdo.ca

BDO Canada LLP/s.r.l.
700 - 200 Graham Avenue
Winnipeg MB R3C 4L5 Canada

Independent Auditor's Report

To the Chairperson and Board of Trustees of **Sunrise School Division**

We have audited the accompanying consolidated financial statements of **Sunrise School Division,** which comprise the consolidated statement of financial position as at June 30, 2017, and the consolidated statement of revenue, expenses and accumulated surplus, consolidated statement of change in net debt and consolidated statement of cash flow for the year then ended 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.

Auditor's 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 auditor's 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 opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **Sunrise School Division** as at June 30, 2017 and the results of its operations, change in net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

BDO Canada LLP

Chartered Professional Accountants

Winnipeg, Manitoba
October 17, 2017

I hereby certify that this report and the statements, schedules and reports referenced herein have been presented to the Members of the Board of Trustees of the above-mentioned School Division.

Oct 17, 2017
Date

Original Document Signed
Chairperson

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2017	2016
	Financial Assets		
	Cash and Bank	-	-
	Due from - Provincial Government	4,918,532	3,259,023
	- Federal Government	185,481	225,606
	- Municipal Government	15,493,734	14,584,459
	- Other School Divisions	91	15,764
	- First Nations	169,037	256,981
	Accounts Receivable	27,078	51,036
	Accrued Investment Income	-	-
	Portfolio Investments	-	-
		20,793,953	18,392,869
	Liabilities		
*	Overdraft	15,248,705	11,956,354
	Accounts Payable	1,459,741	2,129,335
	Accrued Liabilities	241,365	887,785
*	Employee Future Benefits	817,413	717,623
	Accrued Interest Payable	292,314	309,689
	Due to - Provincial Government	3,787	5,852
	- Federal Government	1,302	1,273
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
*	Deferred Revenue	1,517,893	2,729,434
*	Borrowings from the Provincial Government	18,515,034	18,543,526
*	Other Borrowings	2,590,720	3,267,214
	School Generated Funds Liability	44,557	52,103
		40,732,831	40,600,188
	Net Debt	(19,938,878)	(22,207,319)
	Non-Financial Assets		
*	Net Tangible Capital Assets (TCA Schedule)	35,826,319	36,477,800
	Inventories	464,910	517,716
	Prepaid Expenses	137,992	216,382
		36,429,221	37,211,898
*	**Accumulated Surplus**	16,490,343	15,004,579

See accompanying notes to the Financial Statements

Sunrise School Division

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes			2017	2016
	Revenue			
	Provincial Government		41,090,951	40,827,616
	Federal Government		-	-
	Municipal Government	- Property Tax	27,012,061	25,415,373
		- Other	-	-
	Other School Divisions		167,973	154,203
	First Nations		538,980	337,376
	Private Organizations and Individuals		67,462	45,930
	Other Sources		124,835	192,837
	School Generated Funds		964,975	966,448
	Other Special Purpose Funds		16,313	5,950
			69,983,550	67,945,733
	Expenses			
	Regular Instruction		33,769,849	33,102,235
	Student Support Services		12,048,406	11,939,408
	Adult Learning Centres		966,027	970,970
	Community Education and Services		304,247	301,622
	Divisional Administration		2,254,561	2,193,751
	Instructional and Other Support Services		1,486,584	1,484,052
	Transportation of Pupils		5,201,417	4,974,014
	Operations and Maintenance		6,215,940	6,565,973
*	Fiscal	- Interest	1,155,490	1,206,739
		- Other	1,025,120	999,013
	Amortization		3,070,063	2,989,716
	Other Capital Items		10,309	17,495
	School Generated Funds		899,559	858,771
	Other Special Purpose Funds		-	(405)
			68,407,572	67,603,354
	Current Year Surplus (Deficit) before Non-vested Sick Leave		1,575,978	342,379
	Less: Non-vested Sick Leave Expense (Recovery)		90,214	(14,824)
	Net Current Year Surplus (Deficit)		1,485,764	357,203
	Opening Accumulated Surplus		15,004,579	14,647,376
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	-
		Other than Tangible Cap. Assets	-	-
		Non-vested sick leave - prior years	-	-
	Opening Accumulated Surplus, as adjusted		15,004,579	14,647,376
	Closing Accumulated Surplus		16,490,343	15,004,579

See accompanying notes to the Financial Statements

* NOTE REQUIRED

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2017

	2017	2016
Net Current Year Surplus (Deficit)	1,485,764	357,203
Amortization of Tangible Capital Assets	3,070,063	2,989,716
Acquisition of Tangible Capital Assets	(2,467,747)	(3,215,912)
(Gain) / Loss on Disposal of Tangible Capital Assets	48,165	(16,252)
Proceeds on Disposal of Tangible Capital Assets	1,000	16,252
	651,481	(226,196)
Inventories (Increase)/Decrease	52,806	(140,416)
Prepaid Expenses (Increase)/Decrease	78,390	(87,966)
	131,196	(228,382)
(Increase)/Decrease in Net Debt	2,268,441	(97,375)
Net Debt at Beginning of Year	(22,207,319)	(22,109,944)
Adjustments Other than Tangible Cap. Assets	-	-
	(22,207,319)	(22,109,944)
Net Debt at End of Year	(19,938,878)	(22,207,319)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2017

	2017	2016
Operating Transactions		
Net Current Year Surplus (Deficit)	1,485,764	357,203
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	3,070,063	2,989,716
(Gain)/Loss on Disposal of Tangible Capital Assets	48,165	(16,252)
Employee Future Benefits Increase/(Decrease)	99,790	90,252
Due from Other Organizations (Increase)/Decrease	(2,425,042)	1,263,776
Accounts Receivable & Accrued Income (Increase)/Decrease	23,958	1,065,124
Inventories and Prepaid Expenses - (Increase)/Decrease	131,196	(228,382)
Due to Other Organizations Increase/(Decrease)	(2,036)	1,474
Accounts Payable & Accrued Liabilities Increase/(Decrease)	(1,333,389)	341,699
Deferred Revenue Increase/(Decrease)	(1,211,541)	1,763,672
School Generated Funds Liability Increase/(Decrease)	(7,546)	(8,056)
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by (Applied to) Operating Transactions	(120,618)	7,620,226
Capital Transactions		
Acquisition of Tangible Capital Assets	(2,467,747)	(3,215,912)
Proceeds on Disposal of Tangible Capital Assets	1,000	16,252
Cash Provided by (Applied to) Capital Transactions	(2,466,747)	(3,199,660)
Investing Transactions		
Portfolio Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
Financing Transactions		
Borrowings from the Provincial Government Increase/(Decrease)	(28,492)	(1,459,106)
Other Borrowings Increase/(Decrease)	(676,494)	(256,723)
Cash Provided by (Applied to) Financing Transactions	(704,986)	(1,715,829)
Cash and Bank / Overdraft (Increase)/Decrease	(3,292,351)	2,704,737
Cash and Bank (Overdraft) at Beginning of Year	(11,956,354)	(14,661,091)
Cash and Bank (Overdraft) at End of Year	(15,248,705)	(11,956,354)

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2017

	Buildings and Leasehold Improvements		School	Other	Furniture / Fixtures &	Computer Hardware &		Land	Assets Under	2017	2016
	School	Non-School	Buses	Vehicles	Equipment	Software *	Land	Improvements	Construction	TOTALS	TOTALS
Tangible Capital Asset Cost											
Opening Cost, as previously reported	54,216,232	8,097,823	9,871,787	229,619	2,317,108	4,740,822	236,182	581,574	22,613	80,313,760	78,447,618
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	54,216,232	8,097,823	9,871,787	229,619	2,317,108	4,740,822	236,182	581,574	22,613	80,313,760	78,447,618
Add: Additions during the year	661,165	-	983,012	62,501	119,061	74,686	-	-	567,322	2,467,747	3,215,912
Less: Disposals and write downs	740,246	-	-	-	-	-	600	-	1,422	742,268	1,349,770
Closing Cost	54,137,151	8,097,823	10,854,799	292,120	2,436,169	4,815,508	235,582	581,574	588,513	82,039,239	80,313,760
Accumulated Amortization											
Opening, as previously reported	31,173,703	1,902,876	6,354,081	159,965	1,363,942	2,657,380		224,013		43,835,960	42,196,014
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	31,173,703	1,902,876	6,354,081	159,965	1,363,942	2,657,380		224,013		43,835,960	42,196,014
Add: Current period Amortization	1,223,180	188,829	732,072	21,728	310,100	544,729		49,425		3,070,063	2,989,716
Less: Accumulated Amortization on Disposals and Writedowns	693,103	-	-	-		-		-		693,103	1,349,770
Closing Accumulated Amortization	31,703,780	2,091,705	7,086,153	181,693	1,674,042	3,202,109		273,438		46,212,920	43,835,960
Net Tangible Capital Asset	22,433,371	6,006,118	3,768,646	110,427	762,127	1,613,399	235,582	308,136	588,513	35,826,319	36,477,800
Proceeds from Disposal of Capital Assets	1,000	-	-	-	-	-				1,000	16,252

* Includes network infrastructure.

1. Nature of Organization and Economic Dependence

The Sunrise School Division (Division) is a public body that provides education services to residents within its geographic location. The division is funded mainly by grants from the Province of Manitoba (Province), and a special levy on the property assessment included in the Division's boundaries. The Division is exempt from income tax and is a registered charity under the Income Tax Act.

The Division is economically dependent on the Province for the majority of its revenue and capital financing requirements. Without this funding, the Division would not be able to continue its operations.

2. Significant Accounting Policies

The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada (CPAC).

Reporting Entity and Consolidation

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the operating fund, capital fund, and special purpose fund of the Division. The Division reporting entity includes school generated funds controlled by the Division.

All inter-fund accounts and transactions are eliminated upon consolidation.

Trust Funds

The Division administers various trust funds. Trust funds and their related operations are not included in the consolidated financial statements as they are not owned or controlled by the Division. A schedule of trust funds is attached as part of the notes to the consolidated financial statements.

Trust funds, under PSAB are properties assigned to a trustee (school division) under a trust agreement or statute; the trustee merely administers the terms and conditions embodied in the agreement, and it has no unilateral authority to change the conditions set out in the trust indenture.

Basis of Accounting

Revenues and expenses are reported on the accrual basis of accounting except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable. 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.

Fund Accounting

The fund method of accounting is employed by the Division to record financial transactions in separate funds as defined by Financial Reporting and Accounting in Manitoba Education (FRAME) in accordance with the purpose for which the funds have been created.

The Operating Fund is maintained to record all the day to day operating revenues and expenses. The Capital Fund is used to account for the acquisition, amortization, disposal and financing of capital assets. The Special Purpose Fund is used to account for school generated funds and charitable foundations controlled by the Division.

School Generated Funds

School generated funds are monies raised by the school, or under the auspices of the school, through extra curricular activities for the sole use of the school that the principal of each school, subject to the rules of the school board, may raise, hold, administer and expend for the purposes of the school.

Only revenue and expenses of school generated funds controlled by the Division are included in the Consolidated Statement of Revenue, Expenses and Accumulated Surplus. To be deemed as controlled, a school must have the unilateral authority to make the decisions as to when, how and on what the funds are to be spent.

School Generated Funds (continued)

Period end cash balances of all school generated funds are included in the Consolidated Statement of Financial Position. The uncontrolled portion of this amount is reflected in the School Generated Funds Liability account. Examples of uncontrolled school generated funds are parent council funds, other parent group funds, student council funds and travel club funds. Revenues and expenses of uncontrolled school generated funds are not included in the consolidated financial statements.

Tangible Capital Assets

Tangible capital assets are non-financial assets that are used by the Division to provide services to the public and have an economic life beyond one fiscal year. Tangible capital assets include land, buildings, buses, other vehicles, furniture and equipment, computers, capital leases, leasehold improvements, and assets under construction.

To be classified as tangible capital assets, each asset other than land must individually meet the capitalization threshold for its class as prescribed by FRAME.

Asset Description	Capitalization Threshold ($)	Estimated Useful Life
Land Improvements	50,000	10 years
Buildings – bricks, mortar, steel	50,000	40 years
Buildings – wood frame	50,000	25 years
School buses	50,000	10 years
Vehicles	10,000	5 years
Equipment	10,000	5 years
Network Infrastructure	25,000	10 years
Computer Hardware, Servers, Peripherals	10,000	4 years
Computer Software	10,000	4 years
Furniture & Fixtures	10,000	10 years
Leasehold Improvements	25,000	Over term of lease

Grouping of assets is not permitted except for computer work stations.

With the exception of land, all tangible capital assets, are recorded at historical cost, which includes purchase price, installation costs and other costs incurred to put the asset into service.

Buildings are recorded at historical cost when known. For buildings acquired prior to June 30, 2005 where the actual cost was not known, the replacement value for insurance purposes as at June 30, 2005 was regressed to the date of acquisition using a regression index based on Southam and CanaData construction cost indices.

All land acquired prior to June 30, 2006 has been valued by the Crown Lands and Property Agency.

All tangible capital assets, except for land, and assets under construction, are amortized on a straight-line basis over their estimated useful lives as prescribed by FRAME. Land is not amortized.

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal if not fully amortized.

Assets under construction are not amortized until the date of substantial completion. Interest on funds used to finance school buildings under construction is capitalized for the periods preceding the date of substantial completion.

Employee Future Benefits

The Province of Manitoba pays the employer portion of the Teachers' Retirement Allowances Fund (TRAF), the pension plan for all certified teachers of the Division. The Division does not contribute to TRAF, and no costs relating to this plan are included in the Division's financial statements.

The Division provides retirement benefits to its administrative employees in the form of a defined contribution pension plan. The Division pays the employer portion of the defined contribution plan administered by the Manitoba School Boards Association (MSBA). Under this plan, specific fixed amounts are contributed by the Division each period for services rendered, matching employee contributions. No responsibility is assumed by the Division to make any further contribution.

Employee Future Benefits (continued)

For those defined benefit self-insured plans that are event driven such as non-vesting parental leave, the benefit costs are recognized and recorded only in the period when the event occurs.

For non-vesting accumulating sick days, the benefit costs are recognized based on a projection of expected future utilization of sick time, discounted using net present value techniques.

Capital Reserve

Certain amounts, as approved by the Board of Trustees and the Public Schools Finance Board (PSFB), have been set aside in reserve accounts for future capital purposes. These Capital Reserve accounts are internally restricted funds that form part of the Accumulated Surplus presented in the Consolidated Statement of Financial Position.

Use of Estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates, as additional information becomes available in the future.

3. Bank Overdraft

As of June 30, 2017, the Division's authorized line of credit with Sunova Credit Union was $20,500,000 by way of overdrafts. The line of credit is repayable on demand at the bank's prime rate less 0.7% (1.95% as of June 30, 2017); interest is paid monthly. Overdrafts are secured by a borrowing by-law. As at June 30, 2017, the Division's operating line of credit was being utilized.

4. Employee Future Benefits

The Division sponsors a defined contribution pension plan, administered by MSBA. The defined contribution plan is provided to administrative employees based on their age at the beginning of the year and rates of pay. Each age group under the MSBA pension plan has a specific percentage for the employees to contribute. The Division contributions equal the employee contributions to the plan. No pension liability is included in the financial statements.

The employee future benefit expense is a part of the Employee Benefits and Allowances expense account which includes pension expense for the year of $779,772 ($791,142 in 2016).

Non-vested accumulating sick leave benefits are measured using net present value techniques on the expected future utilization of excess of sick leave benefits used over earned per year, to maximum entitlement. The non-vested sick leave recovery for the year is $90,214 (expense of $14,824 in 2016).

Employee future benefits of $817,413 recorded as a liability consists of maternity/parental benefits of $63,352, vacation accrual of $381,013 and sick leave liability of $373,048 as of June 30, 2017.

5. Deferred Revenue

The deferral method of accounting is used for revenues received that, pursuant to legislation, regulation or agreement, may only be used for specific purposes. These amounts are recognized as revenue in the fiscal year the related expenses are incurred or services performed. The following is a breakdown of the account balance:

	Balance As at June 30 2016	Additions in the Period	Revenue Recognized in the Period	Balance as at June 30 2017
Education Property Tax Credit	$ 2,702,967	$ 5,862,745	$ 7,071,346	$ 1,494,367
Tax Incentive Grant	-	2,924,593	2,924,593	-
Grants from outside sources	26,467	14,355	17,296	23,526
	$ 2,729,434	$8,801,693	$ 10,013,235	$ 1,517,893

6. Debenture Debt

The debenture debt of the School Division is in the form of twenty-year debentures payable, principal and interest, in twenty equal yearly instalments and maturing at various dates from 2017 to 2037. Payment of principal and interest is funded entirely by grants from the Province of Manitoba except for the debenture debt on self-funded capital projects. The debentures carry interest rates that range from 3.00% to 8.375%. Debenture interest expense payable as at June 30, 2017, is accrued and recorded in Accrued Interest Payable, and a grant in an amount equal to the interest accrued on provincially funded debentures is recorded in Due from the Provincial Government. The total debenture principal and interest repayments in the next five years are:

2018	$ 2,506,983
2019	2,473,623
2020	2,401,697
2021	2,318,780
2022	2,239,119
	$11,940,202

7. Other Borrowings

Other borrowings consists of a demand term loan used to finance the construction of the new bus garage and a vehicle loan. The demand term loan requires monthly payments of $25,000 plus interest at prime less 0.50% (2.20% at June 30, 2017). The vehicle loan requires annual payments of $5,550.

The total principal and interest repayments in the next five years are:

2018	$ 373,819
2019	366,469
2020	359,119
2021	346,680
2022	338,868
	$ 1,784,955

8. School Generated Funds Liability

School Generated Funds Liability represents the non-controlled portion of school generated funds. At June 30, 2017, an amount equal to the liability of $44,557 ($52,103 at June 30, 2016) is included in overdraft on the Consolidated Statement of Financial Position.

9. Net Tangible Capital Assets

The Schedule of Tangible Capital Assets (TCA), page 23 of the audited financial statements, provides a breakdown of cost, accumulated amortization and net book value by class. The amount of interest capitalized in the period included in Assets under Construction was nil (previous year was nil).

10. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2017	2016
Operating Fund		
Designated Surplus	$ 800,000	$ -
Undesignated Surplus	1,958,746	1,962,330
Non-vested Sick Leave	(373,048)	(282,834)
	2,385,698	1,679,496
Capital Fund		
Reserve Accounts	1,126,940	366,331
Equity in Tangible Capital Assets	12,453,486	12,441,245
	13,580,426	12,807,576
Special Purpose Fund		
School Generated Funds	474,337	476,965
Other	49,882	40,542
	524,219	517,507
Total Accumulated Surplus	$16,490,343	$15,004,579

Designated Surplus under the Operating Fund represents internally restricted amounts appropriated by the Board of Trustees or, in the case of school budget carryovers, by Board policy. The details of Designated Surplus are disclosed on Page 5 of the consolidated financial statements.

Reserve Accounts under the Capital Fund represent internally restricted reserves for specific purposes approved by the Board of Trustees and PSFB. A Schedule of Capital Reserve Accounts is provided on page 24 of the consolidated financial statements.

11. Municipal Government – Property Tax and related Due from Municipal Government

Education property tax or Special Levy is raised as the Division's contribution to the cost of providing public education for the student's resident in the division. The Municipal Government-Property Tax shown on the consolidated statement of revenue and expense is raised over the two calendar (tax) years; 42.5% from 2016 tax year and 57.5% from 2017 tax year. Below are the related revenue and receivable amounts:

	2017	2016
Revenue – Municipal Government – Property Tax	$ 27,012,061	$ 25,415,373
Receivable – Due from Municipal – Property Tax	$ 15,493,734	$ 14,584,459

12. Interest Received and Paid

The Division received interest during the year of $4,165 ($6,045 in 2016); interest paid during the year was $1,155,490 ($1,206,739 in 2016).

Interest expense is included in Fiscal and is comprised of the following:

	2017	2016
Operating Fund		
Fiscal-short term loan, interest and bank charges	$ 145,228	$ 118,503
Capital Fund		
Debenture interest	940,061	1,011,846
Other interest	70,201	76,390
	$ 1,155,490	$ 1,206,739

The accrual portion of debenture debt interest expense of $292,314 ($309,689 in 2016) is included under the Capital Fund-Debenture debt interest, and netted with an accrual of the debt servicing grant from the Province of Manitoba.

13. Expenses by Object

Expenses in the consolidated statement of revenue, expenses and accumulated surplus are reported by function as defined by FRAME. Below is the detail of expenses by object:

	Actual 2017	Budget 2017	Actual 2016
Salaries	$ 47,620,358	$ 47,625,154	$ 46,613,359
Employees benefits and allowances	3,451,645	3,547,565	3,465,966
Services	6,273,274	7,261,344	6,313,261
Supplies, materials and minor equipment	4,124,761	4,306,017	4,298,788
Interest	1,155,490	133,000	1,206,739
Bad debts	-	3,000	-
Payroll tax	1,025,120	1,062,000	999,013
Amortization	3,070,063	-	2,989,716
Transfers	776,993	772,500	840,651
Other capital items	10,309	-	17,495
School generated funds	899,559	-	858,771
Other special purpose funds	-	-	(405)
	$ 68,407,572	$64,660,580	$ 67,603,354

14. Commitments and Appropriations of Operating Fund Surplus

The Division has equipment lease agreements. Future annual minimum operating lease commitments as at June 30, 2017 are as follows:

2018	$ 418,996
2019	290,406
2020	289,825
2021	60,115

15. Financial Instruments

There are no significant terms and conditions related to financial instruments (cash, accounts receivable, investments, and bank indebtedness, accounts payable and long-term debt) that may affect the amount, timing and certainty of future cash flows. The Division is exposed to credit risk from the potential non-payment of accounts receivable. However, the majority of the receivables are from local, provincial and federal governments, and therefore, the credit risk is minimal. The carrying amounts of the financial instruments approximate their carrying values, unless otherwise noted.

MANAGEMENT REPORT

Management's Responsibility for the Financial Statements

The accompanying consolidated financial statements of Swan Valley School Division are the responsibility of the Division management and have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. A summary of the significant accounting policies are described in Note 2 to the consolidated financial statements.

The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. Division management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The Board of Trustees of the Division met with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by PKHC Chartered Professional Accountants, independent external auditors appointed by the Board. The accompanying Independent Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Division's consolidated financial statements.

Original Document Signed	Original Document Signed
Chairperson	Secretary-Treasurer

October 24, 2017

PKHC
CHARTERED PROFESSIONAL ACCOUNTANTS

100 Fourth Avenue North
Box 1660
Swan River, Manitoba RoL 1Z0

Phone 204-734-9331
Fax 204-734-4785
Email: pkhc@pkhc.ca

INDEPENDENT AUDITOR'S REPORT

(in accordance with subsection 41(11) of the Public Schools Act)

SWAN VALLEY SCHOOL DIVISION

To the Board of Trustees of Swan Valley School Division:

We have audited the accompanying consolidated financial statements of Swan Valley School Division, which comprise of the consolidated statement of financial position as at June 30, 2017, the consolidated statement of revenue, expenses and accumulated surplus, consolidated statement of change in net debt, consolidated statement of cash flow for the year then ended 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.

Auditor's 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 auditor's 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, these consolidated financial statements present fairly, in all material respects, the financial position of Swan Valley School Division as at June 30, 2017 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Other matters

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The current year's supplementary information included in the other statements and reports is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

Our opinion on these consolidated financial statements does not extend to any budget information contained therein.

Swan River, Manitoba
October 24, 2017

PKHC
Chartered Professional Accountants

I hereby certify that this report and the statements and reports referenced herein have been presented to the members of the Board of the above mentioned School Division/District.

Original Document Signed Oct.24'17
Date

Original Document Signed
Chairperson

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2017	2016
	Financial Assets		
	Cash and Bank	1,970,391	2,004,656
	Due from - Provincial Government	1,386,850	1,680,884
	- Federal Government	69,302	57,493
	- Municipal Government	3,133,920	2,979,688
	- Other School Divisions	3,196	7,510
	- First Nations	2,131	46,799
	Accounts Receivable	37,743	3,330
	Accrued Investment Income	-	-
	Portfolio Investments	-	-
		6,603,533	6,780,360
	Liabilities		
	Overdraft	-	-
	Accounts Payable	240,988	177,985
	Accrued Liabilities	1,720,127	2,506,912
5	Employee Future Benefits	372,380	120,431
	Accrued Interest Payable	361,416	303,177
	Due to - Provincial Government	747	483
	- Federal Government	15,892	40,624
	- Municipal Government	82,393	76,443
	- Other School Divisions	-	-
	- First Nations	-	-
6	Deferred Revenue	850,173	545,575
8	Borrowings from the Provincial Government	15,843,017	11,993,425
	Other Borrowings	-	-
	School Generated Funds Liability	988	989
		19,488,121	15,766,044
	Net Debt	(12,884,588)	(8,985,684)
	Non-Financial Assets		
9	Net Tangible Capital Assets (TCA Schedule)	19,590,132	15,197,398
	Inventories	15,296	15,510
	Prepaid Expenses	59,543	62,539
		19,664,971	15,275,447
10	**Accumulated Surplus**	6,780,383	6,289,763

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes			2017	2016
	Revenue			
	Provincial Government		16,354,445	16,341,416
	Federal Government		-	20,270
	Municipal Government	- Property Tax	5,716,405	5,411,756
		- Other	-	-
	Other School Divisions		27,905	33,670
	First Nations		235,791	210,454
	Private Organizations and Individuals		268,371	262,558
	Other Sources		174,625	175,138
	School Generated Funds		497,122	491,924
	Other Special Purpose Funds		23,436	14,700
			23,298,100	22,961,886
	Expenses			
	Regular Instruction		11,455,736	11,382,564
	Student Support Services		2,957,615	2,864,288
	Adult Learning Centres		-	-
	Community Education and Services		190,895	241,694
	Divisional Administration		862,057	867,670
	Instructional and Other Support Services		324,590	407,360
	Transportation of Pupils		1,648,590	1,586,819
	Operations and Maintenance		2,556,964	2,421,642
12	Fiscal	- Interest	597,399	547,814
		- Other	322,159	312,874
	Amortization		1,384,823	1,222,068
	Other Capital Items		33,823	44,297
	School Generated Funds		442,781	497,546
	Other Special Purpose Funds		23,436	14,700
			22,800,868	22,411,336
	Current Year Surplus (Deficit) before Non-vested Sick Leave		497,232	550,550
	Less: Non-vested Sick Leave Expense (Recovery)		6,612	(20,126)
	Net Current Year Surplus (Deficit)		490,620	570,676
	Opening Accumulated Surplus		6,289,763	5,719,087
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	-
		Other than Tangible Cap. Assets	-	-
		Non-vested sick leave - prior years	-	-
	Opening Accumulated Surplus, as adjusted		6,289,763	5,719,087
	Closing Accumulated Surplus		6,780,383	6,289,763

See accompanying notes to the Financial Statements

Swan Valley School Division

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2017

	2017	2016
Net Current Year Surplus (Deficit)	490,620	570,676
Amortization of Tangible Capital Assets	1,384,823	1,222,068
Acquisition of Tangible Capital Assets	(5,777,557)	(943,668)
(Gain) / Loss on Disposal of Tangible Capital Assets	(38,498)	(13,000)
Proceeds on Disposal of Tangible Capital Assets	38,498	13,000
	(4,392,734)	278,400
Inventories (Increase)/Decrease	214	3,784
Prepaid Expenses (Increase)/Decrease	2,996	3,683
	3,210	7,467
(Increase)/Decrease in Net Debt	(3,898,904)	856,543
Net Debt at Beginning of Year	(8,985,684)	(9,842,227)
Adjustments Other than Tangible Cap. Assets	-	-
	(8,985,684)	(9,842,227)
Net Debt at End of Year	(12,884,588)	(8,985,684)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2017

	2017	2016
Operating Transactions		
Net Current Year Surplus (Deficit)	490,620	570,676
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	1,384,823	1,222,068
(Gain)/Loss on Disposal of Tangible Capital Assets	(38,498)	(13,000)
Employee Future Benefits Increase/(Decrease)	251,949	13,355
Due from Other Organizations (Increase)/Decrease	176,975	136,862
Accounts Receivable & Accrued Income (Increase)/Decrease	(34,413)	285,546
Inventories and Prepaid Expenses - (Increase)/Decrease	3,210	7,467
Due to Other Organizations Increase/(Decrease)	(18,518)	40,956
Accounts Payable & Accrued Liabilities Increase/(Decrease)	(665,543)	68,748
Deferred Revenue Increase/(Decrease)	304,598	287,884
School Generated Funds Liability Increase/(Decrease)	(1)	(956)
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by (Applied to) Operating Transactions	1,855,202	2,619,606
Capital Transactions		
Acquisition of Tangible Capital Assets	(5,777,557)	(943,668)
Proceeds on Disposal of Tangible Capital Assets	38,498	13,000
Cash Provided by (Applied to) Capital Transactions	(5,739,059)	(930,668)
Investing Transactions		
Portfolio Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
Financing Transactions		
Borrowings from the Provincial Government Increase/(Decrease)	3,849,592	(486,536)
Other Borrowings Increase/(Decrease)	-	-
Cash Provided by (Applied to) Financing Transactions	3,849,592	(486,536)
Cash and Bank / Overdraft (Increase)/Decrease	(34,265)	1,202,402
Cash and Bank (Overdraft) at Beginning of Year	2,004,656	802,254
Cash and Bank (Overdraft) at End of Year	1,970,391	2,004,656

Swan Valley School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2017

	Buildings and Leasehold Improvements		School	Other	Furniture / Fixtures &	Computer Hardware &		Land	Assets Under	2017	2016
	School	Non-School	Buses	Vehicles	Equipment	Software *	Land	Improvements	Construction	TOTALS	TOTALS
Tangible Capital Asset Cost											
Opening Cost, as previously reported	24,316,890	589,777	3,565,517	393,084	1,748,460	1,288,497	280,490	525,105	354,983	33,062,803	32,350,528
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	24,316,890	589,777	3,565,517	393,084	1,748,460	1,288,497	280,490	525,105	354,983	33,062,803	32,350,528
Add: Additions during the year	2,585,212	-	382,082	28,408	175,589	-	-	-	2,606,266	5,777,557	943,668
Less: Disposals and write downs	-	-	171,640	113,091	109,428	-	-	-	-	394,159	231,393
Closing Cost	26,902,102	589,777	3,775,959	308,401	1,814,621	1,288,497	280,490	525,105	2,961,249	38,446,201	33,062,803
Accumulated Amortization											
Opening, as previously reported	12,347,838	476,936	2,273,448	287,336	1,365,942	948,610		165,295		17,865,405	16,874,730
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	12,347,838	476,936	2,273,448	287,336	1,365,942	948,610		165,295		17,865,405	16,874,730
Add: Current period Amortization	720,517	9,814	266,459	32,411	174,324	128,787		52,511		1,384,823	1,222,068
Less: Accumulated Amortization on Disposals and Writedowns	-	-	171,640	113,091	109,428	-		-		394,159	231,393
Closing Accumulated Amortization	13,068,355	486,750	2,368,267	206,656	1,430,838	1,077,397		217,806		18,856,069	17,865,405
Net Tangible Capital Asset	13,833,747	103,027	1,407,692	101,745	383,783	211,100	280,490	307,299	2,961,249	19,590,132	15,197,398
Proceeds from Disposal of Capital Assets	-	-	8,500	29,998	-	-				38,498	13,000

* Includes network infrastructure.

1. Nature of Organization and Economic Dependence

The Swan Valley School Division (Division) is a public body that provides education services to residents within its geographic location. The Division is funded mainly by grants from the Province of Manitoba (Province), and a special levy on the property assessment included in the Division's boundaries. The Division is exempt from income tax and is a registered charity under the Income Tax Act.

The Division is economically dependent on the Province for the majority of its revenue and capital financing requirements. Without this funding, the Division would not be able to continue its operations.

2. Significant Accounting Policies

The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards established by Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada and reflect the following significant accounting policies:

a) Reporting Entity and Consolidation

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the operating fund, capital fund, and special purpose fund of the Division. The Division reporting entity includes school generated funds controlled by the Division and funds held in the Division's Registered Charity.

All inter-fund accounts and transactions are eliminated upon consolidation.

b) Basis of Accounting

Revenues and expenses are reported on the accrual basis of accounting except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable. 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.

c) Fund Accounting

The fund method of accounting is employed by the Division to record financial transactions in separate funds as defined by Financial Reporting and Accounting in Manitoba Education (FRAME) in accordance with the purpose for which the funds have been created.

The Operating Fund is maintained to record all the day to day operating revenues and expenses. The Capital Fund is used to account for the acquisition, amortization, disposal and financing of capital assets. The Special Purpose Fund is used to account for school generated funds and charitable funds controlled by the Division.

d) School Generated Funds

School generated funds are moneys raised by the school, or under the auspices of the school, through extra curricular activities for the sole use of the school that the principal of each school, subject to the rules of the school board, may raise, hold, administer and expend for the purposes of the school.

Only revenue and expenses of school generated funds controlled by the Division are included in the Consolidated Statement of Revenue, Expenses and Accumulated

Surplus. To be deemed as controlled, a school must have the unilateral authority to make the decisions as to when, how and on what the funds are to be spent.

Period end cash balances of all school generated funds are included in the Consolidated Statement of Financial Position. The uncontrolled portion of this amount is reflected in the School Generated Funds Liability account. Examples of uncontrolled school generated funds are parent council funds, other parent group funds, student council funds and travel club funds. Revenues and expenses of uncontrolled school generated funds are not included in the consolidated financial statements.

e) Tangible Capital Assets

Tangible capital assets are non-financial assets that are used by the Division to provide services to the public and have an economic life beyond one fiscal year. Tangible capital assets include land, buildings, buses, other vehicles, furniture and equipment, computers, capital leases, leasehold improvements, and assets under construction.

To be classified as tangible capital assets, each asset other than land must individually meet the capitalization threshold for its class as prescribed by FRAME.

Asset Description	Capitalization Threshold ($)	Estimated Useful Life (years)
Land Improvements	50,000	10
Buildings - bricks, mortar and steel	50,000	40
Buildings - wood frame	50,000	25
School buses	50,000	10
Vehicles	10,000	5
Equipment	10,000	5
Network Infrastructure	25,000	10
Computer Hardware, Servers & Peripherals	10,000	4
Computer Software	10,000	4
Furniture & Fixtures	10,000	10
Leasehold Improvements	25,000	Over term of lease

Grouping of assets is not permitted except for computer work stations.

With the exception of land, donated capital assets and capital leases, all tangible capital assets, are recorded at historical cost, which includes purchase price, installation costs and other costs incurred to put the asset into service.

Buildings are recorded at historical cost when known. For buildings acquired prior to June 30, 2005 where the actual cost was not known, the replacement value for insurance purposes as at June 30, 2005 was regressed to the date of acquisition using a regression index based on Southam and CanaData construction cost indices.

Capital leases are recorded at the present value of the minimum lease payments excluding executory costs (e.g. insurance, maintenance costs, etc.). The discount rate used to determine the present value of the lease payments is the lower of the Division's rate for incremental borrowing or the interest rate implicit in the lease.

Donated tangible capital assets are recorded at fair market value at the date of donation. Deferred revenue is recorded in an equivalent amount, for all donated assets except land. The deferred revenue will be recognized as revenue over the useful life of the related asset, on the same basis that the asset is amortized.

All land acquired prior to June 30, 2006 has been valued by the Crown Lands and Property Agency.

All tangible capital assets, except for land, capital leases, and assets under construction, are amortized on a straight-line basis over their estimated useful lives as prescribed by FRAME. Land is not amortized. Capital leases with lease terms that have a bargain purchase option or allow ownership to pass to the Division are

amortized over the useful life of the asset class. All other capital leases are amortized over the lesser of the lease term and the useful life of the asset class.

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal if not fully amortized.

Assets under construction are not amortized until the date of substantial completion. Interest on funds used to finance school buildings under construction is capitalized for the periods preceding the date of substantial completion.

f) Employee Future Benefits

The Province of Manitoba pays the employer portion of the Teachers' Retirement Allowances Fund (TRAF), the pension plan for all certified teachers of the Division. The Division does not contribute to TRAF, and no costs relating to this plan are included in the Division's financial statements.

However, the Division provides a defined contribution pension plan to all eligible non teachers in the Division. There is no future liability or benefit to be recorded for this type of pension plan. The terms and conditions of the Pension Plan for the Employees of Swan Valley School Division are administered by the school division trustees and a division management representative. Participating employees in the plan generally contribute from 7.0% to 9.0% (dependant on age and years of plan membership as outlined in the plan's text) of eligible earnings to the plan. The Division matches this contribution and remits both contributions monthly. No responsibility is assumed by the Division to make any further contribution.

g) Capital Reserve

Certain amounts, as approved by the Board of Trustees and the Public Schools Finance Board (PSFB), have been set aside in reserve accounts for future capital purposes. These Capital Reserve accounts are internally restricted funds that form part of the Accumulated Surplus presented in the Consolidated Statement of Financial Position.

h) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

i) Financial instruments

There are no significant terms and conditions related to financial instruments (cash, accounts receivable, investments, bank indebtedness, accounts payable and long-term debt) that may affect the amount, timing and certainty of future cash flows. The Division is exposed to credit risk from the potential non-payment of accounts receivable. However, the majority of the receivables are from local, provincial and federal governments, and therefore, the credit risk is minimal. The carrying amounts of the financial instruments approximate their carrying values, unless otherwise noted.

j) Adoption of New Accounting Policy PS 3260

Effective July 01, 2014, the Division has adopted the new Public Sector Accounting Board accounting standard – Liability for Contaminated Sites, Section PS 3260. The standard was applied on a retroactive basis to July 01, 2013 and did not result in any adjustments to financial liabilities, tangible capital assets or accumulated surplus of the Division.

3. Other Investments

	2017	2016
Swan Valley Credit Union Patronage Shares	$ 0	$ 0

4. Overdraft

The Division has an authorized line of credit with TD Canada Trust of $6,000,000 by way of overdrafts and is repayable on demand at prime less 0.75%; paid monthly. Overdrafts are secured by borrowing by-law.

5. Employee Future Benefits

The Division sponsors and administers a defined pension contribution plan. The defined contribution plan is provided to all eligible non teaching employees. Eligible employees contributed, in accordance with the plan text 7.0% to 9.0% of their eligible earnings to the plan. The Division contributions equal the employee required contributions to the plan. Some employees have exercised their right to make voluntary contributions to the plan, which are not matched by the Division. No pension liability is included in the financial statements.

A liability of $0.00 for event driven sick leave benefits, $10,403 maternity/parental and $86,933 estimated non-vested sick leave benefits ($18,876 maternity/parental, $21,234 sick leave benefits and $80,321 estimated non-vested sick leave benefits for 2016) is reflected in the financial statements.

6. Deferred Revenue

The deferral method of accounting is used for revenues received that, pursuant to legislation, regulation or agreement, may only be used for specific purposes. These amounts are recognized as revenue in the fiscal year the related expenses are incurred or services performed. The following is a breakdown of the account balance:

	Balance as at June 30, 2016	Additions in the period	recognized in the period	Balance as at June 30, 2017
Healthy Child Manitoba Grant	$ 16,060	$ 59,268	$ 57,443	$ 17,885
Education Property Tax Credit	334,554	1,312,699	1,056,539	590,714
Other Province of Manitoba Grants	-	100,000	98,623	1,377
Grants from outside sources	32,492	34,700	25,269	41,923
Capital Fund	118,039	67,111	29,386	155,764
Charitable Scholarship and Other Fund	44,429	21,517	23,436	42,510
School Generated Funds	-	-	-	-
	$ 545,574	$ 1,595,295	$ 1,290,696	$ 850,173

7. School Generated Funds Liability

School Generated Funds Liability includes the non-controlled portion of school generated funds consolidated in the cash and bank balances in the amount of $988 for 2017, $989 in 2016.

School generated funds revenue and expenses reported in the Consolidated Statement of Revenue, Expenses and Accumulated Surplus as at June 30, 2017 covers a period of twelve months from July 1, 2016 to June 30, 2017.

8. Debenture Debt

The debenture debt of the Division is in the form of twenty-year debentures payable, principal and interest, in twenty equal yearly installments and maturing at various dates from 2016 to 2037. Payment of principal and interest is funded entirely by grants from the Province of Manitoba. The debentures carry interest rates that range from 3.250% to 8.375%. Debenture interest expense payable as at June 30, 2017, is accrued and recorded in Accrued Interest Payable, and a grant in an amount equal to the interest accrued on provincially funded debentures is recorded in Due from the Provincial Government. The debenture principal and interest repayments in the next five years are:

	Principal	Interest	Total
2018	806,801	658,014	$ 1,464,815
2019	827,383	621,426	1,448,809
2020	847,022	584,172	1,431,194
2021	879,160	546,239	1,425,399
2022	918,476	506,923	1,425,399
	$ 4,278,842	$ 2,916,774	$ 7,195,616

9. Net Tangible Capital Assets

The Schedule of Tangible Capital Assets (TCA), page 23 of the audited financial statements, provides a breakdown of cost, accumulated amortization and net book value by class. The amount of interest capitalized in the period included in Assets under Construction is $2,685 (previous year $300).

10. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

Operating Fund		
Designated Surplus	-	-
Undesignated Surplus	646,669	636,757
Non-vested Sick Leave	(86,932)	(80,320)
	559,737	556,437
Capital Fund		
Reserve Accounts	3,063,493	2,936,330
Equity in Tangible Capital Assets	2,977,323	2,671,507
	6,040,816	5,607,837
Special Purpose Fund		
School Generated Funds	179,830	125,489
Other Special Purpose Funds	-	-
	179,830	125,489
Total Accumulated Surplus	$ 6,780,383	$ 6,289,763

Designated Surplus under the Operating Fund represents internally restricted amounts appropriated by the board or, in the case of school budget carryovers, by board policy. See page 5 of the audited financial statements for a breakdown of the Designated Surplus.

	2017	2016
Board approved appropriation by motion	-	-
School budget carryovers by Board policy	-	-
Designated surplus	$ -	$ -

Reserve Accounts under the Capital Fund represents internally restricted reserves for specific purposes approved by the Board of Trustees and PSFB. A Schedule of Capital Reserve Accounts is provided on page 24 of the audited financial statements.

	2017	2016
Bus reserves	598,712	558,360
Other reserves	2,464,781	2,377,970
Capital Reserve	$ 3,063,493	$ 2,936,330

11. Municipal Government – Property Tax and related Due from Municipal Government

Education property tax or Special Levy is raised as the Division's contribution to the cost of providing public education for the student's resident in the division. The Municipal Government-Property Tax shown on the consolidated revenue and expense is raised over the two calendar (tax) years; 45% from 2016 tax year and 55% from 2017 tax year. Below are the related revenue and receivable amounts:

Revenue-Municipal Government-Property Tax	$	5,716,405	$	5,411,756
Receivable-Due from Municipal-Property Tax	$	3,133,920	$	2,979,688

12. Interest Received and Paid

The Division received interest during the year of $31,521 (previous year $35,350); interest paid during the year was $2,685 (previous year $300).

Interest expense is included in Fiscal and is comprised of the following:

		2017
Operating Fund		
Fiscal-short term loan, interest and bank charges	$	2,576
Capital Fund		
Debenture debt interest		594,823
Other interest		2,685
	$	600,084

The accrual portion of debenture debt interest expense of $361,416 included under the Capital Fund-Debenture debt interest, is offset by an accrual of the debt servicing grant from the Province of Manitoba.

13. Expenses by object

Expenses in the consolidated statement of revenue, expenses and accumulated surplus are reported by function as defined by FRAME. Below is the detail of expenses by object:

	Actual 2017	Budget 2017	Actual 2016
Salaries	$ 15,252,453	$ 15,826,236	$ 14,851,289
Employees benefits & allowances	1,306,552	1,463,719	1,315,161
Services	2,024,964	1,989,214	1,887,269
Supplies, materials & minor equipment	1,352,478	1,501,001	1,658,318
Interest	597,399	2,000	547,814
Bad debts	-	-	-
Payroll tax	322,159	331,000	312,874
Transfers	60,000	2,600	60,000
Amortization	1,384,823	-	1,222,068
Other capital items	33,823	-	44,297
School generated funds	442,781	-	497,546
Other special purpose funds	23,436	-	14,700
	$ 22,800,868	$ 21,115,770	$ 22,411,336

14. Commitment

As a result of a resolution approved at the 10 April 2017 school trustees meeting the Division is committed to purchase one new school bus in the amount of approximately $117,174 during 2017/2018 fiscal year end. Also approved by resolution Trustees have committed approximately $993,138 from capital reserves to fund 50% of a school exterior wall/building envelope upgrade. Balance funded by the Public Schools' Finance Board. Work commenced in June of 2017. To be completed during the 2017/18 fiscal year.

MANAGEMENT REPORT

Management's Responsibility for the Financial Statements

The accompanying consolidated financial statements of Turtle Mountain School Division are the responsibility of the Division management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants. A summary of the significant accounting policies are described in Note 2 to the consolidated financial statements.

The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. Division management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The Board of Trustees of the Division met with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by MNP LLP, independent external auditors appointed by the Board. The accompanying Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Division's consolidated financial statements.

Original Document Signed
Chairperson

Original Document Signed
Secretary-Treasurer

October 25, 2017

Independent Auditors' Report

To the Board of Trustees of Turtle Mountain School Division:

We have audited the accompanying consolidated financial statements of Turtle Mountain School Division, which comprise the consolidated statement of financial position as at June 30, 2017, and the consolidated statements of revenue, expenses and accumulated surplus, change in net debt and cash flow for the year then ended, 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 generally accepted accounting principles established by the Public Sector Accounting Board of the Canadian Institute of Chartered Professional Accountants, 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 Turtle Mountain School Division as at June 30, 2017 and the consolidated results of its operations, consolidated changes in net debt and its consolidated cash flow for the year then ended in accordance with Canadian generally accepted accounting principles established by the Public Sector Accounting Board of the Canadian Institute of Chartered Professional Accountants.

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

MNP LLP

Brandon, Manitoba
October 25, 2017

Chartered Professional Accountants

I hereby certify that the preceding report and the statements and reports referenced herein have been presented to the members of the Board of Turtle Mountain School Division.

Original Document Signed
Chairperson of the Board

October 25, 2017
Date

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2017	2016
	Financial Assets		
	Cash and Bank	-	-
	Due from - Provincial Government	559,040	498,900
	- Federal Government	39,391	79,356
	- Municipal Government	3,335,332	3,373,073
	- Other School Divisions	-	-
	- First Nations	-	-
	Accounts Receivable	105,223	77,054
	Accrued Investment Income	-	-
	Portfolio Investments	-	-
		4,038,986	4,028,383
	Liabilities		
(4)	Overdraft	1,173,377	2,503,364
	Accounts Payable	1,511,143	1,636,559
	Accrued Liabilities	102,972	100,542
(5)	Employee Future Benefits	137,655	124,883
	Accrued Interest Payable	117,839	97,025
	Due to - Provincial Government	-	-
	- Federal Government	-	-
	- Municipal Government	29,119	26,537
	- Other School Divisions	-	-
	- First Nations	-	-
(6)	Deferred Revenue	356,708	369,858
(7)	Borrowings from the Provincial Government	7,284,415	5,932,220
	Other Borrowings	-	-
	School Generated Funds Liability	163,311	200,866
		10,876,539	10,991,854
	Net Debt	(6,837,553)	(6,963,471)
	Non-Financial Assets		
(9)	Net Tangible Capital Assets (TCA Schedule)	8,166,013	8,044,612
	Inventories	6,254	73,470
	Prepaid Expenses	663,403	695,664
		8,835,670	8,813,746
(12)	**Accumulated Surplus**	1,998,117	1,850,275

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes		2017	2016
	Revenue		
	Provincial Government	8,556,236	8,374,803
	Federal Government	426	105
	Municipal Government - Property Tax	5,666,285	5,179,246
	- Other	-	-
	Other School Divisions	38,350	34,450
	First Nations	-	-
	Private Organizations and Individuals	11,011	17,984
	Other Sources	27,576	17,723
	School Generated Funds	315,767	206,043
	Other Special Purpose Funds	-	-
		14,615,651	13,830,354
	Expenses		
	Regular Instruction	7,152,677	6,991,312
	Student Support Services	2,340,864	2,168,015
	Adult Learning Centres	219,234	232,675
	Community Education and Services	12,070	12,038
	Divisional Administration	559,091	561,531
	Instructional and Other Support Services	496,708	433,476
	Transportation of Pupils	1,178,040	1,047,306
	Operations and Maintenance	1,043,819	1,033,894
(13)	Fiscal - Interest	339,166	286,988
	- Other	219,625	207,760
	Amortization	599,207	523,960
	Other Capital Items	-	-
	School Generated Funds	307,163	230,562
	Other Special Purpose Funds	-	-
		14,467,664	13,729,517
	Current Year Surplus (Deficit) before Non-vested Sick Leave	147,987	100,837
	Less: Non-vested Sick Leave Expense (Recovery)	145	(9,821)
	Net Current Year Surplus (Deficit)	147,842	110,658
	Opening Accumulated Surplus	1,850,275	1,739,617
	Adjustments: Tangible Cap. Assets and Accum. Amort.	-	-
	Other than Tangible Cap. Assets	-	-
	Non-vested sick leave - prior years	-	-
	Opening Accumulated Surplus, as adjusted	1,850,275	1,739,617
	Closing Accumulated Surplus	1,998,117	1,850,275

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2017

	2017	2016
Net Current Year Surplus (Deficit)	147,842	110,658
Amortization of Tangible Capital Assets	599,207	523,960
Acquisition of Tangible Capital Assets	(720,608)	(3,916,650)
(Gain) / Loss on Disposal of Tangible Capital Assets	-	(1,500)
Proceeds on Disposal of Tangible Capital Assets	-	1,500
	(121,401)	(3,392,690)
Inventories (Increase)/Decrease	67,216	(5,469)
Prepaid Expenses (Increase)/Decrease	32,261	67,572
	99,477	62,103
(Increase)/Decrease in Net Debt	125,918	(3,219,929)
Net Debt at Beginning of Year	(6,963,471)	(3,743,542)
Adjustments Other than Tangible Cap. Assets	-	-
	(6,963,471)	(3,743,542)
Net Debt at End of Year	(6,837,553)	(6,963,471)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2017

	2017	2016
Operating Transactions		
Net Current Year Surplus (Deficit)	147,842	110,658
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	599,207	523,960
(Gain)/Loss on Disposal of Tangible Capital Assets	-	(1,500)
Employee Future Benefits Increase/(Decrease)	12,772	(8,683)
Due from Other Organizations (Increase)/Decrease	17,566	(398,441)
Accounts Receivable & Accrued Income (Increase)/Decrease	(28,169)	(37,478)
Inventories and Prepaid Expenses - (Increase)/Decrease	99,477	62,103
Due to Other Organizations Increase/(Decrease)	2,582	(4,406)
Accounts Payable & Accrued Liabilities Increase/(Decrease)	(102,172)	332,685
Deferred Revenue Increase/(Decrease)	(13,150)	144,177
School Generated Funds Liability Increase/(Decrease)	(37,555)	93,344
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by (Applied to) Operating Transactions	698,400	816,419
Capital Transactions		
Acquisition of Tangible Capital Assets	(720,608)	(3,916,650)
Proceeds on Disposal of Tangible Capital Assets	-	1,500
Cash Provided by (Applied to) Capital Transactions	(720,608)	(3,915,150)
Investing Transactions		
Portfolio Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
Financing Transactions		
Borrowings from the Provincial Government Increase/(Decrease)	1,352,195	2,443,118
Other Borrowings Increase/(Decrease)	-	-
Cash Provided by (Applied to) Financing Transactions	1,352,195	2,443,118
Cash and Bank / Overdraft (Increase)/Decrease	1,329,987	(655,613)
Cash and Bank (Overdraft) at Beginning of Year	(2,503,364)	(1,847,751)
Cash and Bank (Overdraft) at End of Year	(1,173,377)	(2,503,364)

Turtle Mountain School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2017

	Buildings and Leasehold Improvements		School	Other	Furniture / Fixtures &	Computer Hardware &		Land	Assets Under	2017	2016
	School	Non-School	Buses	Vehicles	Equipment	Software *	Land	Improvements	Construction	TOTALS	TOTALS
Tangible Capital Asset Cost											
Opening Cost, as previously reported	12,496,417	701,466	2,555,718	83,749	195,282	65,780	45,451	320,207	279	16,464,349	12,617,890
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	12,496,417	701,466	2,555,718	83,749	195,282	65,780	45,451	320,207	279	16,464,349	12,617,890
Add: Additions during the year	701,927	-	-	-	-	-	-	-	18,681	720,608	3,916,650
Less: Disposals and write downs	-	-	-	-	-	-	-	-	-	-	70,191
Closing Cost	13,198,344	701,466	2,555,718	83,749	195,282	65,780	45,451	320,207	18,960	17,184,957	16,464,349
Accumulated Amortization											
Opening, as previously reported	5,714,951	449,140	1,681,215	49,979	160,963	43,282		320,207		8,419,737	7,965,968
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	5,714,951	449,140	1,681,215	49,979	160,963	43,282		320,207		8,419,737	7,965,968
Add: Current period Amortization	390,229	14,064	158,729	14,723	15,122	6,340		-		599,207	523,960
Less: Accumulated Amortization on Disposals and Writedowns	-	-	-	-	-	-		-		-	70,191
Closing Accumulated Amortization	6,105,180	463,204	1,839,944	64,702	176,085	49,622		320,207		9,018,944	8,419,737
Net Tangible Capital Asset	7,093,164	238,262	715,774	19,047	19,197	16,158	45,451	-	18,960	8,166,013	8,044,612
Proceeds from Disposal of Capital Assets	-	-	-	-	-	-				-	1,500

* Includes network infrastructure.

1. Nature of Organization and Economic Dependence

The School Division (Division) is a public body that provides education services to residents within its geographic location. The Division is funded mainly by grants from the Province of Manitoba (Province), and a special levy on the property assessment included in the Division's boundaries. The Division is exempt from income tax and is a registered charity under the Income Tax Act.

The Division is economically dependent on the Province for the majority of its revenue and capital financing requirements. Without this funding, the Division would not be able to continue its operations.

2. Significant Accounting Policies

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles established by PSAB of the Canadian Institute of Chartered Accountants (CICA).

a) Reporting Entity and Consolidation

The consolidated financial statements reflect the assets, liabilities, revenue and expenses of the operating fund, capital fund, and special purpose fund of the Division. The Division reporting entity includes school generated funds controlled by the Division.

All inter-fund accounts and transactions are eliminated upon consolidation.

b) Basis of Accounting

Revenue and expenses are reported on the accrual basis of accounting except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable. 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.

c) Fund Accounting

The fund method of accounting is employed by the Division to record financial transactions in separate funds as defined by Financial Reporting and Accounting in Manitoba Education (FRAME) in accordance with the purpose for which the funds have been created.

The Operating Fund is maintained to record all the day to day operating revenues and expenses. The Capital Fund is used to account for the acquisition, amortization, disposal and financing of capital assets. The Special Purpose Fund is used to account for school generated funds and charitable foundations controlled by the Division.

d) School Generated Funds

School generated funds are moneys raised by the school, or under the auspices of the school, through extra-curricular activities for the sole use of the school that the principal of each school, subject to the rules of the school board, may raise, hold, administer and expend for the purposes of the school.

Only revenue and expenses of school generated funds controlled by the Division are included in the Consolidated Statement of Revenue, Expenses and Accumulated Surplus. To be deemed as controlled, a school must have the unilateral authority to make the decisions as to when, how and on what the funds are to be spent.

Period end cash balances of all school generated funds are included in the Consolidated Statement of Financial Position. The uncontrolled portion of this amount is reflected in the School Generated Funds Liability account. Examples of uncontrolled school generated funds are parent council funds, other parent group funds, student council funds and travel club funds. Revenues and expenses of uncontrolled school generated funds are not included in the consolidated financial statements.

e) Tangible Capital Assets

Tangible capital assets are non-financial assets that are used by the Division to provide services to the public and have an economic life beyond one fiscal year. Tangible capital assets include land, buildings, buses, other vehicles, furniture and equipment, computers, capital leases, leasehold improvements, and assets under construction.

To be classified as tangible capital assets, each asset other than land must individually meet the capitalization threshold for its class as prescribed by FRAME.

Asset Description	Capitalization Threshold ($)	Estimated Useful Life (Years)
Land Improvements	50,000	10
Buildings – bricks, mortar and steel	50,000	40
Buildings – wood frame	50,000	25
School Buses	50,000	10
Vehicles	10,000	5
Equipment	10,000	5
Network Infrastructure	25,000	10
Computer Hardware, Servers & Peripherals	10,000	4
Computer Software	10,000	4
Furniture & Fixtures	10,000	10
Leasehold Improvements	25,000	Over term of lease

Grouping of assets is not permitted except for computer work stations.

With the exception of land, donated capital assets and capital leases, all tangible capital assets, are recorded at historical cost, which includes purchase price, installation costs and other costs incurred to put the asset into service.

Buildings are recorded at historical cost when known. For buildings acquired prior to June 30, 2005 where the actual cost was not known, the replacement value for insurance purposes as at June 30, 2005 was regressed to the date of acquisition using a regression index based on Southam and CanaData construction cost indices.

All land acquired prior to June 30, 2006 has been valued by the Crown Lands and Property Agency.

All tangible capital assets, except for land, and assets under construction, are amortized on a straight-line basis over their estimated useful lives as prescribed by FRAME. Land is not amortized.

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal if not fully amortized.

Assets under construction are not amortized until the date of substantial completion. Interest on funds used to finance school buildings under construction is capitalized for the periods preceding the date of substantial completion.

f) Capital Reserve

Certain amounts, as approved by the Board of Trustees and the Public Schools Finance Board (PSFB), have been set aside in reserve accounts for future capital purposes. These Capital Reserve accounts are internally restricted funds that form part of the Accumulated Surplus presented in the Consolidated Statement of Financial Position.

g) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

h) Financial Instruments

There are no significant terms and conditions related to financial instruments (cash, accounts receivable, investments, bank indebtedness, accounts payable and long-term debt) that may affect the amount, timing and certainty of future cash flows. The Division is exposed to credit risk from the potential non-payment of accounts receivable. However, the majority of the receivables are from local, provincial and federal governments, and therefore, the credit risk is minimal. The carrying amounts of the financial instruments approximate their carrying values, unless otherwise noted.

i) Liability for Contaminated Sites

The Division has adopted PS3260 liability for contaminated sites effective March 31, 2015. No sites have been identified and no liability has been established in Turtle Mountain School Division.

3. Conversion to PSAB

Commencing with the 2006/07 fiscal year, the Board adopted generally accepted accounting principles established by PSAB.

The following changes were implemented to comply with the PSAB standard:

(i) Tangible capital assets were restated and amortized over their useful lives to reflect net book value. Amortization of tangible capital assets and gain or loss on disposal of capital assets are recorded in the Statement of Revenue, Expenses and Accumulated Surplus.

(ii) The Operating Fund, Capital Fund and Special Purpose Fund are consolidated in the financial statements. The Special Purpose Fund was created to include school generated funds and charitable foundations controlled by the Division.

(iii)The Employee Future Benefits Liability was established to account for the Division's commitment to pay vested future benefits to its employees.

(iv)Accrued Interest Payable was established to account for accrual of interest on Debenture Debt and Other Borrowings from the last payment date. An equal amount is set up as due from the Province to offset the accrued interest payable on debenture.

4. Overdraft

The Division has an authorized line of credit with Westoba Credit Union of the following;

$5,000,000.00 (Operating Line of Credit)

by way of overdrafts and is repayable on demand at prime less 0.50%; interest is paid monthly. Overdrafts are secured by borrowing by-law.

5. Employee Future Benefits

Employee Future Benefits are benefits earned by employees in the current period, but will not be paid out until future periods and include vacation accrual, supplemental employment and sick leave benefits.

6. Deferred Revenue

The deferral method of accounting is used for revenues received that, pursuant to legislation, regulation or agreement, may only be used for specific purposes. These amounts are recognized as revenue in the fiscal year the related expenses are incurred or services performed. The following is a breakdown of the account balance:

Description	Year ended	Amount
Provincial Education Property Tax Credit Advance	June 30, 2017	$329,708
Richardson Foundation Inc – Donation to Killarney School Track Project	June 30, 2017	25,000
Westoba Credit Union – Donation to Killarney School Track Project	June 30, 2017	2,000

$356,708

7. Debenture Debt

The debenture debt of the Division is in the form of twenty-year debentures payable, principal and interest, in twenty equal yearly installments and maturing at various dates from 2018 to 2037. Payment of principal and interest is funded entirely by grants from the Province of Manitoba, except for the debenture debt on self-funded capital projects. The debentures carry interest rates that range from 3.00% to 7.00 %. Debenture interest expense payable as at June 30, 2017, is accrued and recorded in Accrued Interest Payable, and a grant in an amount equal to the interest accrued on provincially funded debentures is recorded in Due from the Provincial Government.

	Year	Principal	Interest	Total
Total	2018	455,333	304,826	760,159
Total	2019	470,980	282,010	752,990
Total	2020	456,511	258,432	714,943
Total	2021	459,675	235,917	695,592
Total	2022	456,591	213,560	670,151

8. School Generated Funds Liability

School Generated Funds Liability includes the non-controlled portion of school generated funds consolidated in the cash and bank balances in the amount of $163,311.

9. Net Tangible Capital Assets

The Schedule of Tangible Capital Assets (TCA), page 23 of the audited financial statements, provides a breakdown of cost, accumulated amortization and net book value by class.

10. Municipal Government – Property Tax and related Due from Municipal Government

Education property tax or Special Levy is raised as the Division's contribution to the cost of providing public education for the students resident in the division. The Municipal Government-Property Tax shown on the consolidated revenue and expense statement is raised over the two calendar (tax) years; 59.6% from 2017 tax year and 40.4% from 2016 tax year. Below are the related revenue and receivable amounts:

Description	2017	2016
Revenue-Municipal Government-Property Tax	$5,666,285	$5.179,246
Receivable-Due from Municipal-Property Tax	$3,335,332	$3,373,073

11. Commitments

Agreements respecting photocopiers, printers and other respective leases were entered into for terms ranging from one to five years. The cost for the lease of this equipment is $173,096 for 2016-2017

12. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2017
Operating Fund	
Designated Surplus	$237,429
Undesignated Surplus(Deficit)	604,024
Less: Non-Vested Sick Leave to Date	(55,342)
	786,111
Capital Fund	
Reserve Account	345,749
Equity in Tangible Capital Assets	795,100
	1,140,849
Special Purpose Fund	
School Generated Funds	71,157
Other Special Purpose Funds	0
Total Accumulated Surplus	$1,998,117

Designated Surplus under the Operating Fund represents internally restricted amounts appropriated by the board or, in the case of school budget carryovers, by board policy. See page 5 of the audited financial statements for a breakdown of the Designated Surplus.

	2017
Board approved appropriation by motion	$62,620
School/Maintenance Budget carryovers by board policy	174,809
Designated surplus	$237,429

Reserve Accounts under the Capital Fund represents internally restricted reserves for specific purposes approved by the Board of Trustees and PSFB. A Schedule of Capital Reserve Accounts is provided on page 24 of the audited financial statements.

	2017
Bus reserves	$345,749
Other reserves	
Capital Reserve	$345,749

School Generated Funds and Other Special Purpose Funds are externally restricted moneys for school use.

	2017
School generated funds	$71,157
Other	0
Other Special Purpose Funds	$71,157

13. Interest Received and Paid

The Division received interest during the year of $1,391 (previous year $1,354); interest paid during the year was $339,166 (previous year $286,988).

Interest expense is included in Fiscal and is comprised of the following:

	2017
Operating Fund	
Fiscal-short term loan, interest and bank charges	$54,776
Capital Fund	
Debenture debt interest	$284,390
Other interest	0
	$339,166

The accrual portion of debenture debt interest expense of $117,839 included under the Capital Fund-Debenture debt interest is offset by an accrual of the debt servicing grant from the Province of Manitoba.

14. Expenses by object

Expenses in the consolidated statement of revenue, expenses and accumulated surplus are reported by function as defined by FRAME. Below is the detail of expenses by object:

Description	Actual 2017	Budget 2017	Actual 2016
Salaries	9,961,768	9,975,092	$9,609,097
Employee benefits and allowances	688,670	791,975	710,031
Services	1,323,206	1,328,918	1,248,530
Supplies, materials & minor equip.	999,609	1,021,838	883,825
Minor Capital Items	-	-	-
Interest	339,166	26,000	286,988
Payroll tax / Transfers/Bad Debt Exp	248,875	231,000	236,524
Amortization	599,207	-	523,960
School generated funds	307,163	-	230,562
Total	14,467,664	13,374,823	$13,729,517

15. Prepaids

Due to the shift of Capital Reserve (Boiler) to Operating Reserve (Broadband), motion #13-115, 6/10's of the Broadband initiative expense is now in prepaid ($521,838).

School Year	Amount	Remaining Balance
2016-2017		521,838
2017-2018	86,973	434,865
2018-2019	86,973	347,892
2019-2020	86,973	260,919
2020-2021	86,973	173,946
2021-2022	86,973	86,973
2022-2023	86,973	0

MANAGEMENT RESPONSIBILITY REPORT

The accompanying consolidated financial statements of Turtle River School Division are the responsibility of the Division management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants. A summary of the significant accounting policies is described in Note 3 to the consolidated financial statements.

The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. Division management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The Board of Trustees of the Division met with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by MNP LLP independent external auditors appointed by the Board. The accompanying Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Division's consolidated financial statements.

Original Document Signed	Original Document Signed
Chairperson	Secretary-Treasurer

October 24, 2017

Independent Auditors' Report

To the Board of Trustees of Turtle River School Division:

We have audited the accompanying consolidated financial statements of Turtle River School Division, which comprise the consolidated statement of financial position as at June 30, 2017, and the consolidated statements of revenue, expenses and accumulated surplus, change in net debt and cash flow for the year then ended, 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 generally accepted accounting principles established by the Public Sector Accounting Board of the Canadian Institute of Chartered Professional Accountants, 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 Turtle River School Division as at June 30, 2017 and the consolidated results of its operations, consolidated changes in net debt and its consolidated cash flow for the year then ended in accordance with Canadian generally accepted accounting principles established by the Public Sector Accounting Board of the Canadian Institute of Chartered Professional Accountants.

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

MNP LLP

Brandon, Manitoba
October 24, 2017

Chartered Professional Accountants

I hereby certify that the preceding report and the statements and reports referenced herein have been presented to the members of the Board of Turtle River School Division.

Original Document Signed
Chairperson of the Board

October 24, 2017
Date

MNP

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2017	2016
	Financial Assets		
	Cash and Bank	1,480,227	1,156,346
	Due from - Provincial Government	427,738	443,206
	- Federal Government	36,807	75,443
	- Municipal Government	1,226,137	1,169,690
	- Other School Divisions	2,288	3,511
	- First Nations	-	-
	Accounts Receivable	339	17,428
	Accrued Investment Income	-	-
	Portfolio Investments	-	-
		3,173,536	2,865,624
	Liabilities		
	Overdraft	-	-
	Accounts Payable	247,455	225,332
	Accrued Liabilities	711,081	716,073
3f	Employee Future Benefits	42,483	28,705
	Accrued Interest Payable	75,643	82,490
	Due to - Provincial Government	-	-
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
6	Deferred Revenue	160,448	195,061
8	Borrowings from the Provincial Government	3,922,056	4,186,749
	Other Borrowings	-	-
	School Generated Funds Liability	-	-
		5,159,166	5,434,410
	Net Debt	(1,985,630)	(2,568,786)
	Non-Financial Assets		
3e	Net Tangible Capital Assets (TCA Schedule)	5,467,691	5,832,844
	Inventories	109,328	101,424
	Prepaid Expenses	76,459	37,171
		5,653,478	5,971,439
9	**Accumulated Surplus**	3,667,848	3,402,653

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes			2017	2016
	Revenue			
	Provincial Government		9,401,476	9,373,570
	Federal Government		-	-
	Municipal Government	- Property Tax	2,459,680	2,341,495
		- Other	-	-
	Other School Divisions		31,850	27,300
	First Nations		-	-
	Private Organizations and Individuals		11,276	13,047
	Other Sources		8,860	10,404
	School Generated Funds		358,303	304,074
	Other Special Purpose Funds		-	-
			12,271,445	12,069,890
	Expenses			
	Regular Instruction		6,354,693	6,151,435
	Student Support Services		1,574,064	1,701,504
	Adult Learning Centres		-	-
	Community Education and Services		33,713	11,675
	Divisional Administration		395,791	392,196
	Instructional and Other Support Services		269,207	254,867
	Transportation of Pupils		1,056,929	1,033,734
	Operations and Maintenance		1,133,189	1,324,058
11	Fiscal	- Interest	186,432	179,788
		- Other	166,785	168,245
	Amortization		519,759	508,677
	Other Capital Items		-	-
	School Generated Funds		301,910	283,673
	Other Special Purpose Funds		-	-
			11,992,472	12,009,852
	Current Year Surplus (Deficit) before Non-vested Sick Leave		278,973	60,038
	Less: Non-vested Sick Leave Expense (Recovery)		13,778	10,225
	Net Current Year Surplus (Deficit)		265,195	49,813
	Opening Accumulated Surplus		3,402,653	3,352,840
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	-
		Other than Tangible Cap. Assets	-	-
		Non-vested sick leave - prior years	-	-
	Opening Accumulated Surplus, as adjusted		3,402,653	3,352,840
	Closing Accumulated Surplus		3,667,848	3,402,653

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2017

	2017	2016
Net Current Year Surplus (Deficit)	265,195	49,813
Amortization of Tangible Capital Assets	519,759	508,677
Acquisition of Tangible Capital Assets	(154,606)	(477,749)
(Gain) / Loss on Disposal of Tangible Capital Assets	-	(4,550)
Proceeds on Disposal of Tangible Capital Assets	-	4,550
	365,153	30,928
Inventories (Increase)/Decrease	(7,904)	(109)
Prepaid Expenses (Increase)/Decrease	(39,288)	7,980
	(47,192)	7,871
(Increase)/Decrease in Net Debt	583,156	88,612
Net Debt at Beginning of Year	(2,568,786)	(2,657,398)
Adjustments Other than Tangible Cap. Assets	-	-
	(2,568,786)	(2,657,398)
Net Debt at End of Year	(1,985,630)	(2,568,786)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2017

	2017	2016
Operating Transactions		
Net Current Year Surplus (Deficit)	265,195	49,813
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	519,759	508,677
(Gain)/Loss on Disposal of Tangible Capital Assets	-	(4,550)
Employee Future Benefits Increase/(Decrease)	13,778	10,225
Due from Other Organizations (Increase)/Decrease	(1,120)	35,269
Accounts Receivable & Accrued Income (Increase)/Decrease	17,089	(7,486)
Inventories and Prepaid Expenses - (Increase)/Decrease	(47,192)	7,871
Due to Other Organizations Increase/(Decrease)	-	(120,503)
Accounts Payable & Accrued Liabilities Increase/(Decrease)	10,284	(122,769)
Deferred Revenue Increase/(Decrease)	(34,613)	132,860
School Generated Funds Liability Increase/(Decrease)	-	-
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by (Applied to) Operating Transactions	743,180	489,407
Capital Transactions		
Acquisition of Tangible Capital Assets	(154,606)	(477,749)
Proceeds on Disposal of Tangible Capital Assets	-	4,550
Cash Provided by (Applied to) Capital Transactions	(154,606)	(473,199)
Investing Transactions		
Portfolio Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
Financing Transactions		
Borrowings from the Provincial Government Increase/(Decrease)	(264,693)	387,452
Other Borrowings Increase/(Decrease)	-	-
Cash Provided by (Applied to) Financing Transactions	(264,693)	387,452
Cash and Bank / Overdraft (Increase)/Decrease	323,881	403,660
Cash and Bank (Overdraft) at Beginning of Year	1,156,346	752,686
Cash and Bank (Overdraft) at End of Year	1,480,227	1,156,346

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2017

	Buildings and Leasehold Improvements		School	Other	Furniture / Fixtures &	Computer Hardware &		Land	Assets Under	2017	2016
	School	Non-School	Buses	Vehicles	Equipment	Software *	Land	Improvements	Construction	TOTALS	TOTALS
Tangible Capital Asset Cost											
Opening Cost, as previously reported	10,955,047	411,192	2,953,399	157,035	207,148	207,609	36,325	-	978,637	15,906,392	15,793,547
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	10,955,047	411,192	2,953,399	157,035	207,148	207,609	36,325	-	978,637	15,906,392	15,793,547
Add: Additions during the year	-	-	-	-	-	13,932	-	-	140,674	154,606	477,749
Less: Disposals and write downs	-	-	-	-	-	-	-	-	-	-	364,904
Closing Cost	10,955,047	411,192	2,953,399	157,035	207,148	221,541	36,325	-	1,119,311	16,060,998	15,906,392
Accumulated Amortization											
Opening, as previously reported	7,350,754	411,192	1,901,433	125,071	144,854	140,244		-		10,073,548	9,929,775
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	7,350,754	411,192	1,901,433	125,071	144,854	140,244		-		10,073,548	9,929,775
Add: Current period Amortization	288,231		170,976	10,928	22,032	27,592		-		519,759	508,677
Less: Accumulated Amortization on Disposals and Writedowns		-	-	-	-	-		-		-	364,904
Closing Accumulated Amortization	7,638,985	411,192	2,072,409	135,999	166,886	167,836		-		10,593,307	10,073,548
Net Tangible Capital Asset	3,316,062	-	880,990	21,036	40,262	53,705	36,325	-	1,119,311	5,467,691	5,832,844
Proceeds from Disposal of Capital Assets	-	-	-	-	-	-				-	4,550

* Includes network infrastructure.

1. Nature of Organization and Economic Dependence

The Turtle River School Division is a public body that provides education services to residents within its geographic location. The division is funded mainly by grants from the Province of Manitoba, and a special levy on the property assessment included in the Division's boundaries. The Division is exempt from income tax and is a registered charity under the Income Tax Act.

The Division is economically dependent on the Province for the majority of its revenue and capital financing requirements. Without this funding, the Division would not be able to continue its operations.

2. Additional Information

a) Public Sector Accounting Board (PSAB)

The Division adopted Public Sector Accounting Board (PSAB) standards during the 2006/07 fiscal year. Previous to the 2006/07 year Financial Statements were presented in accordance with FRAME, the prescribed method of accounting that the Division followed prior to implementation of PSAB.

b) PS 3260 Liability for Contaminated Sites

Effective July 1, 2014, the division has adopted the new Public Sector Accounting Board accounting standard – Liability for Contaminated Sites, Section PS3260. The standard was applied on a retroactive basis to July 1, 2013 and did not result in any adjustments to financial liabilities, tangible capital assets or accumulated surplus of the division.

3. Significant Accounting Policies

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles established by PSAB of the Canadian Institute of Chartered Accountants (CICA).

a) Reporting Entity and Consolidation

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the operating fund, capital fund, and special purpose fund of the Division. The Division reporting entity includes school generated funds.
All inter-fund accounts and transactions are eliminated upon consolidation.

b) Basis of Accounting

Revenues and expenses are reported on the accrual basis of accounting except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable. 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.

c) Fund Accounting

The fund method of accounting is employed by the Division to record financial transactions in separate funds as defined by Financial Reporting and Accounting in Manitoba Education (FRAME) in accordance with the purpose for which the funds have been created.

The Operating Fund is maintained to record all the day to day operating revenues and expenses. The Capital Fund is used to account for the acquisition, amortization, disposal and financing of capital assets. The Special Purpose Fund is used to account for school generated funds held by the Division.

d) School Generated Funds

School generated funds are moneys raised by the school, or under the auspices of the school, through extra-curricular activities for the sole use of the school that the principal of each school, subject to the rules of the school board, may raise, hold, administer and expend for the purposes of the school.

Only revenue and expenses of school generated funds controlled by the Division are included in the Consolidated Statement of Revenue, Expenses and Accumulated Surplus. To be deemed as controlled, a school must have the unilateral authority to make the decisions as to when, how and on what the funds are to be spent.

Period end cash balances of all school generated funds are included in the Consolidated Statement of Financial Position. The uncontrolled portion of this amount is reflected in the School Generated Funds Liability account. Examples of uncontrolled school generated funds are parent council funds, other parent group funds, student council funds and travel club funds. Revenues and expenses of uncontrolled school generated funds are not included in the consolidated financial statements.

e) Tangible Capital Assets

Tangible capital assets are non-financial assets that are used by the Division to provide services to the public and have an economic life beyond one fiscal year. Tangible capital assets include land, buildings, buses, other vehicles, furniture and equipment, computers, capital leases, leasehold improvements, and assets under construction.

To be classified as tangible capital assets, each asset other than land must individually meet the capitalization threshold for its class as prescribed by FRAME.

Asset Description	Capitalization Threshold ($)	Estimated Useful Life (years)
Land	N/A	N/A
Land Improvements **(1)**	50,000	10
Buildings - bricks, mortar and steel	50,000	40
Buildings - wood frame	50,000	25
School buses	50,000	10
Vehicles **(2)**	10,000	5
Equipment **(3)**	10,000	5
Network Infrastructure **(4)**	25,000	10
Computer Hardware, Servers & Peripherals **(5)**	10,000	4
Computer Software **(6)**	10,000	4
Furniture & Fixtures	10,000	10
Leasehold Improvements	25,000	Over term of lease

NB: All amortization is on a straight line basis with no residual value. The Estimated Useful Life above is based on the acquisition of new assets. If used assets are acquired, a reasonable estimate of the remaining useful life must be determined.

Grouping of assets is not permitted except for computer work stations.

With the exception of land, donated capital assets and capital leases, all tangible capital assets, are recorded at historical cost, which includes purchase price, installation costs and other costs incurred to put the asset into service.

Buildings are recorded at historical cost when known. For buildings acquired prior to June 30, 2005 where the actual cost was not known, the replacement value for insurance purposes as at June 30, 2005 was regressed to the date of acquisition using a regression index based on Southam and CanaData construction cost indices.

All land acquired prior to June 30, 2006 has been valued by the Crown Lands and Property Agency.

All tangible capital assets, except for land, capital leases, and assets under construction, are amortized on a straight-line basis over their estimated useful lives as prescribed by FRAME. Land is not amortized. One-half of the annual amortization is charged in the year of acquisition and in the year of disposal if not fully amortized. Assets under construction are not amortized until the date of substantial completion. Interest on funds used to finance school buildings under construction is capitalized for the periods preceding the date of substantial completion.

f) Employee Future Benefits

The Province of Manitoba pays the employer portion of the Teachers' Retirement Allowances Fund (TRAF), the pension plan for all certified teachers of the Division. The Division does not contribute to TRAF, and no costs relating to this plan are included in the Division's financial statements.

However, the Division provides a defined contribution pension plan to all eligible non teachers in the Division. There is no future liability or benefit to be recorded for this type of pension plan. The Division participates in the MSBA (Manitoba School Boards Association, formerly the Manitoba Association of School Trustees) Pension Plan. The terms and conditions of this pension plan are administered by a provincial committee consisting of school trustees, employee and division management representative. The Division participates in the plan by virtue of a trust agreement. Participating employees in the plan generally contribute from 9.0% to 12.65% (dependent on age) of earnings to the plan. The Division matches this contribution and remits both contributions monthly.

Expected future payment of non-vested accumulated sick leave benefits for employees based on estimated sick days that will be used over earned per year has been set up as a future benefit. Employee future benefits are benefits earned by employees in the current period, but will not be paid out until a future period.

g) Capital Reserve

Certain amounts, as approved by the Board of Trustees and the Public Schools Finance Board (PSFB), have been set aside in reserve accounts for future capital purposes. These Capital Reserve accounts are internally restricted funds that form part of the Accumulated Surplus presented in the Consolidated Statement of Financial Position. The Division has a reserve for school bus purchases in the amount of $1,208,172, a reserve for a project to upgrade the wide area network wireless computer communication system in the amount of $72,750, a reserve for a project to upgrade playgrounds in the amount of $10,840, a reserve for a project to upgrade school canteens in the amount of $78,505 and a reserve for a HVAC system in the amount of $340,000.

h) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

i) Financial instruments

There are no significant terms and conditions related to financial instruments (cash, accounts receivable, investments, bank indebtedness, accounts payable and long-term debt) that may affect the amount, timing and certainty of future cash flows. The Division is exposed to credit risk from the potential non-payment of accounts receivable. However, the majority of the receivables are from local, provincial and federal governments, and therefore, the credit risk is minimal. The carrying amounts of the financial instruments approximate their carrying values, unless otherwise noted.

4. Conversion to PSAB

Commencing with the 2006/07 fiscal year, the Board has adopted generally accepted accounting principles established by PSAB.

The following changes have been implemented to comply with the PSAB standard:

(i) Tangible capital assets were restated and amortized over their useful lives to reflect net book value. Amortization of tangible capital assets and gain or loss on disposal of capital assets are recorded in the Statement of Revenue, Expenses and Accumulated Surplus.

(ii) The Operating Fund, Capital Fund and Special Purpose Fund are consolidated in the financial statements. The Special Purpose Fund was created to include school generated funds and charitable foundations controlled by the Division.

(iii) The Employee Future Benefits Liability was established to account for the Division's commitment to pay vested future benefits to its employees.

(iv) Accrued Interest Payable was established to account for accrual of interest on Debenture Debt and Other Borrowings from the last payment date. An equal amount is set up as due from the Province to offset the accrued interest payable on debenture.

5. Overdraft

The Division has an operating $2,500,000 line of credit with the Royal Bank of Canada by way of overdraft. (By-Law #176).

In addition small capital projects are funded out of the operating fund.

6. Deferred Revenue

The deferral method of accounting is used for revenues received that, pursuant to legislation, regulation or agreement, may only be used for specific purposes. These amounts are recognized as revenue in the fiscal year the related expenses are incurred or services performed. The following is a breakdown of the account balance:

	Balance as at June 30, 2016	Additions in the period	Revenue recognized in the period	Balance as at June 30, 2017
Education Property Tax Credit	$ 195,061	$ 160,448	$ 195,061	$ 160,448
				$ -
	$ 195,061	$ 160,448	$ 195,061	$ 160,448

7. School Generated Funds Liability & Revenue/Expense Presentation

School generated funds revenue and expenses reported in the Consolidated Statement of Revenue, Expenses and Accumulated Surplus as at June 30, 2017 covers a period of twelve months from July 1, 2016 to June 30, 2017

8. Debenture Debt

The debenture debt of the Division is in the form of sixteen debentures payable, principal and interest, in twenty equal yearly installments and maturing at various dates from 2018 to 2036. Payment of principal and interest is funded entirely by grants from the Province of Manitoba. The debentures carry interest rates that range from 3.50% to 7.375%. Debenture interest expense payable as at June 30, 2017, is accrued and recorded in Accrued Interest Payable, and a grant in an amount equal to the interest accrued on provincially funded debentures is recorded in Due from the Provincial Government. The debenture principal and interest repayments in the next five years are:

	Principal	Interest	Total
2018	245,388	156,209	401,597
2019	222,765	142,857	365,622
2020	234,440	131,182	365,622
2021	244,889	118,863	363,752
2022	257,760	105,993	363,753
	1,205,242	655,104	1,860,346

9. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2017
Operating Fund	
Designated Surplus	
Undesignated Surplus	388,463
	388,463
Capital Fund	
Reserve Accounts	1,710,267
Equity in Tangible Capital Assets	1,402,553
	3,112,820
Special Purpose Fund	
School Generated Funds	166,565
Other Special Purpose Funds	-
	166,565
Total Accumulated Surplus	$ 3,667,848

Reserve Accounts under the Capital Fund represent internally restricted reserves for specific purposes approved by the Board of Trustees and PSFB. A Schedule of Capital Reserve Accounts is provided on page 24 of the audited financial statements.

	2017
Bus reserve	1,208,172
Other reserves	502,095
Capital Reserve	$ 1,710,267

10. Municipal Government – Property Tax and related Due from Municipal Government

Education property tax or Special Levy is raised as the Division's contribution to the cost of providing public education for the students resident in the division. The Municipal Government-Property Tax shown on the consolidated statement of revenue and expense is raised over the two calendar (tax) years; 50% from 2016 tax year and 50% from 2017 tax year. Below are the related revenue and receivable amounts:

	2017	2016
Revenue-Municipal Government-Property Tax	$ 2,459,680	$ 2,341,495
Receivable-Due from Municipal-Property Tax	$ 1,226,137	$ 1,169,690

11. Interest Received and Paid

The Division received interest during the year of $8,860.

Interest expense is included in Fiscal and is comprised of the following:

		2017
Operating Fund		
Fiscal-short term loan, interest and bank charges	$	1,656
Capital Fund		
Debenture debt interest		184,776
Other interest		-
	$	186,432

The accrual portion of debenture debt interest expense of $75,643 included under the Capital Fund-Debenture debt interest is offset by an accrual of the debt servicing grant from the Province of Manitoba.

12. Expenses by object

Expenses in the consolidated statement of revenue, expenses and accumulated surplus are reported by function as defined by FRAME. Below is the detail of expenses by object:

		Actual 2017		Budget 2017		Actual 2016
Salaries	$	7,859,979	$	7,943,591	$	7,786,651
Employees benefits & allowances		627,143		668,414		651,845
Services		1,104,810		1,327,146		1,307,812
Supplies, materials & minor equipment		1,048,060		1,088,166		948,087
Interest		186,432		5,250		179,788
Transfers		177,594		208,437		175,074
Payroll tax		166,785		171,241		168,245
Amortization		519,759		-		508,677
Other capital items		-		-		-
School generated funds		301,910		-		283,673
Other special purpose funds		-		-		-
	$	11,992,472	$	11,412,245	$	12,009,852

MANAGEMENT REPORT

Management's Responsibility for the Financial Statements

The accompanying consolidated financial statements of Western School Division are the responsibility of the Division management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants. A summary of the significant accounting policies are described in Note 2 to the consolidated financial statements.

The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. Division management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The Board of Trustees of the Division met with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by Gislason Targownik Peters, Chartered Professional Accountants, independent external auditors appointed by the Board. The accompanying Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Division's consolidated financial statements.

Original Document Signed	Original Document Signed
Chairperson	Secretary-Treasurer

October 23, 2017

Gislason Targownik Peters
Chartered Professional Accountants
675 Norquay Drive • Winkler • Manitoba R6W 0L1 • Tel: (204) 325-7579 • Fax (204) 325-7318

INDEPENDENT AUDITOR'S REPORT

To the board of trustees of
Western School Division

We have audited the accompanying consolidated financial statements of Western School Division, which comprise the consolidated statement of financial position as at June 30, 2017, and the consolidated statement of revenue, expenses and accumulated surplus, statement of change in net debt and statement of cash flow for the year then ended, 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.

Auditor's 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 auditor's 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 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 financial position of Western School Division as at June 30, 2017, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Partners *Dale R. Gislason, FCPA, FCGA** *Robert J. Friesen, B. Comm. (Hons.), CPA, CGA** *Kenton Doerksen, BA, CPA, CGA**
*Saul Targownik, CPA, CMA, CGA** *Darren Funk, CPA, CGA** *Sarah Neufeld, BA (Hons.), CPA, CGA**
*Mel L. Verin, BA, FCPA, FCA** *Brian K. Derksen, BA, CPA, CGA** ***Retired:*** *Ernest Peters, FCPA, FCGA*
**Professional Corporation*

Other Matters
Our audit was conducted for the purposes of forming an opinion on the consolidated financial statements taken as a whole. The current year's supplementary information included in the other statements, schedules and reports is presented for purposes of additional analysis. Such supplemental information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements taken as a whole. Budgeted figures provided for information purposes are unaudited.

Gislason Targownik Peters

CHARTERED PROFESSIONAL ACCOUNTANTS

Winkler, Manitoba
October 23, 2017

I hereby certify that this report and the statements and reports referenced herein have been presented to the members of the board of the above mentioned School Division.

Oct. 23, 2017
Date

Original Document Signed
Chairperson

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2017	2016
	Financial Assets		
	Cash and Bank	-	-
	Due from - Provincial Government	1,403,250	394,752
	- Federal Government	42,675	97,142
	- Municipal Government	4,039,810	3,545,112
	- Other School Divisions	162,120	99,105
	- First Nations	-	-
	Accounts Receivable	17,403	48,011
	Accrued Investment Income	-	-
	Portfolio Investments	-	-
		5,665,258	4,184,122
	Liabilities		
3	Overdraft	4,819,140	3,233,017
	Accounts Payable	451,997	336,206
	Accrued Liabilities	327,360	962,929
4	Employee Future Benefits	116,513	96,565
	Accrued Interest Payable	102,016	108,019
	Due to - Provincial Government	70,391	68,210
	- Federal Government	1,037,818	15,697
	- Municipal Government	-	-
	- Other School Divisions	259,092	411,917
	- First Nations	-	-
5	Deferred Revenue	225,546	891,741
6	Borrowings from the Provincial Government	6,635,844	6,985,641
	Other Borrowings	-	252,814
	School Generated Funds Liability	8,161	7,759
		14,053,878	13,370,515
	Net Debt	(8,388,620)	(9,186,393)
	Non-Financial Assets		
8	Net Tangible Capital Assets (TCA Schedule)	13,812,949	14,428,353
	Inventories	16,543	35,844
	Prepaid Expenses	69,216	57,608
		13,898,708	14,521,805
10	**Accumulated Surplus**	5,510,088	5,335,412

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes			2017	2016
	Revenue			
	Provincial Government		13,722,683	13,637,168
	Federal Government		20,891	18,777
	Municipal Government	- Property Tax	6,815,828	6,027,007
		- Other	3,200	3,200
	Other School Divisions		55,250	66,300
	First Nations		-	-
	Private Organizations and Individuals		269,382	219,288
	Other Sources		24,033	22,259
	School Generated Funds		471,848	332,480
	Other Special Purpose Funds		-	-
			21,383,115	20,326,479
	Expenses			
	Regular Instruction		11,945,007	11,388,794
	Student Support Services		2,744,509	2,658,047
	Adult Learning Centres		393,082	395,968
	Community Education and Services		51,540	54,289
	Divisional Administration		759,561	725,529
	Instructional and Other Support Services		548,306	523,759
	Transportation of Pupils		823,903	752,837
	Operations and Maintenance		1,889,874	1,828,079
12	Fiscal	- Interest	378,125	378,936
		- Other	330,824	298,108
	Amortization		857,219	839,789
	Other Capital Items		-	1,203
	School Generated Funds		466,542	268,742
	Other Special Purpose Funds		-	-
			21,188,492	20,114,080
	Current Year Surplus (Deficit) before Non-vested Sick Leave		194,623	212,399
	Less: Non-vested Sick Leave Expense (Recovery)		19,947	22,506
	Net Current Year Surplus (Deficit)		174,676	189,893
	Opening Accumulated Surplus		5,335,412	5,145,519
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	-
		Other than Tangible Cap. Assets	-	-
		Non-vested sick leave - prior years	-	-
	Opening Accumulated Surplus, as adjusted		5,335,412	5,145,519
	Closing Accumulated Surplus		5,510,088	5,335,412

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2017

	2017	2016
Net Current Year Surplus (Deficit)	174,676	189,893
Amortization of Tangible Capital Assets	857,219	839,789
Acquisition of Tangible Capital Assets	(241,815)	(1,089,493)
(Gain) / Loss on Disposal of Tangible Capital Assets	-	(5,000)
Proceeds on Disposal of Tangible Capital Assets	-	5,000
	615,404	(249,704)
Inventories (Increase)/Decrease	19,301	(35,844)
Prepaid Expenses (Increase)/Decrease	(11,608)	22,140
	7,693	(13,704)
(Increase)/Decrease in Net Debt	797,773	(73,515)
Net Debt at Beginning of Year	(9,186,393)	(9,112,878)
Adjustments Other than Tangible Cap. Assets	-	-
	(9,186,393)	(9,112,878)
Net Debt at End of Year	(8,388,620)	(9,186,393)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2017

	2017	2016
Operating Transactions		
Net Current Year Surplus (Deficit)	174,676	189,893
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	857,219	839,789
(Gain)/Loss on Disposal of Tangible Capital Assets	-	(5,000)
Employee Future Benefits Increase/(Decrease)	19,948	22,506
Due from Other Organizations (Increase)/Decrease	(1,511,744)	(100,179)
Accounts Receivable & Accrued Income (Increase)/Decrease	30,608	(11,387)
Inventories and Prepaid Expenses - (Increase)/Decrease	7,693	(13,704)
Due to Other Organizations Increase/(Decrease)	871,477	(190,124)
Accounts Payable & Accrued Liabilities Increase/(Decrease)	(525,781)	376,562
Deferred Revenue Increase/(Decrease)	(666,195)	(28,531)
School Generated Funds Liability Increase/(Decrease)	402	(65,031)
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by (Applied to) Operating Transactions	(741,697)	1,014,794
Capital Transactions		
Acquisition of Tangible Capital Assets	(241,815)	(1,089,493)
Proceeds on Disposal of Tangible Capital Assets	-	5,000
Cash Provided by (Applied to) Capital Transactions	(241,815)	(1,084,493)
Investing Transactions		
Portfolio Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
Financing Transactions		
Borrowings from the Provincial Government Increase/(Decrease)	(349,797)	319,673
Other Borrowings Increase/(Decrease)	(252,814)	(63,212)
Cash Provided by (Applied to) Financing Transactions	(602,611)	256,461
Cash and Bank / Overdraft (Increase)/Decrease	(1,586,123)	186,762
Cash and Bank (Overdraft) at Beginning of Year	(3,233,017)	(3,419,779)
Cash and Bank (Overdraft) at End of Year	(4,819,140)	(3,233,017)

Western School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2017

	Buildings and Leasehold Improvements		School	Other	Furniture / Fixtures &	Computer Hardware &		Land	Assets Under	2017	2016
	School	Non-School	Buses	Vehicles	Equipment	Software *	Land	Improvements	Construction	TOTALS	TOTALS
Tangible Capital Asset Cost											
Opening Cost, as previously reported	20,901,515	1,276,112	2,007,298	133,452	546,462	385,974	1,632,484	124,180	-	27,007,477	25,998,324
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	20,901,515	1,276,112	2,007,298	133,452	546,462	385,974	1,632,484	124,180	-	27,007,477	25,998,324
Add: Additions during the year	-	43,652	-	-	107,854	75,837	-	-	14,472	241,815	1,089,493
Less: Disposals and write downs	-	-	-	-	-	-	-	-	-	-	80,340
Closing Cost	20,901,515	1,319,764	2,007,298	133,452	654,316	461,811	1,632,484	124,180	14,472	27,249,292	27,007,477
Accumulated Amortization											
Opening, as previously reported	9,978,730	466,018	1,377,361	81,693	288,979	298,849		87,494		12,579,124	11,819,675
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	9,978,730	466,018	1,377,361	81,693	288,979	298,849		87,494		12,579,124	11,819,675
Add: Current period Amortization	579,696	48,459	114,303	14,939	58,433	28,971		12,418		857,219	839,789
Less: Accumulated Amortization on Disposals and Writedowns	-	-	-	-	-	-		-		-	80,340
Closing Accumulated Amortization	10,558,426	514,477	1,491,664	96,632	347,412	327,820		99,912		13,436,343	12,579,124
Net Tangible Capital Asset	10,343,089	805,287	515,634	36,820	306,904	133,991	1,632,484	24,268	14,472	13,812,949	14,428,353
Proceeds from Disposal of Capital Assets	-	-	-	-	-	-				-	5,000

* Includes network infrastructure.

WESTERN SCHOOL DIVISION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017

1. Nature of Organization and Economic Dependence

The School Division (Division) is a public body that provides education services to residents within its geographic location. The division is funded mainly by grants from the Province of Manitoba (Province), and a special levy on the property assessment included in the Division's boundaries. The Division is exempt from income tax and is a registered charity under the Income Tax Act.

The Division is economically dependent on the Province for the majority of its revenue and capital financing requirements. Without this funding, the Division would not be able to continue its operations.

2. Significant Accounting Policies

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles established by PSAB of the Chartered Professional Accountants of Canada.

a) Reporting Entity and Consolidation

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the operating fund, capital fund, and special purpose fund of the Division. The Division reporting entity includes school generated funds controlled by the Division.

All inter-fund accounts and transactions are eliminated upon consolidation.

b) Basis of Accounting

Revenues and expenses are reported on the accrual basis of accounting except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable. 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.

c) Fund Accounting

The fund method of accounting is employed by the Division to record financial transactions in separate funds as defined by Financial Reporting and Accounting in Manitoba Education (FRAME) in accordance with the purpose for which the funds have been created.

The Operating Fund is maintained to record all the day to day operating revenues and expenses. The Capital Fund is used to account for the acquisition, amortization, disposal and financing of capital assets. The Special Purpose Fund is used to account for school generated funds controlled by the Division.

d) School Generated Funds

School generated funds are moneys raised by the school, or under the auspices of the school, through extra curricular activities for the sole use of the school that the principal of each school, subject to the rules of the school board, may raise, hold, administer and expend for the purposes of the school.

Only revenue and expenses of school generated funds controlled by the Division are included in the Consolidated Statement of Revenue, Expenses and Accumulated Surplus. To be deemed as controlled, a school must have the unilateral authority to make the decisions as to when, how and on what the funds are to be spent.

Period end cash balances of all school generated funds are included in the Consolidated Statement of Financial Position. The uncontrolled portion of this amount is reflected in the School Generated Funds Liability account. Examples of uncontrolled school generated funds are parent council funds, other parent group funds, student council funds and travel club funds. Revenues and expenses of uncontrolled school generated funds are not included in the consolidated financial statements.

e) Tangible Capital Assets

Tangible capital assets are non-financial assets that are used by the Division to provide services to the public and have an economic life beyond one fiscal year. Tangible capital assets include land, buildings, buses, other vehicles, furniture and equipment, computers, capital leases, leasehold improvements, and assets under construction.

To be classified as tangible capital assets, each asset other than land must individually meet the capitalization threshold for its class as prescribed by FRAME.

Asset Description	Capitalization Threshold ($)	Estimate Useful Life (years)
Land Improvements	25,000	10
Buildings – bricks, mortar and steel	25,000	40
Buildings – wood frame	25,000	25
School buses	20,000	10
Vehicles	10,000	5
Equipment	10,000	5
Network infrastructure	25,000	10
Computer hardware, servers & peripherals	5,000	4
Computer software	10,000	4
Furniture & fixtures	5,000	10
Leasehold improvements	25,000	Over term of lease

Grouping of assets is not permitted except for computer work stations.

With the exception of land, donated capital assets and capital leases, all tangible capital assets, are recorded at historical cost, which includes purchase price, installation costs and other costs incurred to put the asset into service.

Buildings are recorded at historical cost when known. For buildings acquired prior to June 30, 2005 where the actual cost was not known, the replacement value for insurance purposes as at June 30, 2005 was regressed to the date of acquisition using a regression index based on Southam and CanaData construction cost indices.

Donated tangible capital assets are recorded at fair market value at the date of donation. Deferred revenue is recorded in an equivalent amount, for all donated assets except land. The deferred revenue will be recognized as revenue over the useful life of the related asset, on the same basis that the asset is amortized.

All land acquired prior to June 30, 2006 has been valued by the Crown Lands and Property Agency.

All tangible capital assets, except for land, capital leases, and assets under construction, are amortized on a straight-line basis over their estimated useful lives as prescribed by FRAME. Land is not amortized.

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal if not fully amortized.

Assets under construction are not amortized until the date of substantial completion. Interest on funds used to finance school buildings under construction is capitalized for the periods preceding the date of substantial completion.

f) Employee Future Benefits

The Province of Manitoba pays the employer portion of the Teachers' Retirement Allowances Fund (TRAF), the pension plan for all certified teachers of the Division. The Division does not contribute to TRAF, and no costs relating to this plan are included in the Division's financial statements.

However, the Division provides retirement and other future benefits to its non-teaching employees. These benefits include defined contribution pension, and sick leave. The Division adopted the following policy with respect to accounting for these employee future benefits:

<u>Defined Contribution Pension Plan</u>

The Division pays the employer portion of a defined contribution plan administered by Sun Life Financial for non-teaching employees. Under this plan, mandatory amounts based on employee earnings are calculated and forwarded to the pension administrator. The Division matches these contributions equally. No responsibility is assumed by the Division to make any further contribution.

<u>Non-vested Accumulated Sick Leave</u>

For non-vesting accumulating sick days, the benefit costs are recognized, based on a projection of expected future utilization of sick time, discounted using net present value techniques.

g) Capital Reserve

Certain amounts, as approved by the Board of Trustees and the Public Schools Finance Board (PSFB), have been set aside in reserve accounts for future capital purposes. These Capital Reserve accounts are internally restricted funds that form part of the Accumulated Surplus presented in the Consolidated Statement of Financial Position.

h) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. These estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

i) Financial instruments

There are no significant terms and conditions related to financial instruments (cash, accounts receivable, investments, bank indebtedness, accounts payable and long-term debt) that may affect the amount, timing and certainty of future cash flows. The Division is exposed to credit risk from the potential non-payment of accounts receivable. However, the majority of the receivables are from local, provincial and federal governments, and therefore, the credit risk is minimal. The carrying amounts of the financial instruments approximate their fair values, unless otherwise noted.

3. Bank Overdraft

The Division has an authorized line of credit with Access Credit Union Limited of $7,250,000 by way of overdrafts and is repayable on demand at prime less 0.5%.

4. Employee Future Benefits

The Division sponsors a defined contribution pension plan, administered by Sun Life Financial. Non-teaching employees enrolled in the plan contribute 5.75% of gross earnings. The Division contributions equal the employee contributions to the plan. No pension liability is included in the financial statements. The employee future benefit expense is part of the Employee Benefits and Allowances expense account.

Non-vested accumulated sick leave benefits are measured using net present value techniques on the expected future utilization of excess of sick benefits used over earned per year, to maximum entitlement. The impact of the estimated non-vested sick leave benefit cost for 2016-17 is $116,513 (2015-16 $96,565).

5. Deferred Revenue

The deferral method of accounting is used for revenues received that, pursuant to legislation, regulation or agreement, may only be used for specific purposes. These amounts are recognized as revenue in the fiscal year the related expenses are incurred or services performed. The following is a breakdown of the account balance:

	Balance as at June 30, 2016	Additions in the period	Revenue recognized in the period	Balance as at June 30, 2017
Manitoba Textbook Bureau	$ 35,335	$ 49,090	$ 57,411	$ 27,014
Education & Property Tax Credit	806,657	1,342,783	2,028,363	121,077
Other	49,749	324,400	296,694	77,455
	$ 891,741	$ 2,409,666	$ 3,075,861	$ 225,546

6. Debenture Debt

The debenture debt of the Division is in the form of twenty-year debentures payable, principal and interest, in twenty equal yearly installments and maturing at various dates from 2020 to 2036. Payment of principal and interest is funded entirely by grants from the Province of Manitoba, except for the debenture debt on self-funded capital projects. The debentures carry interest rates that range from 3% to 7.25%. Debenture interest expense payable as at June 30, 2017, is accrued and recorded in Accrued Interest Payable, and a grant in an amount equal to the interest accrued on provincially funded debentures is recorded in Due from the Provincial Government. The debenture principal and interest repayments in the next five years are:

	Principal	Interest	Total
2018	367,211	301,457	668,668
2019	385,640	283,025	668,665
2020	405,341	266,664	672,005
2021	399,656	246,510	646,166
2022	381,343	227,011	608,354
	$1,939,191	$1,324,667	$3,263,858

7. School Generated Funds Liability

School Generated Funds Liability includes the non-controlled portion of school generated funds consolidated in the cash and bank balances in the amount of $96,625.

8. Net Tangible Capital Assets

The Schedule of Tangible Capital Assets (TCA), page 23 of the audited financial statements, provides a breakdown of cost, accumulated amortization and net book value by class.

	Gross Amount	Accumulated Amortization	2017 Net Book Value
Owned-tangible capital assets	$ 27,249,292	$ 13,436,043	$ 13,813,249

10. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2017	2016
Operating Fund		
Designated Surplus	$ -	$ -
Non-vested Sick Leave	(116,513)	(96,565)
Undesignated Surplus	573,375	741,491
	456,862	644,926
Capital Fund		
Reserve Accounts	576,372	364,372
Equity in Tangible Capital Assets	4,388,390	4,242,956
	4,964,762	4,607,328
Special Purpose Fund		
School Generated Funds	88,464	83,158
Other Special Purpose Funds	-	-
	88,464	83,158
	$5,510,088	$5,335,412

Reserve Accounts under the Capital Fund represents internally restricted reserves for specific purposes approved by the Board of Trustees and PSFB. A Schedule of Capital Reserve Accounts is provided on page 24 of the audited financial statements.

	2017	2016
New school reserves	$ 200,000	$ 250,000
Bus reserves	376,372	114,372
	$ 576,372	$ 364,372

School Generated Funds and Other Special Purpose Funds are externally restricted moneys for school use.

11. Municipal Government – Property Tax and related Due from Municipal Government

Education property tax or Special Levy is raised as the Division’s contribution to the cost of providing public education for the students resident in the division. The Municipal Government-Property Tax shown on the consolidated revenue and expense is raised over the two calendar (tax) years; 40% from 2016 tax year and 60% from 2017 tax year. Below are the related revenue and receivable amounts:

	2017	2016
Revenue-Municipal Government-Property Tax	$ 6,815,828	$ 6,027,007
Receivable-Due from Municipal-Property Tax	$ 4,039,810	$ 3,545,112

12. Interest Received and Paid

The Division received interest during the year of $1,886 (2016 - $3); interest paid during the year was $378,125 (2016 - $378,935).

Interest expense is included in Fiscal and is comprised of the following:

	2017	2016
Operating Fund		
Fiscal-short term loan, interest and bank charges	$ 20,124	$ 42,330
Capital Fund		
Debenture debt interest	313,007	307,861
Other interest	44,994	28,744
	$ 378,125	$ 378,935

The accrual portion of debenture debt interest expense of $102,016 included under the Capital Fund-Debenture debt interest is offset by an accrual of the debt servicing grant from the Province of Manitoba.

13. Expenses by object

Expenses in the consolidated statement of revenue, expenses and accumulated surplus are reported by function as defined by FRAME. Below is the detail of expenses by object:

	Actual 2017	Budget 2017	Actual 2016
Salaries	$14,764,766	$15,011,601	$14,301,920
Employees benefits & allowances	1,060,467	1,111,363	1,038,175
Services	1,823,147	1,880,744	1,596,930
Supplies, materials & minor equipment	1,262,076	1,262,146	1,055,366
Interest	20,124	25,000	42,330
Payroll Tax	330,824	322,749	298,108
Amortization	857,219	-	839,789
Other capital items	-	-	-
School generated funds	466,542	-	268,742
Transfers	245,326	247,750	334,911
	$20,830,491	$19,861,353	$19,776,271

14. Contractual Obligations

The Division has entered into a lease agreement for its Adult Learning Centre premises with monthly payments expiring October 2018.

The minimum annual lease payment for the year is as follows:

2018	$21,051

Management's Responsibility for the Financial Statements

The accompanying consolidated financial statements of the School District of Whiteshell are the responsibility of the District's management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of The Chartered Professional Accountants of Canada. A summary of the significant accounting policies are described in Note 2 to the consolidated financial statements.

The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. District management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The Board of Trustees of the District met with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by MNP LLP independent external auditors appointed by the Board. The accompanying Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Districts' consolidated financial statements.

Original Document Signed	Original Document Signed
Chairperson	Secretary-Treasurer

October 30, 2017

Independent Auditors' Report

To the Board of Trustees of the School District of Whiteshell:

We have audited the accompanying consolidated financial statements of the School District of Whiteshell, which comprise the consolidated statement of financial position as at June 30, 2017, the consolidated statements of revenue, expenses and accumulated surplus, change in net debt and cash flows for the years then ended, 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 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 financial position of the School District of Whiteshell as at June 30, 2017 and the results of its operations, changes in net debt and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Other Matter
Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements. The supplemental information presented in the attached schedules is presented for the purpose of additional analysis and is not a required part of the consolidated financial statements. Such supplemental information has been subjected only to auditing procedures applied in the audit of the consolidated financial statements, taken as a whole.

Emphasis of Matter
Without modifying our opinion, we draw attention to Note 14 to the consolidated financial statements, which identifies an error that was identified in the corresponding figures for the year ended June 30, 2016.

MNP LLP

Winnipeg, Manitoba

October 30, 2017

Chartered Professional Accountants

I hereby certify that this report and the statements and reports referenced herein have been presented to the members of the board of the School District of Whiteshell:

Oct 30, 2017.
DATE

Original Document Signed
CHAIRPERSON

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2017	2016
	Financial Assets		
	Cash and Bank	962,783	842,704
	Due from - Provincial Government	94,043	94,057
	- Federal Government	65,394	48,183
7	- Municipal Government	15,966	18,989
	- Other School Divisions	-	-
	- First Nations	-	-
	Accounts Receivable	-	53,292
	Accrued Investment Income	-	-
	Portfolio Investments	-	-
		1,138,186	1,057,225
	Liabilities		
3	Overdraft	-	-
	Accounts Payable	7,572	129,850
	Accrued Liabilities	248,481	353,322
	Employee Future Benefits	-	-
	Accrued Interest Payable	-	-
	Due to - Provincial Government	-	-
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
4	Deferred Revenue	231,582	170,412
	Borrowings from the Provincial Government	-	-
	Other Borrowings	-	-
	School Generated Funds Liability	-	-
		487,635	653,584
	Net Debt	650,551	403,641
	Non-Financial Assets		
5	Net Tangible Capital Assets (TCA Schedule)	1,056,187	1,068,404
	Inventories	-	-
	Prepaid Expenses	6,323	5,927
		1,062,510	1,074,331
6	**Accumulated Surplus**	1,713,061	1,477,972

See accompanying notes to the Financial Statements

Whiteshell School District

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes			2017	2016
	Revenue			
	Provincial Government		1,453,246	1,452,048
	Federal Government		-	-
7	Municipal Government	- Property Tax	1,890,697	1,871,553
		- Other	-	-
	Other School Divisions		-	-
	First Nations		-	-
	Private Organizations and Individuals		16,106	-
	Other Sources		42,022	32,855
	School Generated Funds		57,895	65,675
	Other Special Purpose Funds		-	-
			3,459,966	3,422,131
	Expenses			
	Regular Instruction		1,793,419	2,015,265
	Student Support Services		526,000	550,593
	Adult Learning Centres		-	-
	Community Education and Services		92,141	74,760
	Divisional Administration		188,699	156,861
	Instructional and Other Support Services		84,762	58,935
	Transportation of Pupils		44,486	46,908
	Operations and Maintenance		433,211	416,276
8	Fiscal	- Interest	655	930
		- Other	43,209	39,168
	Amortization		87,219	88,155
	Other Capital Items		-	-
	School Generated Funds		56,422	63,586
	Other Special Purpose Funds		-	-
			3,350,223	3,511,437
	Current Year Surplus (Deficit) before Non-vested Sick Leave		109,743	(89,306)
	Less: Non-vested Sick Leave Expense (Recovery)		0	0
	Net Current Year Surplus (Deficit)		109,743	(89,306)
	Opening Accumulated Surplus		1,477,972	1,567,278
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	-
*		Other than Tangible Cap. Assets	125,346	-
		Non-vested sick leave - prior years	-	-
	Opening Accumulated Surplus, as adjusted		1,603,318	1,567,278
	Closing Accumulated Surplus		1,713,061	1,477,972

See accompanying notes to the Financial Statements

* NOTE REQUIRED

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2017

	2017	2016
Net Current Year Surplus (Deficit)	109,743	(89,306)
Amortization of Tangible Capital Assets	87,219	88,155
Acquisition of Tangible Capital Assets	(75,002)	-
(Gain) / Loss on Disposal of Tangible Capital Assets	-	-
Proceeds on Disposal of Tangible Capital Assets	-	-
	12,217	88,155
Inventories (Increase)/Decrease	-	-
Prepaid Expenses (Increase)/Decrease	(396)	568
	(396)	568
(Increase)/Decrease in Net Debt	121,564	(583)
Net Debt at Beginning of Year	403,641	404,224
Adjustments Other than Tangible Cap. Assets	125,346	-
	528,987	404,224
Net Debt at End of Year	650,551	403,641

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2017

	2017	2016
Operating Transactions		
Net Current Year Surplus (Deficit)	109,743	(89,306)
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	87,219	88,155
(Gain)/Loss on Disposal of Tangible Capital Assets	-	-
Employee Future Benefits Increase/(Decrease)	-	-
Due from Other Organizations (Increase)/Decrease	(14,174)	(10,969)
Accounts Receivable & Accrued Income (Increase)/Decrease	53,292	(12,919)
Inventories and Prepaid Expenses - (Increase)/Decrease	(396)	568
Due to Other Organizations Increase/(Decrease)	-	-
Accounts Payable & Accrued Liabilities Increase/(Decrease)	(227,119)	64,982
Deferred Revenue Increase/(Decrease)	61,170	461
School Generated Funds Liability Increase/(Decrease)	-	-
Adjustments Other than Tangible Cap. Assets	125,346	-
Cash Provided by (Applied to) Operating Transactions	195,081	40,972
Capital Transactions		
Acquisition of Tangible Capital Assets	(75,002)	-
Proceeds on Disposal of Tangible Capital Assets	-	-
Cash Provided by (Applied to) Capital Transactions	(75,002)	-
Investing Transactions		
Portfolio Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
Financing Transactions		
Borrowings from the Provincial Government Increase/(Decrease)	-	-
Other Borrowings Increase/(Decrease)	-	(42,661)
Cash Provided by (Applied to) Financing Transactions	-	(42,661)
Cash and Bank / Overdraft (Increase)/Decrease	120,079	(1,689)
Cash and Bank (Overdraft) at Beginning of Year	842,704	844,393
Cash and Bank (Overdraft) at End of Year	962,783	842,704

Whiteshell School District

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2017

	Buildings and Leasehold Improvements		School	Other	Furniture / Fixtures &	Computer Hardware &		Land	Assets Under	2017 TOTALS	2016 TOTALS
	School	Non-School	Buses	Vehicles	Equipment	Software *	Land	Improvements	Construction		
Tangible Capital Asset Cost											
Opening Cost, as previously reported	3,486,135	-	-	-	-	83,007	15,400	-	-	3,584,542	3,584,542
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	3,486,135	-	-	-	-	83,007	15,400	-	-	3,584,542	3,584,542
Add: Additions during the year	75,002	-	-	-	-	-	-	-	-	75,002	-
Less: Disposals and write downs	-	-	-	-	-	-	-	-	-	-	-
Closing Cost	3,561,137	-	-	-	-	83,007	15,400	-	-	3,659,544	3,584,542
Accumulated Amortization											
Opening, as previously reported	2,433,131	-	-	-	-	83,007		-		2,516,138	2,427,983
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	2,433,131	-	-	-	-	83,007		-		2,516,138	2,427,983
Add: Current period Amortization	87,219	-	-	-	-	-		-		87,219	88,155
Less: Accumulated Amortization on Disposals and Writedowns	-	-	-	-	-	-		-		-	-
Closing Accumulated Amortization	2,520,350	-	-	-	-	83,007		-		2,603,357	2,516,138
Net Tangible Capital Asset	1,040,787	-	-	-	-	-	15,400	-	-	1,056,187	1,068,404
Proceeds from Disposal of Capital Assets	-	-	-	-	-	-				-	-

* Includes network infrastructure.

1. Nature of Organization and Economic Dependence

The School District of Whiteshell (the "District") is a public body that provides education services to residents within its geographic location. The district is funded mainly by grants from the Province of Manitoba (the "Province"), and a special levy on the property assessment included in the District's boundaries. The District is exempt from income tax.

The District is economically dependent on the Province for the majority of its revenue and capital financing requirements. Without this funding, the District would not be able to continue its operations.

2. Significant Accounting Policies

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles established by Public Sector Accounting Board ("PSAB") of Chartered Professional Accountants of Canada ("CPA Canada").

a) Reporting Entity and Consolidation

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the operating fund, capital fund, and special purpose fund of the District.

All inter-fund accounts and transactions are eliminated upon consolidation.

b) Basis of Accounting

Revenues and expenses are reported on the accrual basis of accounting except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable. 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.

c) Fund Accounting

The fund method of accounting is employed by the District to record financial transactions in separate funds as defined by Financial Reporting and Accounting in Manitoba Education ("FRAME") in accordance with the purpose for which the funds have been created.

The Operating Fund is maintained to record all the day to day operating revenues and expenses. The Capital Fund is used to account for the acquisition, amortization, disposal and financing of capital assets. The Special Purpose Fund is used to account for school generated funds and charitable foundations controlled by the District.

d) School Generated Funds

School generated funds are moneys raised by the school, or under the auspices of the school, through extra curricular activities for the sole use of the school that the principal of each school, subject to the rules of the school board, may raise, hold, administer and expend for the purposes of the school.

Only revenue and expenses of school generated funds controlled by the District are included in the Consolidated Statement of Revenue, Expenses and Accumulated Surplus. To be deemed as controlled, a school must have the unilateral authority to make the decisions as to when, how and on what the funds are to be spent.

Period end cash balances of all school generated funds are included in the Consolidated Statement of Financial Position. The uncontrolled portion of this amount is reflected in the School Generated Funds Liability account. Examples of uncontrolled school generated funds are student council funds, yearbook funds, graduation funds and specified sports and cultural funds. Revenues and expenses of uncontrolled school generated funds are not included in the consolidated financial statements.

2. Significant Accounting Policies - Continued

e) Tangible Capital Assets

Tangible capital assets are non-financial assets that are used by the District to provide services to the public and have an economic life beyond one fiscal year. Tangible capital assets include land, buildings, buses, other vehicles, furniture and equipment and assets under construction.

To be classified as tangible capital assets, each asset other than land must individually meet the capitalization threshold for its class.

Asset Description	Capitalization Threshold ($)	Estimated Useful Life (years)
Land Improvements	25,000	10
Buildings - bricks, mortar and steel	25,000	40
Buildings - wood frame	25,000	25
School buses	20,000	10
Vehicles	10,000	5
Equipment	5,000	5
Network Infrastructure	25,000	10
Computer Hardware, Servers & Peripherals	5,000	4
Computer Software	10,000	4
Furniture and Fixtures	5,000	10
Leasehold Improvements	25,000	Over term of lease

Grouping of assets is not permitted except for computer work stations.

With the exception of land and buildings acquired before June 30, 1995, all tangible capital assets, are recorded at historical cost, which includes purchase price, installation costs and other costs incurred to put the asset into service.

All land acquired prior to June 30, 1995 has been valued using information provided by the Crown Lands and Property Agency and adjusted by the District where further information was available.

Buildings are recorded at historical cost when known. For buildings acquired prior to June 30, 2005 where the actual cost was not known, the replacement value for insurance purposes as at June 30, 2005 was regressed to the date of acquisition using a regression index based on Southam and CanaData construction cost indices.

All tangible capital assets, except for land and assets under construction, are amortized on a straight-line basis over their estimated useful lives. Land is not amortized.

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal if not fully amortized.

Assets under construction are not amortized until the date of substantial completion. Interest on funds used to finance school buildings under construction is capitalized for the periods preceding the date of substantial completion.

f) Capital Reserve

Certain amounts, as approved by the Board of Trustees and the Public Schools Finance Board ("PSFB"), have been set aside in reserve accounts for future capital purposes. These Capital Reserve accounts are internally restricted funds that form part of the Accumulated Surplus presented in the Consolidated Statement of Financial Position.

g) Employee Future Benefits

The Province of Manitoba pays the employer portion of the Teachers' Retirement Allowances Fund (TRAF), the pension plan for all certified teachers of the District. The District does not contribute to TRAF, and no costs relating to this plan are included in the District's financial statements.

However, the District provides other future benefits to its employees. These benefits include supplemental employment benefits and sick leave. These benefits are event driven and the costs are recognized when the event becomes known.

2. Significant Accounting Policies - Continued

h) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

Accounts receivable are stated after evaluation as to their collectability, and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization of tangible capital assets is based on their estimated useful lives. Non-vested sick leave benefits are measured based on management's best estimate of projected future utilization of sick time in a given year over sick time earned in that year.

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

i) Financial instruments

Fair values:

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. Their classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the Institution's designation of such instruments.

Classification:

Cash	Held-for-trading
Accounts receivable	Loans and receivables
Accounts payable and accrued liabilities	Other financial liabilities
Accrued interest payable	Other financial liabilities
Other borrowings	Other financial liabilities

Held for trading:

Held-for-trading financial assets are typically acquired for resale prior to maturity or are designated as held-for-trading. They are measured at fair value at the balance sheet date. Fair value fluctuations including interest earned, interest accrued, gains and losses realized on disposal and unrealized gains and losses are included in investment income.

Loans and receivables:

Financial assets designated as loans and receivables are recorded at amortized cost using the effective interest method. Given the short-term nature of accounts receivable, their carrying value approximates fair value.

Other financial liabilities:

Other liabilities are recorded at amortized cost using the effective interest method and include all financial liabilities. Given the short-term nature of accounts payable, accrued liabilities and accrued interest payable, their carrying value approximates fair value. The carrying value of the other borrowings also approximates its fair value as there have been no significant changes to the underlying credit risk of the District.

Interest, currency and credit risk:

It is management's opinion that the District is not exposed to significant currency, credit or interest rate risk from financial instruments. The District is exposed to some credit risk from the potential non-payment of accounts receivable, however as the majority of the receivables are from local, provincial and federal governments, credit risk is minimal.

2. Significant Accounting Policies - Continued

j) Liability for contaminated sites

A liability for remediation of a contaminated site is recognized at the best estimate of the amount required to remediate the contaminated site when contamination exceeding an environmental standard exists, the District is either directly responsible or accepts responsibility, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount is determinable. The best estimate of the liability includes all costs directly attributable to remediation activity and is reduced by expected net recoveries based on information available at June 30, 2017.

At each financial reporting date, the District reviews the carrying amount of the liability. Any revisions required to the amount previously recognized is accounted for in the period revisions are made. The District continues to recognize the liability until it is settled or otherwise extinguished. Disbursements made to settle the liability are deducted from the reported liability when they are made.

3. Overdraft

The District has an authorized line of credit with the Sunova Credit Union of $250,000 by way of overdrafts and is repayable on demand at prime plus 0.50%, with interest paid monthly. $250,000 remains available on this line of credit. Overdrafts are secured by temporary borrowing by-laws.

4. Deferred Revenue

The deferral method of accounting is used for revenues received that, pursuant to legislation, regulation or agreement, may only be used for specific purposes. These amounts are recognized as revenue in the fiscal year the related expenses are incurred or services performed. The following is a breakdown of the account balance:

	Balance as at June 30, 2016	Additions in period	Revenue recognized in period	Balance as at June 30, 2017
Education Property Tax Credit (EPTC)	$ 170,412	$ 170,532	$ 170,412	$ 170,412
LGD Special Requirement	-	61,050	-	61,050
	170,412	231,582	170,412	231,582

5. Net Tangible Capital Assets

The Schedule of Tangible Capital Assets (TCA), page 23 of the audited financial statements, provides a breakdown of cost, accumulated amortization and net book value by class.

	Gross Amount	Accumulated Amortization	2017 Net Book Value	2016 Net Book Value
Owned-tangible capital assets	$ 3,659,544	$ 2,603,357	$ 1,056,187	$ 1,068,404

6. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2017	2016
Operating Fund		
Undesignated Surplus	$ 403,328	$ 81,820
Capital Fund		
Reserve Accounts	236,129	313,641
Equity in Tangible Capital Assets	1,058,454	1,068,834
	1,294,583	1,382,475
Special Purpose Fund		
School Generated Funds	15,150	13,677
Total Accumulated Surplus	$ 1,713,061	$ 1,477,972

School Generated Funds are externally restricted moneys for school use, scholarship awards and donations for school projects.

7. Municipal Government - Property Tax and related Due from Municipal Government

Education property tax or Special Levy is raised as the District's contribution to the cost of providing public education for the students resident in the district. The Municipal Government-Property Tax shown on the consolidated revenue and expense is raised over the two calendar (tax) years; 56% from 2016 tax year and 44% from 2017 tax year. Below is the related revenue amount:

	2017	2016
Revenue-Municipal Government-Property Tax	$ 1,890,697	$ 1,871,553
Receivable-Municipal Government-Property Tax	$ -	$ -

8. Interest Received and Paid

The District received interest during the year of $4,490 (2016 - $3,629); interest paid during the year was $655 (2016 - $930).

Interest expense is included in Fiscal and is comprised of the following:

	2017	2016
Operating Fund		
Fiscal-short term loan, interest and bank charges	$ 655	$ 307
Capital Fund		
Debenture debt interest	-	-
Other Interest	-	623
	$ 655	$ 930

9. Expenses by Object

Expenses in the consolidated statement of revenue, expenses and accumulated surplus are reported by function as defined by FRAME. Below is the detail of expenses by object:

	Actual 2017	Budget 2017	Actual 2016
Salaries	$ 2,251,575	$ 2,465,111	$ 2,573,673
Employees benefits and allowances	188,417	181,610	135,326
Services	467,187	576,753	482,419
Supplies, materials and minor equipment	255,539	187,832	128,180
Interest	655	-	930
Payroll tax	43,209	57,500	39,168
Amortization	87,219	-	88,155
School generated funds	56,422	-	63,586
	$ 3,350,223	$ 3,468,806	$ 3,511,437

10. Employee Future Benefits

The District provides retirement and other future benefits to its administrative and support staff as a defined contribution plan, run by MSBA. The defined contribution plan is provided to support staff employees based on their age at the beginning of the year and rates of pay. Each age group under the MSBA pension plan has a specific percentage for the employees to contribute. The District contributions equal the employee contributions to the plan. No pension liability is included in the financial statements.

The employee future benefit expense is a part of the Employee Benefits and Allowances expense account. It includes the District's contribution of $22,723 in 2017 (2016 - $24,412).

11. Non Financial Information

The 2017 student enrolments (FRAME) and transportation statistics, full time equivalent personnel, and senior staff allocations are unaudited and have been presented for information purposes only.

12. Capital Management

Operating and special purpose funds
The District's objective when managing capital is to ensure that its expenditures closely match their revenues. Capital consists of the two fund balances in the amount of $418,478 (2016 - $95,497).

Capital fund
The capital fund is managed with the long term objective of acquiring and maintaining the capital assets acquired to facilitate the District's operations. Capital consists of the various fund balances in the amount of $1,294,583 (2016 - $1,382,475).

The District is not subject to externally imposed capital requirements. There have been no changes in the District's approach to capital management during the year.

13. Commitments

The District has entered into a lease agreement for office equipment, subject to quarterly payments of $1,610, expiring August 2018.

14. Correction of an Error

During the year, the School District determined that accounts payable and regular instruction expenses were overstated as at June 30, 2016 by $125,346 in the Operating Fund. The correction of this error resulted in an adjustment to increase opening accumulated surplus in the amount of $125,346. This error had no other impact on the consolidated financial statements of the School District.

MANAGEMENT REPORT

Management's Responsibility for the Financial Statements

The accompanying consolidated financial statements of The Winnipeg School Division are the responsibility of the Division's management and have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards. A summary of the significant accounting policies are described in note 2 to the consolidated financial statements.

The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. The Division's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The Board of Trustees of the Division met with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by KPMG LLP, independent external auditors appointed by the Board. The accompanying Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Division's consolidated financial statements.

Original Document Signed
Chairperson

Original Document Signed
Chief Financial Officer & Secretary-Treasurer

October 2, 2017

KPMG

KPMG LLP
Suite 2000 - One Lombard Place
Winnipeg MB R3B 0X3
Canada

Telephone (204) 957-1770
Fax (204) 957-0808
Internet www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees

We have audited the accompanying consolidated financial statements of The Winnipeg School Division, which comprise the consolidated statement of financial position as at June 30, 2017, the consolidated statements of revenue, expenses and accumulated surplus, change in net debt and cash flow for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information. These consolidated financial statements have been prepared to comply with the Public Schools Act.

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 our 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, we consider 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.

KPMG

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of The Winnipeg School Division as at June 30, 2017, and its consolidated results of operations, its consolidated change in net debt and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Other Matters

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

KPMG LLP

Chartered Professional Accountants

October 2, 2017

Winnipeg, Canada

I hereby certify that the preceding report has been presented to the members of the Board of Winnipeg School Division.

Original Document Signed

Chairperson of the Board

Monday Oct 23 2017

Date

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes			2017	2016
	Financial Assets			
	Cash and Bank		-	-
	Due from	- Provincial Government	13,853,172	13,631,374
		- Federal Government	1,750,394	1,632,656
		- Municipal Government	89,466,283	86,092,941
		- Other School Divisions	46,775	139,741
		- First Nations	635,328	720,439
	Accounts Receivable		698,820	1,162,047
	Accrued Investment Income		170	169
	Portfolio Investments		6,567,648	6,646,940
			113,018,590	110,026,307
	Liabilities			
(3)	Overdraft		25,273,649	23,674,363
	Accounts Payable		10,231,287	9,797,658
	Accrued Liabilities		46,670,818	44,503,426
(4)	Employee Future Benefits		6,544,143	6,324,993
	Accrued Interest Payable		2,150,102	2,188,090
	Due to	- Provincial Government	1,329,645	1,321,336
		- Federal Government	6,428,200	6,268,162
		- Municipal Government	-	-
		- Other School Divisions	1,140,983	1,018,432
		- First Nations	-	-
(5)	Deferred Revenue		14,161,925	14,177,898
(7)	Borrowings from the Provincial Government		116,774,329	113,405,331
	Other Borrowings		-	-
	School Generated Funds Liability		2,963,223	2,846,670
			233,668,304	225,526,359
	Net Debt		(120,649,714)	(115,500,052)
	Non-Financial Assets			
(8)	Net Tangible Capital Assets (TCA Schedule)		200,059,732	189,880,348
	Inventories		1,008,109	1,058,621
	Prepaid Expenses		4,688,924	5,345,911
			205,756,765	196,284,880
	Accumulated Surplus		85,107,051	80,784,828

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes			2017	2016
	Revenue			
	Provincial Government		257,494,410	254,192,584
	Federal Government		4,515,770	3,987,968
	Municipal Government	- Property Tax	142,865,805	137,862,172
		- Other	1,068,807	431,862
	Other School Divisions		2,423,485	2,464,964
	First Nations		2,144,140	2,205,696
	Private Organizations and Individuals		1,009,747	764,701
	Other Sources		2,236,603	822,229
	School Generated Funds		875,815	720,475
	Other Special Purpose Funds		151,313	307,435
			414,785,895	403,760,086
	Expenses			
	Regular Instruction		208,795,248	204,234,676
	Student Support Services		93,194,477	89,706,614
	Adult Learning Centres		801,004	781,794
	Community Education and Services		10,137,926	9,451,707
	Divisional Administration		10,823,846	10,702,720
	Instructional and Other Support Services		9,510,525	9,690,002
	Transportation of Pupils		6,930,502	6,494,896
	Operations and Maintenance		46,485,414	45,965,985
(12)	Fiscal	- Interest	5,447,460	5,443,773
		- Other	6,786,932	6,700,710
	Amortization		10,221,686	9,297,491
	Other Capital Items		17,036	4,174
	School Generated Funds		887,843	771,940
	Other Special Purpose Funds		207,400	218,319
			410,247,299	399,464,801
	Current Year Surplus (Deficit) before Non-vested Sick Leave		4,538,596	4,295,285
	Less: Non-vested Sick Leave Expense (Recovery)		216,373	67,595
	Net Current Year Surplus (Deficit)		4,322,223	4,227,690
	Opening Accumulated Surplus		80,784,828	76,557,138
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	-
		Other than Tangible Cap. Assets	-	-
		Non-vested sick leave - prior years	-	-
	Opening Accumulated Surplus, as adjusted		80,784,828	76,557,138
	Closing Accumulated Surplus		85,107,051	80,784,828

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2017

	2017	2016
Net Current Year Surplus (Deficit)	4,322,223	4,227,690
Amortization of Tangible Capital Assets	10,221,686	9,297,491
Acquisition of Tangible Capital Assets	(20,401,070)	(21,936,614)
(Gain) / Loss on Disposal of Tangible Capital Assets	(1,320,510)	(25,011)
Proceeds on Disposal of Tangible Capital Assets	1,320,510	25,011
	(10,179,384)	(12,639,123)
Inventories (Increase)/Decrease	50,512	54,521
Prepaid Expenses (Increase)/Decrease	656,987	(160,225)
	707,499	(105,704)
(Increase)/Decrease in Net Debt	(5,149,662)	(8,517,137)
Net Debt at Beginning of Year	(115,500,052)	(106,982,915)
Adjustments Other than Tangible Cap. Assets	-	-
	(115,500,052)	(106,982,915)
Net Debt at End of Year	(120,649,714)	(115,500,052)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2017

	2017	2016
Operating Transactions		
Net Current Year Surplus (Deficit)	4,322,223	4,227,690
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	10,221,686	9,297,491
(Gain)/Loss on Disposal of Tangible Capital Assets	(1,320,510)	(25,011)
Employee Future Benefits Increase/(Decrease)	219,150	162,261
Due from Other Organizations (Increase)/Decrease	(3,534,801)	(4,752,996)
Accounts Receivable & Accrued Income (Increase)/Decrease	463,226	553,745
Inventories and Prepaid Expenses - (Increase)/Decrease	707,499	(105,704)
Due to Other Organizations Increase/(Decrease)	290,898	428,272
Accounts Payable & Accrued Liabilities Increase/(Decrease)	2,563,033	(4,614,250)
Deferred Revenue Increase/(Decrease)	(15,973)	479,524
School Generated Funds Liability Increase/(Decrease)	116,553	332,638
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by (Applied to) Operating Transactions	14,032,984	5,983,660
Capital Transactions		
Acquisition of Tangible Capital Assets	(20,401,070)	(21,936,614)
Proceeds on Disposal of Tangible Capital Assets	1,320,510	25,011
Cash Provided by (Applied to) Capital Transactions	(19,080,560)	(21,911,603)
Investing Transactions		
Portfolio Investments (Increase)/Decrease	79,292	(1,576,844)
Cash Provided by (Applied to) Investing Transactions	79,292	(1,576,844)
Financing Transactions		
Borrowings from the Provincial Government Increase/(Decrease)	3,368,998	9,833,048
Other Borrowings Increase/(Decrease)	-	-
Cash Provided by (Applied to) Financing Transactions	3,368,998	9,833,048
Cash and Bank / Overdraft (Increase)/Decrease	(1,599,286)	(7,671,739)
Cash and Bank (Overdraft) at Beginning of Year	(23,674,363)	(16,002,624)
Cash and Bank (Overdraft) at End of Year	(25,273,649)	(23,674,363)

Winnipeg School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2017

	Buildings and Leasehold Improvements		School	Other	Furniture / Fixtures &	Computer Hardware &		Land	Assets Under	2017	2016
	School	Non-School	Buses	Vehicles	Equipment	Software *	Land	Improvements	Construction	TOTALS	TOTALS
Tangible Capital Asset Cost											
Opening Cost, as previously reported	265,171,481	9,308,180	9,727,584	1,123,375	8,778,341	9,214,887	26,349,211	1,806,646	15,341,295	346,821,000	325,515,756
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	265,171,481	9,308,180	9,727,584	1,123,375	8,778,341	9,214,887	26,349,211	1,806,646	15,341,295	346,821,000	325,515,756
Add:											
Additions during the year	18,031,541		903,350	85,431	1,040,245	224,512	5,486,531	-	(5,370,540)	20,401,070	21,936,614
Less:											
Disposals and write downs	-	476,857	776,706	18,268	-	-	-	-		1,271,831	631,370
Closing Cost	283,203,022	8,831,323	9,854,228	1,190,538	9,818,586	9,439,399	31,835,742	1,806,646	9,970,755	365,950,239	346,821,000
Accumulated Amortization											
Opening, as previously reported	135,616,676	3,869,187	5,316,620	925,054	6,538,076	3,560,244		1,114,795		156,940,652	148,274,531
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	135,616,676	3,869,187	5,316,620	925,054	6,538,076	3,560,244		1,114,795		156,940,652	148,274,531
Add:											
Current period Amortization	7,390,630	229,668	789,447	90,109	559,329	994,418		168,085		10,221,686	9,297,491
Less:											
Accumulated Amortization on Disposals and Writedowns	-	476,857	776,706	18,268	-	-		-		1,271,831	631,370
Closing Accumulated Amortization	143,007,306	3,621,998	5,329,361	996,895	7,097,405	4,554,662		1,282,880		165,890,507	156,940,652
Net Tangible Capital Asset	140,195,716	5,209,325	4,524,867	193,643	2,721,181	4,884,737	31,835,742	523,766	9,970,755	200,059,732	189,880,348
Proceeds from Disposal of Capital Assets	-	1,297,186	14,514	8,810	-	-				1,320,510	25,011

* Includes network infrastructure.

1. Nature of organization and economic dependence:

The Winnipeg School Division (Division) is a public education system that provides educational services for students in nursery to grade 12 residing primarily within its designated boundaries.

The Division is economically dependent on the Province of Manitoba for the majority of its revenue and capital financing requirements. Without this funding, the Division would not be able to continue its operations.

The Division is exempt from income tax under the *Income Tax Act.*

2. Significant accounting policies.

The significant accounting policies of the Division include:

(a) Reporting entity and consolidation:

The Division's reporting entities are comprised of the Division, school generated funds and The Children's Heritage Fund.

The consolidated financial statements reflect the assets, liabilities, revenues and expenditures of the Operating Fund, Capital Fund, and Special Purpose Fund of the Division.

(b) Trust funds:

The Division administers various trust funds. Trust funds and their related operations are not included in the consolidated financial statements as they are not owned or controlled by the Division.

Margaret Crawford Fund:

The Division administers the Margaret H. Crawford Trust Fund, a bequest fund that was established in 1954 which awards bursaries to students in vocational programming. Total funds under administration as at December 31, 2016 were $656,382 (2015 - $642,969).

2. Significant accounting principles (continued).

(b) Trust funds (continued):

School scholarship funds:

Certain schools in the Division administer trust funds for the specific purpose of awarding scholarships to students. As at June 30, 2017, funds on hand in these schools for this purpose totaled $15,669 (2016 - $32,874).

Funds under administration:

The Division administers certain programs at the request of third parties. As the Division does not rely on receipt of these monies to operate its mandated educational programming, the related receipts and disbursements of $2,195,333 have not been included in these consolidated financial statements.

Funds held on behalf of the Winnipeg Teachers Association's dental plan totaling $1,679,145 (2016 - $1,655,906) and funds held on behalf of the Winnipeg Teachers Association extended health care plan totaling $2,234,342 (2016 - $2,334,023) are included in portfolio investments and accounts payable on the Operating Fund schedule of financial position.

(c) Basis of accounting:

These consolidated financial statements are prepared by management in accordance with generally accepted accounting principles established by the Canadian Public Sector Accounting Board (PSAB). Revenues and expenditures are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they are earned and measurable; expenditures are recognized as they are incurred and measurable as a result of the receipt of goods and services acquired in the period.

(d) Fund accounting:

The Division records financial transactions in separate funds as defined by Financial Reporting and Accounting in Manitoba Education (FRAME).

The Operating Fund is maintained to record all the day to day operating revenues and expenditures. The Capital Fund is used to account for the acquisition, amortization, disposal and financing of capital assets. The Special Purpose Fund is used to account for school generated funds and the Children's Heritage Fund controlled by the Division.

2. Significant accounting principles (continued).

(e) Deferred revenue:

Certain amounts are received pursuant to legislation, regulation or agreement and may only be used in the delivery of certain programs and services or in the delivery of specific services and transactions. These amounts are recognized as revenue in the fiscal year the related expenditures are incurred or services performed.

(f) Tangible capital assets:

Tangible capital assets are non-financial assets that are used by the Division in operations and have an economic life beyond one fiscal year. Tangible capital assets include land, buildings, buses, other vehicles, furniture and equipment, computers, capital leases, leasehold improvements, and assets under construction.

To be classified as tangible capital assets, each asset, other than land, must meet the capitalization threshold for its class as prescribed by FRAME.

Asset description	Capitalization threshold	Estimated useful life (years)
Land improvements	$ 50,000	10
Buildings - bricks, mortar and steel	50,000	40
Building - wood frame	50,000	25
Network infrastructure	25,000	10
Leasehold improvements	25,000	Over term of the lease
School buses	50,000	10
Vehicles	10,000	5
Computer software	10,000	4
Equipment	10,000	5
Computer hardware, services and peripherals	10,000	4
Furniture and fixtures	10,000	10

With the exception of buildings, all tangible capital assets are recorded at historical cost.

Buildings are recorded at historical cost. For buildings acquired prior to June 30, 2005 where the actual cost was not known, the replacement value for insurance purposes as at June 30, 2005 was regressed to the date of acquisition using a regression index based on Southam and CanaData construction cost indices.

Tangible capital assets are amortized on a straight-line basis over their estimated useful lives as prescribed by FRAME. Land is not amortized.

Assets under construction are not amortized until the date of substantial completion. Interest on funds used to finance school buildings under construction is capitalized for the periods preceding the date of substantial completion.

2. Significant accounting principles (continued).

(g) Employee future benefits:

The Division provides a contributory defined benefit pension plan and Disability Income Plan (benefit plans) and other negotiated future benefits to employees. The costs of the Division's benefit plans are recognized over the period in which the related employees render their service. The Division adopted the following PSAB reporting standards with respect to accounting for these employee future benefits:

(i) Benefit plans:

A discount rate is used to measure benefit obligations. The expected return on pension plan assets is calculated on the fair value of the assets as of the year end date.

These costs are actuarially determined using the accrued benefit actuarial cost method with salary projection and management's best estimate of expected plan investment performance, salary escalation and retirement ages of employees.

Current service costs and interest costs on the benefit obligation are charged to income as they accrue. Actuarial gains and losses are amortized to the liability or asset and the related expenditure over the expected average remaining service life of active plan members.

The cost of the benefit plan amendments related to prior period employee services is accounted for in the period of the plan amendment.

(ii) Non-vesting accumulating sick days:

For non-vesting accumulating sick days, the benefit costs are recognized, if deemed material, based on a projection of expected future utilization of sick time, discounted using net present value techniques.

(iii) Other future benefits:

Other future benefits are currently under-written on an experience-rated non-refundable basis. Should the rates established be inadequate or excessive, any deficit or surplus which develops in the account is absorbed by the insurer.

2. Significant accounting principles (continued).

(h) Capital reserve:

Certain amounts approved by the Board of Trustees and the Public Schools Finance Board have been set aside in reserve accounts for future capital purposes. These capital reserve accounts are internally restricted funds that form part of the accumulated surplus presented in the consolidated statement of financial position.

(i) Government transfers:

Government transfers, including legislative grants, are recognized in the consolidated financial statements in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met and reasonable estimates of the amount can be made.

(j) Investment income:

Investment income is reported as revenue in the period earned.

(k) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenditures and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements during the reporting period. Significant items subject to estimates include the carrying amount of capital assets and employee future benefits. Actual subsequent results could differ from these estimates.

3. Overdraft:

The Division has an authorized overdraft limit with a chartered bank of $64,000,000 for operating expenses and an additional overdraft limit of $10,000,000 for approved building and infrastructure projects. As at June 30, 2017, $27,000,000 of the authorized operating overdraft has been utilized in the form of fixed rate promissory notes, bearing interest at 1.84 and 1.87 percent. These promissory notes were repaid on July 31, 2017. Overdrafts are secured by borrowing By-Law No. 1250.

Included in the overdraft are funding of capital projects totaling approximately $5,244,976 which has been submitted to PSFB for debenture funding (note 7).

4. Employee future benefits:

The Division sponsors a contributory defined benefit pension plan and other future benefits for certain employees.

(i) Defined benefit pension plan:

Employees eligible for The Winnipeg School Division Pension Fund for Employees Other Than Teachers (the pension plan) are required to contribute a percentage of earnings in accordance with the following schedule:

Year	Pensionable salary	Excess pensionable salary
2009 to 2011	7.00%	8.20%
2012	7.40%	8.70%
2013	7.80%	9.10%
2014 to 2017	8.10%	9.50%

The Division is required to contribute an amount each year equal to 127.4 percent of employees' required pension contributions.

4. Employee future benefits (continued):

The pension plan is actuarially valued annually. The most recent actuarial report was prepared on December 31, 2016, and extrapolated to June 30, 2017. Information about the Division's pension plan is as follows:

	2016	2017
Pension plan assets:		
Fair value, beginning of year	$ 325,091,407	$ 332,966,713
Expected return	19,362,987	19,059,099
Actuarial investment gain (loss)	(6,737,778)	341,732
Employer contributions	7,291,645	7,755,757
Employee contributions	6,514,168	6,694,347
Pension paid	(18,555,716)	(17,458,355)
Fair value, end of year	$ 332,966,713	$ 349,359,293
Accrued pension plan obligations:		
Balance, beginning of year	$ 327,764,200	$ 345,553,304
Current service costs	12,513,090	12,498,346
Interest costs	19,868,074	20,093,057
Pension paid	(18,555,716)	(17,458,355)
Actuarial loss (gain)	(5,928,932)	(5,997,507)
Actual loss (gain) due to change in discount rate	9,892,588	–
Balance, end of year	$ 345,553,304	$ 354,688,845

	2016	2017
Deficit of plan assets versus plan obligations	$ (12,586,591)	$ (5,329,552)
Pension plan liability	(12,586,591)	(5,329,552)
Less: net unamortized actuarial loss	12,586,591	5,329,552
Net accrued pension liability	$ –	–

As the Division's contribution to the plan each year is equal to its pension expense, no accrued pension asset or liability is reflected in the consolidated statement of financial position. The pension plan provides that within certain prescribed constraints, in the event of a funding deficiency, amendments to the pension plan will be utilized to resolve the deficiency.

4. Employee future benefits (continued):

The total net cost for the Division's pension plan is as follows:

	2016	2017
Net defined pension plan cost:		
Current service cost less employee contributions	$ 5,998,922	$ 5,803,999
Interest on plan obligations	19,868,074	20,093,057
Expected return on plan assets	(19,362,987)	(19,059,099)
Valuation allowance increase	787,636	917,800
Net defined benefit plans cost	$ 7,291,645	$ 7,755,757

The significant actuarial assumptions adopted in measuring the Division's pension cost and accrued benefit obligations are as follows:

	2016	2017
Discount rate	5.75%	5.75%
Rate of compensation increase	4.00%	2.50% plus merit
Rate of inflation	2.00%	2.00%

The expected rate of return on plan assets was 5.75 percent. The actual rate of return, net of investment expenses, on the fair value of Plan assets in 2016 was 7.37 percent.

The pension plan assets are held in trust and are invested as follows:

	2016	2017
Equities	55%	58%
Bonds	43%	41%
Cash and cash equivalents	2%	1%

4. Employee future benefits (continued):

(ii) Non-vested accumulated sick leave benefits:

Non-vested accumulated sick leave benefits are measured using net present value techniques on the expected future utilization of excess of sick benefits used over earned per year, to maximum entitlement. The impact of the estimated non-vested sick leave benefit cost for the year ended June 30, 2017 is $216,373 (2016 - $67,595). At June 30, 2017, the Division has recorded an estimated liability of $ 2,543,127 (2016 - $2,326,754) in respect of these benefits.

The significant assumptions adopted in measuring the non-vested accumulated sick leave benefit liability include a discount rate of 4 percent (June 30, 2016 - 4 percent) and a rate of salary increase of 2 percent to 3 percent (June 30, 2016 - 2 percent to 3 percent).

(iii) Disability Income Plan:

The Division provides a disability income plan for permanent full-time employees who have been employed in the service of the Division for at least two consecutive years and are members of the pension plan.

An actuarial valuation is required every two years. The most recent actuarial report was prepared on December 31, 2016, at which date the disability income plan had net assets in excess of the benefit obligation recorded of $693,722 (2016 - $488,808). Pursuant to the Division's by-laws it does not have any access to the disability income plan's surplus and as such, no benefit plan asset relating to this plan is recorded in the Division's consolidated statement of financial position.

(iv) Other future benefits:

The Division provides other negotiated future benefits to employees, the costs of which are recognized over the period in which these employees render their service. At June 30, 2017, the Division has recorded an estimated liability of $4,001,016 (2016 - $3,998,239) in respect of these benefits. The significant actuarial assumption used in measuring the Division's estimated liability is a discount rate of 5.75 percent (June 30, 2016 - 6 percent).

5. Deferred revenue:

	Balance as at June 30, 2016	Additions in the period	Revenue recognized in the period	Balance as at June 30, 2017
Educational property tax credit	$ 12,126,143	$ 12,179,645	$ 12,126,143	$ 12,179,645
Special purpose funds and other	2,051,755	1,928,303	1,997,778	1,982,280
	$ 14,177,898	$ 14,107,948	$ 14,123,921	$ 14,161,925

6. School generated funds:

School generated funds are monies raised by the school, or under the auspices of the school, which each school's principal may raise, hold, administer or expend subject to the rules of the Division. At June 30, 2017, school funds held totaled $ 2,943,767 (2016 - $2,839,242).

The school generated funds liability of $2,963,223 (2016 - $2,846,670) comprises the portion of school generated funds that are not controlled and included in the cash and bank balances noted above.

7. Debenture debt:

The debenture debt of the Division is in the form of twenty-year debentures payable, principal and interest, in twenty equal yearly installments and maturing at various dates from fiscal 2018 to 2037. Payment of principal and interest is funded entirely by grants from the Province of Manitoba. The debentures carry interest rates that range from 3.0 percent to 8.6 percent. The debenture principal and interest repayments in the next five years and thereafter are:

	Gross amount	Accumulated amortization	Net book value
2018	$ 7,926,995	$ 5,271,434	$ 13,198,429
2019	8,105,086	4,859,705	12,964,791
2020	8,223,412	4,440,189	12,663,601
2021	7,849,248	4,016,335	11,865,583
2022	7,733,012	3,624,509	11,357,521
Thereafter	76,936,576	19,917,146	96,853,722
	$ 116,774,329	$ 42,129,318	$ 158,903,647

As at June 30, 2017, the Division has submitted claims for capital projects to the Public Schools Finance Board totaling $ 5,244,976 (2016 - $5,018,942).

8. Net tangible capital assets:

The schedule of tangible capital assets (TCA) on page 23 of the consolidated financial statements provides a breakdown of cost, accumulated amortization and net book value by class.

	Gross amount	Accumulated amortization	Net book value
Tangible capital assets	$ 365,950,239	$ 165,890,507	$ 200,059,732

9. Expenditures by type:

Expenditures by type not otherwise disclosed in these consolidated financial statements are listed on page 11.

10. Contractual obligations and contingencies:

The Division is committed to payments under operating leases for equipment and building rentals through 2022 in the amount of $3,559,778.. Annual payments for these commitments are as follows:

2018	$ 819,348
2019	741,210
2020	588,524
2021	138,564
2022	138,564
2023 and thereafter	1,133,568
	$ 3,559,778

The Division is involved in various legal matters arising in the ordinary course of business. Management believes the resolution of these matters is not likely to have a material adverse effect on the Division's financial position, results of operations or cash flows.

11. Special levy raised for la Division Scolaire Franco-Manitobaine:

In accordance with Section 190.1 of *The Public Schools Act* the Division is required to collect a special levy on behalf of la Division Scolaire Franco-Manitobaine. As at June 30, 2017, the amount of this special levy was $1,730,283 (2016 - $1,556,446). These amounts are not included in the Division's consolidated financial statements.

12. Interest paid:

Interest paid during the fiscal year is comprised of the following:

	2016	2017
Operating Fund:		
Interest and bank charges	$ 273,755	$ 180,572
Capital Fund:		
Debenture bank interest	5,170,018	5,266,888
	$ 5,443,773	$ 5,447,460

PUBLIC SCHOOLS FINANCE BOARD

MANAGEMENT REPORT

The accompanying financial statements are the responsibility of management and have been prepared in accordance with the accounting policies stated in the financial statements. These accounting policies have been applied on a basis consistent with the prior year. In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgement regarding all necessary estimates and all other data available up to December 19, 2017. The financial information presented elsewhere in the Annual Report is consistent with that in the financial statements.

Management maintains internal controls to provide reasonable assurance of the reliability and accuracy of the financial information. These internal controls also provide for the safeguarding of the Board's assets.

The responsibility of the Auditor General and his staff is to express an independent, professional opinion on whether the financial statements are fairly stated in accordance with the accounting policies stated in the financial statements. The Auditor's Report outlines the scope of the audit examination and provides the audit opinion.

The Board has reviewed and approved these financial statements and the Annual Report in advance of its release and has approved its content and authorized its release.

On Behalf of Management

Original Document Signed

Lynne Mavins

OFFICE OF THE
AUDITOR GENERAL
MANITOBA

INDEPENDENT AUDITOR'S REPORT

To the Legislative Assembly of Manitoba
To the Board of Directors

We have audited the accompanying financial statements of the Public Schools Finance Board, which comprise the statement of financial position as at June 30, 2017, and the statements of operations and accumulated surplus, change in net financial assets, and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Public Schools Finance Board as at June 30, 2017, and the results of its operations, changes in its net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Office of the Auditor General

Office of the Auditor General
December 19, 2017
Winnipeg, Manitoba

500 - 330 Portage Avenue Winnipeg, Manitoba R3C 0C4 office: (204) 945-3790 fax: (204) 945-2169
www.oag.mb.ca

THE PUBLIC SCHOOLS FINANCE BOARD

Statement of Financial Position

As at June 30, 2017

	2017	(Restated, Note 13) 2016
	(in thousands of dollars)	
Financial Assets		
Cash	$ 1,099	$ 549
Funds on deposit with the Province of Manitoba (Note 6)	42	74
Due from:		
Municipal corporations - Education Support Levy	106,911	108,797
Other	417	456
	108,469	**109,876**
Liabilities		
Accrued interest	332	341
Other payables	593	466
Due to:		
Support payable to school divisions (Note 7)	2,459	2,699
Province of Manitoba	-	-
Notes payable - Province of Manitoba (Note 8)	85,990	88,911
	89,374	**92,417**
Net Financial Assets	**19,095**	**17,459**
Non - Financial Assets		
Modular Units Inventory (Note 9)	189	2,760
Accumulated Surplus	**$ 19,284**	**$ 20,219**

The accompanying notes are an integral part of these statements.

THE PUBLIC SCHOOLS FINANCE BOARD

Statement of Operations and Accumulated Surplus for the year ended June 30, 2017

	Budget 2017	Actual 2017	(Restated, Note 13) Actual 2016
	(in thousands of dollars)		
Revenue			
Province of Manitoba - Funding of Schools Program	$ 1,004,982	$ 995,773	$ 1,010,344
Municipal corporations - Education Support Levy	179,426	179,475	177,897
	1,184,408	**1,175,248**	**1,188,241**
Expenses			
Operational support program (Note 10)	1,063,909	1,058,604	1,043,697
Capital support program (Note 11)	120,274	114,863	139,812
Administrative and other expenses (Note 12)	3,526	2,716	2,827
	1,187,709	**1,176,183**	**1,186,336**
Current Year Surplus / (Deficit)	**$ (3,301)**	**$ (935)**	**$ 1,905**
Accumulated Surplus, Beginning of Year - as previously reported		6,309	7,301
Accounting Change (Note 13)		13,910	11,013
Accumulated Surplus, Beginning of Year - as restated		20,219	18,314
Accumulated Surplus, End of Year		**$ 19,284**	**$ 20,219**

The accompanying notes are an integral part of these statements.

THE PUBLIC SCHOOLS FINANCE BOARD

Statement of Change in Net Financial Assets
for the year ended June 30, 2017

	Budget 2017	Actual 2017	(Restated, Note 13) Actual 2016
		(in thousands of dollars)	
Current Year Surplus (Deficit)	$ (3,301)	$ (935)	$ 1,905
Allocation of Modular Units Inventory (Note 9)	2,760	2,571	1,576
Increase (Decrease) in Net Financial Assets	(541)	1,636	3,481
Net Financial Assets, beginning of year, as previously reported	$ (2,035)	$ 3,549	$ 2,965
Accounting Change (Note 13)		13,910	11,013
Net Financial Assets, Beginning of year, as restated		17,459	13,978
Net Financial Assets, End of year, as restated		$ 19,095	$ 17,459

The accompanying notes are an integral part of these statements.

THE PUBLIC SCHOOLS FINANCE BOARD

Statement of Cash Flow

for the year ended June 30, 2017

	2017	(Restated, Note 13) Actual 2016
	(in thousands of dollars)	
Operating Activities		
Current Year Surplus (Deficit)	$ (935)	$ 1,905
Changes in Non Cash Items:		
Due from:		
Municipal Corporations - Education Support Levy	1,886	(5,129)
Other	39	(97)
Accrued Interest	(9)	(47)
Other Payables	127	(20)
Due to:		
Support payable to school divisions	(240)	(871)
Province of Manitoba	-	
	868	(4,259)
Financing Activities		
Notes payable - Province of Manitoba	(2,921)	2,112
Non Financial Assets		
Modular Units Inventory sales	2,571	1,576
Increase (decrease) in Cash and Funds on Deposit with the Province	518	(571)
Cash and Funds on Deposit with the Province, Beginning of year	623	1,194
Cash and Funds on Deposit with the Province, End of year	**$ 1,141**	**$ 623**
Consists of:		
Cash	$ 1,099	$ 549
Funds on Deposit with Province of Manitoba	42	74
	$ 1,141	$ 623
Supplemental Cash Flow Information:		
Interest Paid	$ 577	$ 667

The accompanying notes are an integral part of these statements.

Notes to the Financial Statements
As at June 30, 2017

1. Nature of the Board's operations

The Public Schools Finance Board (Board) was established by the Public Schools Finance Board Act in April, 1967.

The Board is responsible for receiving all monies paid for the financing (operating and capital) of public schooling in Manitoba. It is responsible for the determination and distribution of all capital grants to Manitoba school divisions under the capital support program. It is also responsible for the distribution of all operating grants to Manitoba school divisions under the operating support program in amounts as determined by the Minister of Education and Training. These monies are credited to and paid out from the Education Support Fund.

The Public Schools Act and its Regulations govern the Education Support Fund.

2. Significant accounting policies

(a) Basis of Accounting:

The financial statements have been prepared in accordance with Canadian Public Sector Accounting Standards as recommended by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada.

(b) Revenue:

The Province of Manitoba Funding of School Program revenue is recognized as funds drawn from the Province of Manitoba Appropriations, adjusted to a school year basis.

The Education Support Levy is assessed against municipal corporations on a calendar year basis. The Board applied 40% of the prior year levy to the July to December period and 60% of the current year levy to the January to June period.

All revenues are recognized on a gross basis.

(c) Expenses:

Expenses are recognized at a gross amount on an accrual basis.

(d) Modular Units Inventory:

Modular Units Inventory is valued at the lower of average cost and net realizable value. Inventory is recognized upon completion of Modular Unit construction and is reduced when the unit is transferred to the school.

(e) Liabilities:

Liabilities are recognized at cost in the financial statements when there is an appropriate basis of measurement and a reasonable estimate can be made of the amount involved.

2. Con't

(f) Financial Instruments:

The Board's financial instruments consist of cash, funds on deposit with the Province of Manitoba, accounts receivable, accrued interest, accounts payable, support payable to school divisions and notes payable. These are recorded at cost or amortized cost.

3. Measurement uncertainty

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

4. Financial Instruments Risk Management

The Board has exposure to the following risks from its use of financial instruments: credit and liquidity risk. The Board has no foreign currency denominated assets. There have been no significant changes from the previous year to risk or policies, procedures and methods used to measure risk.

a. **Credit risk**

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes a financial loss to another party. Financial Instruments which potentially subject the Board to credit risk include cash, funds on deposit, and accounts receivable.

Cash and funds on deposit are not subject to significant credit risk. Cash is held with a large reputable financial institution and funds on deposit are held by the Province of Manitoba.

Accounts receivable are not exposed to significant credit risk. The majority of accounts cover education support levies collected from towns and municipalities within the Province of Manitoba. These are typically paid in full. No allowance for doubtful accounts is required. The balance of accounts receivable are from school divisions.

b. **Liquidity risk**

Liquidity risk is the risk that the Board will not be able to meet its financial obligations as they become due.

The Board manages risk by maintaining adequate cash balances and by review from the Board to ensure that adequate funding will be received to meet its obligations.

5. Pension benefits

Some employees of the Public Schools Finance Board are eligible for membership in the provincially operated Civil Service Superannuation Plan (the Plan). The pension liability for these employees is included on the financial statements of the Province of Manitoba. Accordingly, no provision is reflected in the financial statements relating to the effects of participating in the Plan by the Public Schools Finance Board.

The employer portion of contributions in the amount of $90,327 was added to the plan during the year by the Public Schools Finance Board and is included in Note 12: Administrative and other expenses.

6. Funds on Deposit with the Province of Manitoba

The funds on deposit with the Province of Manitoba are recorded at cost, which approximates fair market value.

7. Support payable to school divisions

This amount represents the present obligations of operational support funding owing to school divisions as a result of revisions in the calculations of certain Funding of Schools Program grants and other non-operational grants occurring prior to the end of the year.

8. Notes payable

Notes payable to the Province of Manitoba are due on demand. The interest payable on the notes is the Royal Bank prime rate less 75 basis points.

9. Modular Units Inventory

The Province administers the construction of modular classrooms and allocates these classrooms to school divisions on an as needed basis. Costs include 1 completed Modular unit.

10. Operational support program

	Actual 2017	Actual 2016
	(in thousands of dollars)	
Instructional Support	$ 321,938	$ 319,228
Sparsity Support	11,000	11,037
Curricular Materials	10,033	9,946
Information Technology	10,367	10,278
Library Services	15,383	15,251
Student Services Grant	63,241	62,877
Additional Instructional Support for Small Schools	691	664
Counselling and Guidance	13,879	13,759
Professional Development	6,856	6,797
Occupancy	85,265	85,265
Physical Education	3,689	3,666
Transportation	43,439	43,037
Board and Room	390	478
Special Needs	91,051	87,045
Senior Years Technology Education	9,068	9,279
English as an Additional Language	11,814	10,866
Aboriginal Academic Achievement	10,362	9,869
Aboriginal and International Languages	217	206
French Language Education	7,424	7,209
Small Schools	3,033	3,038
Enrolment Change Support	6,339	6,309
Northern Allowance	5,128	5,134
Early Childhood Development Initiative	2,479	2,534
Literacy and Numeracy	13,927	13,147
Education for Sustainable Development	483	480
Equalization Support	284,039	280,747
Formula Guarantee	24,460	21,448
Technology Education Equipment Replacement	2,500	2,505
Skills Strategy Equipment Enhancement Fund	102	1,424
Adjustment of previous years' support to school divisions from estimated to actual	7	174
	$ 1,058,604	$ 1,043,697

11. Capital support program

	Actual 2017	Actual 2016
	(in thousands of dollars)	
Capital grants:		
Major school construction	$ 108,675	$ 133,534
Minor capital projects	188	278
School buildings "D" support	6,000	6,000
	$ 114,863	**$ 139,812**

12. Administrative and other expenses

	Actual 2017	Actual 2016
	(in thousands of dollars)	
Board administration:		
Staff salaries and benefits	$ 1,537	$ 1,619
Service agreement	227	227
Professional services	76	41
Meetings and travel	19	25
Desktop management	81	89
Rent	155	155
Printing, stationery, postage and supplies	11	14
Telephone and fax	15	16
Professional development	11	16
Computers, software and minor equipment	15	6
Total board administration expenses	**2,147**	**2,208**
Interest charges on notes payable to the Province of Manitoba	**569**	**619**
	$ 2,716	**$ 2,827**

13. Adjustment to Accumulated Surplus

During the year, as a result of a review of previous years' accounting adjustments to the Provincial Funding of Schools Program and consultations with the Provincial Comptrollers office, a change was made to the comparative period amount Due to the Province of Manitoba. This change was done to recognize revenue equal to funds drawn from the Province of Manitoba Appropriations, adjusted to a school year basis. This change resulted in a decrease of the amount Due to the Province of Manitoba of $13,910 in 2016, with offsetting increases to the Province of Manitoba Funding of Schools revenue of $2,897, opening accumulated surplus and opening net financial assets by $11,013.

Financial Statements of

RED RIVER COLLEGE

Year ended March 31, 2018

KPMG LLP
One Lombard Place
Suite 2000
Winnipeg MB
R3B 0X3

Telephone (204) 957-1770
Fax (204) 957-0808
www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Board of Governors of Red River College

We have audited the accompanying financial statements of Red River College, which comprise the statement of financial position as at March 31, 2018, the statements of operations and changes in net assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Red River College as at March 31, 2018, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Professional Accountants

June 18, 2018

Winnipeg, Canada

RED RIVER COLLEGE

Statement of Financial Position
(In thousands of dollars)

March 31, 2018, with comparative information for 2017

		2018		2017
Assets				
Current assets:				
Cash and short-term investments - trust and endowment (note 3)	$	3,717	$	3,130
Cash and short-term investments (note 3)		56,708		40,542
Accounts receivable (note 4)		12,114		6,948
Inventories (note 5)		1,870		1,834
Prepaid expenses		1,672		1,685
		76,081		54,139
Long term investments - trust and endowment (note 6)		26,875		25,809
Due from Province of Manitoba (note 7)		9,636		9,636
Capital assets (note 8)		267,231		236,089
	$	379,823	$	325,673
Liabilities, Deferred Contributions and Net Assets				
Current liabilities:				
Accounts payable and accrued liabilities (note 10)	$	29,398	$	28,093
Current portion of obligations under capital leases (note 14)		154		268
Deferred revenue		19,686		16,425
Demand term loan (note 11)		4,400		4,400
Current portion of loan payable (note 12)		310		–
		53,948		49,186
Future employee benefits (note 13)		19,625		19,770
Obligations under capital leases (note 14)		–		129
Loan payable (note 12)		7,337		–
Deferred contributions (note 15)		12,318		11,128
Deferred contributions related to capital assets (note 16)		202,499		179,925
Deferred contributions related to capital campaign (note 17)		5,620		5,921
Deferred contributions capital unspent (note 18)		17,845		2,956
Net assets:				
Invested in capital assets (note 19)		51,311		49,721
Restricted for endowments (note 20)		23,883		23,427
Internally restricted (note 20)		15,324		13,428
Unrestricted net assets		(29,887)		(29,918)
		60,631		56,658
Commitments and contingencies (note 23)				
Contractual rights (note 24)				
	$	379,823	$	325,673

See accompanying notes to financial statements.

Approved by the Board of Governors:

Original Document Signed Chair

Original Document Signed Vice Chair

RED RIVER COLLEGE

Statement of Operations and Changes in Net Assets
(In thousands of dollars)

Year ended March 31, 2018, with comparative information for the nine months ended March 31, 2017

	Unrestricted	Invested in capital assets	Restricted for endowments	Internally restricted	2018 Total	2017 Total
Revenue:						
Academic training fees	$ 48,912	$ –	$ –	$ –	$ 48,912	$ 36,150
Grants and reimbursements	99,309	–	–	–	99,309	74,343
International education	11,360	–	–	–	11,360	6,720
Continuing education	12,364	–	–	–	12,364	8,955
Sundry and other revenue	15,827	–	–	–	15,827	13,662
Amortization of deferred contributions	3,264	9,886	–	–	13,150	8,560
	191,036	9,886	–	–	200,922	148,390
Expenses:						
Instruction	115,993	–	–		115,993	84,532
Library	2,745	–	–	–	2,745	2,063
Administration and general	34,588	–	–	–	34,588	26,403
Physical plant	20,156	–	–		20,156	17,039
Student services	10,832	–	–	–	10,832	6,268
Amortization of capital assets	–	11,771	–	–	11,771	8,691
Future employee benefits	1,320	–	–	–	1,320	2,065
	185,634	11,771	–	–	197,405	147,061
Excess (deficiency) of revenue over expenses	5,402	(1,885)	–	–	3,517	1,329
Balance, beginning of period	(29,918)	49,721	23,427	13,428	56,658	53,468
Endowment gifts	–	–	426	–	426	1,832
Amounts unrestricted from endowments	–	–	30	–	30	29
Transfer of surplus to internally restricted (note 20)	(1,896)	–	–	1,896	–	–
Investment in capital assets	(3,475)	3,475	–	–	–	–
Balance, end of period	$ (29,887)	$ 51,311	$ 23,883	$ 15,324	$ 60,631	$ 56,658

See accompanying notes to financial statements.

RED RIVER COLLEGE

Statement of Cash Flows
(In thousands of dollars)

Year ended March 31, 2018, with comparative information for the nine months ended March 31, 2017

	2018	2017
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	$ 3,517	$ 1,329
Items not involving cash:		
Amortization of capital assets	11,771	8,691
Amortization of deferred capital contributions	(9,886)	(7,144)
Other deferred contributions recognized as revenue	(3,069)	(3,478)
Changes in fair value of investments	(168)	(1,501)
Changes in non-cash operating working capital balances (note 21)	(768)	11,437
	1,397	9,334
Investing activities:		
Purchase of capital assets	(42,913)	(22,952)
Long-term investment for trust and endowment	(2,483)	(317)
Proceeds on disposal of long-term investments for trust and endowment	1,585	72
	(43,811)	(23,197)
Financing activities:		
Long-term loan received	7,750	–
Principal payments on loan payable	(103)	–
Endowment gifts received	456	1,861
Contributions and donations funding capital purposes	47,048	22,814
Repayment of obligations under capital leases	(243)	(565)
Other deferred contributions received	4,259	7,126
	59,167	31,236
Increase in cash and short-term investments	16,753	17,373
Cash and short-term investments, beginning of period	43,672	26,299
Cash and short-term investments, end of period	$ 60,425	$ 43,672
Comprised of:		
Cash and short-term investments - trust and endowment	$ 3,717	$ 3,130
Cash and short-term investments	56,708	40,542
	$ 60,425	$ 43,672

See accompanying notes to financial statements.

(In thousands of dollars)

1. General:

Red River College (the College) was established as a board-governed institution on April 1, 1993, and was governed by the *College Act of Manitoba* until June 30, 2015 when it became governed by its own Act, *The Red River College Act*. The College is a registered charity under the *Income Tax Act.*

2. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards including PS4200 standards for government not-for-profit organizations.

(a) Inventories:

Inventories are valued at the lower of cost and net realizable value.

(b) Capital assets:

Purchased capital assets are recorded at cost. Donated capital assets are recorded at their fair value at the time of the donation. Library holdings are accounted for using the base stock method. Under this method, the value of the base stock is capitalized, but subsequent purchases are not capitalized because it has been determined that annual additions are approximately equal to reductions. Capital assets are amortized on a straight-line basis using an annual rate of:

Asset	Rate
Buildings	2.5 - 5%
Major renovations	5%
Equipment and furniture	10 - 20%
Computer equipment and software	20 - 33%
Vehicles	20%
Aircraft	5%
Leasehold improvements	Over the term of the lease
Parking lot improvements	5%
Capital renovations	20%
Leased computers and equipment	10-33%

Construction in progress is transferred to the appropriate capital asset category and amortization begins when the capital project is completed and the asset is placed in service.

2. Significant accounting policies (continued):

(c) Donations:

Donations are recorded when received. Donations of materials and equipment are recorded at fair value.

(d) Revenue recognition:

The College follows the deferral method of accounting for contributions, which include donations and government grants. Unrestricted contributions are recognized as revenue when received. Contributions externally restricted for purposes other than endowment are deferred and recognized as revenue in the period in which the related expenses are incurred. Endowment contributions and contributions of capital assets with unlimited lives are recognized as direct increases in net assets in the period in which they are received.

The unearned portion of tuition fees and contractual training revenue received, but not earned until next fiscal period is recorded as deferred revenue. Sundry and other revenue is recognized as revenue when earned. Investment income includes interest income and realized investment gains and losses. Long-term investments are classified as held-for-trading and are recorded at fair value. Unrealized gains and losses, representing the change between the fair value and the cost of the investments at the beginning and the end of the period, are recorded in deferred contributions or net assets restricted for endowments depending on the restrictions of the long-term investment. Fair value of investments is determined based on quoted market prices.

Restricted investment income is recognized as revenue in the period in which the related expenses are recognized.

(e) Accrued retirement severance pay:

As a result of eligible employees of the College participating in the Manitoba Government Employees Master Agreement, the College has an obligation to pay severance to participating employees. The accrued retirement severance pay is actuarially determined, with any actuarial gain or loss being immediately recognized in the period in which it arises.

(f) Accumulated non-vested sick leave benefits:

The accumulated non-vested sick leave benefits is calculated annually utilizing an internally developed valuation method which takes into account the usage of sick days used in excess of the annual sick days earned, and average employee compensation per day.

2. Significant accounting policies (continued):

(g) Deferred contributions:

Debt owing to the Province of Manitoba (the Province) is reflected as deferred contributions related to capital assets on the statement of financial position. The related revenue earned from the Post-Secondary Education and Workforce Development Division (PSEWDD) to offset the principal repayment and the related interest expense are both excluded from the statement of operations.

(h) Education and training benefits:

The College receives government grants for specified projects with industry partners. The College receives education and training benefits from these projects. The College records both the revenue and the expenditures relating to these projects in the period incurred.

(i) Financial instruments:

Derivative instruments and equity instruments that are quoted in an active market are reported at fair value. All other financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value. Management has elected not to record any such financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the effective interest method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal period if there are indicators of impairment. If there is an indicator of impairment, the College determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the division expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial impairment charge.

2. Significant accounting policies (continued):

(j) Foreign currency translation:

Monetary assets and liabilities in foreign currencies have been translated into Canadian dollars on a monthly basis at month end exchange rates with any gain or loss included in income in the same month. Revenues and expenses have been translated at the exchange rate in effect at the transaction date.

(k) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

(l) Accounting policy changes:

On April 1, 2017, the College adopted Canadian public sector accounting standards PS 2200 Related party disclosures, PS 3420 Inter-entity transactions, PS 3210 Assets, PS 3320 Contingent assets, and PS 3380 Contractual rights. The adoption of these standards did not result in an accounting policy change for the College and did not result in any adjustments to the financial statements as at April 1, 2017 (note 24).

3. Short-term investments:

Short-term investment activity is transacted with the Department of Finance of the Province of Manitoba (the Province) in short-term deposits. Interest rates on short-term investments range between 1.27 percent and 1.34 percent. Short-term investments mature June 2018.

The carrying value of the short-term investments at the beginning and end of the period approximated fair value due to the short-term maturity of these deposits.

(In thousands of dollars)

4. Accounts receivable:

	2018	2017
Trust and endowment receivables	$ 121	$ 773
Other accounts receivable	6,310	4,397
Capital grant receivable	5,683	1,778
	$ 12,114	$ 6,948

5. Inventories:

Inventories consist primarily of books purchased for resale. During the year ended March 31, 2018, inventories totaling $3,630 were expensed (2017 - $3,874).

6. Long-term investments:

	2018		2017	
	Fair value	Cost	Fair value	Cost
Cash and fixed term instruments	$ 6,941	$ 5,829	$ 7,035	$ 6,155
Equity investments	17,791	12,931	17,032	12,932
Debentures	2,143	2,143	1,742	1,742
	$ 26,875	$ 20,903	$ 25,809	$ 20,829

Fair value as represented above was derived from the quoted market value of investments.

The fixed term investments and debentures mature between fiscal 2019 and 2041 and bear interest at rates between 3.625 percent and 6.125 percent (2017 - 2.45 percent and 6.125 percent).

(In thousands of dollars)

7. Due from Province of Manitoba:

The balance due from the Province is non-interest bearing, unsecured and has no fixed terms of repayment. The balance outstanding at March 31, 2018 for $9,636 (2017 - $9,636) arose from the transfer of the severance and vacation pay liabilities for employees of the College from the Province to the College in 1996.

The College is responsible for funding liabilities for vacation pay and severance pay benefits accumulated after the transfer through its operating grants from the Province of Manitoba. As a result, the change in the severance liability, including the interest accretion, is reflected in the funding for severance expense. The portion of the receivable related to the vacation pay is paid annually through the operating grants.

8. Capital assets:

	Cost	Accumulated amortization	2018 Net book value	2017 Net book value
Land	$ 18,429	$ –	$ 18,429	$ 18,396
Equipment and furniture	53,894	49,239	4,655	6,176
Computer equipment and software	20,621	19,480	1,141	1,319
Major renovations	5,597	4,346	1,251	1,423
Buildings	201,249	35,010	166,239	164,086
Vehicles	507	442	65	44
Aircraft	4,488	1,737	2,751	2,395
Leasehold improvements	5,138	4,905	233	458
Construction in progress	69,381	–	69,381	37,765
Assets under capital leases	17,221	16,938	283	680
Library holdings	1,223	–	1,223	1,223
Parking lot improvements	2,448	1,367	1,081	1,256
Capital renovations	6,087	5,588	499	868
	$ 406,283	$ 139,052	$ 267,231	$ 236,089

The assets under capital leases are amortized on a straight-line basis over the expected useful life of the assets. The amount of amortization charged to expense is $399 (2017 - $578).

(In thousands of dollars)

8. Capital assets (continued):

The increase in net book value of capital assets is due to the following:

		2018		2017
Balance, beginning of period	$	236,089	$	221,806
Purchase / transfer of capital assets:				
Funded by deferred capital contributions		31,318		22,814
Internally funded and working capital		3,475		704
Financed through capital lease, net of obligation paid		(411)		(565)
Financed though loan payable		7,750		–
Donations of capital assets		781		21
Amortization of capital assets		(11,771)		(8,691)
Balance, end of period	$	267,231	$	236,089

9. Operating line of credit:

The College has a $54,800 interim demand facility with Toronto-Dominion Bank guaranteed by the Province of Manitoba, bearing interest at prime minus 0.9 percent. At March 31, 2018, there had been no withdrawals on this interim demand facility.

10. Accounts payable and accrued liabilities:

		2018		2017
Trade payables	$	10,157	$	10,479
Accrued salaries and benefits		1,497		1,169
Accrued vacation pay		15,418		15,108
Holdback liability		2,326		1,337
	$	29,398	$	28,093

11. Demand term loan:

During fiscal 2017, the College obtained a demand term loan in the amount of $4,400 with the Toronto-Dominion Bank (Lender) to finance the purchase of land for the Innovation Centre Project. The term loan is due in full on June 28, 2019 and bears interest at prime less 0.9 percent. Concurrently, the College entered into a guarantee agreement with the Province of Manitoba and the Lender, where the Province guaranteed the payment of the term loan.

(In thousands of dollars)

12. Loan payable:

	2018	2017
Loan payable bearing interest at prime less 0.9%, repayable in monthly installments of $25,833 plus interest	$ 7,647	$ –
Current portion of loan payable	310	–
	$ 7,337	$ –

Principal repayments over the next five years are as follows:

2019	$ 310
2020	310
2021	310
2022	310
2023	310

During 2018, the College obtained a long term loan in the amount of $7,750 at a floating rate with Toronto Dominion Bank to finance the purchase of Stevenson campus. The loan is due and payable on or before the contractual term maturity date of November 30, 2042 and is secured through a guarantee by the Province of Manitoba.

13. Future employee benefits:

	2018	2017
Accrued retirement severance pay	$ 18,270	$ 18,569
Accumulated non-vested sick leave benefits	1,355	1,201
	$ 19,625	$ 19,770

The College provides accumulating sick leave benefits to certain employee groups. These benefits accumulate with employee service and benefit amounts are determined with reference to employees' final earnings at the time they are paid out. The significant assumptions adopted in measuring the College's accumulated non-vested sick leave benefits include a discount rate of 6 percent (2017 - 6 percent) and a rate of salary increase of 3.75 percent (2017 - 3.75 percent).

(In thousands of dollars)

13. Future employee benefits (continued):

The accrued retirement severance pay is actuarially determined every three years. The most recent actuarial report was prepared on March 31, 2018. Information about the College's accrued retirement severance pay is as follows:

	2018	2017
Balance, beginning of period	$ 18,569	$ 17,762
Current benefit cost	1,250	1,066
Interest	1,107	1,034
Actuarial loss	(1,153)	36
Benefits paid	(1,503)	(1,329)
Balance, end of period	$ 18,270	$ 18,569

Significant actuarial assumptions used in the severance obligations at March 31, 2018 and 2017, are as follows:

	2018	2017
Interest rate on obligations	6.00%	6.00%
Employer current service cost as a percentage of salary	1.27%	1.29%

14. Obligations under capital leases:

The following is a schedule of future minimum lease payments under capital leases with payments due between April 2018 and December 2020 together with the balances of the obligations under capital leases:

2019	$ 167
Total minimum lease payments	167
Less amount representing interest	(13)
Balance of obligations	154
Current portion	154
	$ –

Interest expense on the lease obligations amounted to $13 (2017 - $28).

(In thousands of dollars)

15. Deferred contributions:

Deferred contributions represent contributions received from the Province and other contributions that pertain to expenditures of the following year and donations for various scholarships, bursaries and other specific purposes to be paid out in future years.

	2018	2017
Deferred provincial contributions:		
Balance, beginning of period	$ 4,842	$ 2,187
Amount recognized as revenue during the period	(655)	(1,597)
Amount transferred to deferred contributions related to capital assets	(1,792)	–
Amount received related to the following year	4,259	4,253
Balance, end of period	6,654	4,843
Deferred other contributions:		
Balance, beginning of period	6,285	5,291
Amount recognized as revenue during the period	(426)	(1,860)
Amount transferred to endowed accounts during the year	(195)	(20)
Amount received related to following year	–	2,874
Balance, end of period	5,664	6,285
	$ 12,318	$ 11,128

16. Deferred contributions related to capital assets:

Deferred contributions related to capital assets represent the unamortized amount of grants, donations and other revenue received for the purchase of capital assets.

The amortization of capital contributions is recorded as revenue in the statement of operations. The changes in the deferred contributions related to capital assets are as follows:

	2018	2017
Balance, beginning of period	$ 179,925	$ 164,277
Less amortization of deferred contributions	(9,526)	(6,892)
Add:		
Contributions received for capital purposes	31,319	20,741
Contribution receivable	–	1,778
Donations-in-kind	781	21
Balance, end of period	$ 202,499	$ 179,925

(In thousands of dollars)

16. Deferred contributions related to capital assets (continued):

Unamortized capital contributions of $202,499 (2017 - $179,925) include contributions received from the Province for the purchase of capital assets. The College has executed promissory notes for these contributions. The promissory notes are payable to the Department of Finance of the Province and the payment of these liabilities is guaranteed and funded by PSEWDD.

No revenue or expense is recorded in accordance with their extinguishment. The balances of the promissory notes are as follows:

	2018	2017
Princess Street campus:		
Phase 1 - 6.3% interest, maturing July 31, 2042, repayable in monthly instalments which in the current year ranged from $76 - $82 including principal and interest	$ 8,580	$ 8,933
Phase 2 - 6.3% interest, maturing July 31, 2043, repayable in monthly instalments which in the current year ranged from $131 - $142 including principal and interest	15,045	15,639
Phase 3 - 6.3% interest, maturing March 31, 2044, repayable in monthly instalments which in the current year ranged from $54 - $59 including principal and interest	6,320	6,563
Heavy Equipment Transportation Centre of Excellence:		
5.5% interest, maturing January 31, 2048, repayable in monthly instalments of $60 including principal and interest	10,605	10,742
Paterson GlobalFoods Institute:		
4% interest, maturing April 30, 2053, repayable in monthly instalments ranging from $72 - $78 in the year including principal and interest	12,718	13,080
Notre Dame Campus:		
3.9% interest, maturing March 31, 2056, repayable in monthly instalments ranging from $130 - $506 in the current year including principal and interest	89,262	91,611
3.9% interest, maturing March 31, 2056, repayable in monthly instalments ranging from $0.7 - $5 in the current year including principal and interest	869	891
Skilled Trades and Technology Centre:		
3.9% interest, maturing March 31, 2056, repayable in monthly instalments ranging from $10 - $39 in the current year including principal and interest	7,025	7,209
Floating interest rate and terms of promissory note to be arranged, currently paying interest quarterly	44,756	23,529
Capital Projects:		
4.125% interest, maturing March 31, 2057, repayable in monthly instalments	975	1,000
	$ 196,155	$ 179,197

(In thousands of dollars)

17. Deferred contributions related to capital campaign assets:

Deferred contributions related to capital campaign assets represent the unamortized amount of capital campaign funds raised to support capital construction projects.

The amortization of capital campaign contributions is recorded as revenue in the statement of operations. The changes in the deferred capital campaign contribution are as follows:

	2018	2017
Balance, beginning of period	$ 5,921	$ 6,003
Less amortization of deferred contributions	(360)	(252)
Add:		
Contributions received during the year	59	170
Balance, end of period	$ 5,620	$ 5,921

18. Deferred contributions capital unspent:

Deferred contributions capital unspent represent contributions received from the Province and other contributions that pertain to expenditures of the following year.

	2018	2017
Deferred contributions capital unspent:		
Balance, beginning of period	$ 2,956	$ –
Amount transferred to deferred contributions during the year	(3,850)	–
Amount received related to the following year	18,739	2,956
Balance, end of period	$ 17,845	$ 2,956

(In thousands of dollars)

19. Investment in capital assets:

The investment in capital assets consists of the following:

	2018	2017
Capital assets, net book value	$ 267,231	$ 236,089
Less:		
Amounts financed by deferred capital contributions	(202,499)	(180,050)
Amounts financed by deferred capital campaign contributions	(5,620)	(5,921)
Amounts financed by capital lease	(154)	(397)
Amounts financed by loan payable	(7,647)	–
	$ 51,311	$ 49,721

The change in investment in capital assets is calculated as follows:

	2018	2017
Purchase of capital assets internally financed or in working capital	$ 3,475	$ 704
Amortization of:		
Capital assets	(11,771)	(8,691)
Deferred capital contributions	9,526	6,892
Deferred capital campaign	360	252
Increase (decrease) in investment in capital assets	$ 1,590	$ (843)

(In thousands of dollars)

20. Restrictions on net assets:

Net assets restricted for endowment purposes are subject to externally imposed restrictions stipulating that the resources be maintained permanently. Investment income on these resources is externally restricted to provide various scholarships, bursaries and other expenditures.

Internally restricted net assets consist of the following:

	2018	2017
Princess Street campus structural reserve	$ 799	$ 799
Notre Dame campus structural reserve	1,600	600
Project reserves	4,631	3,735
Campus renovation reserve	1,000	1,000
Risk Management reserve	200	200
Strategic Development reserve	7,094	7,094
	$ 15,324	$ 13,428

Under the College's internal best practice guidelines, net proceeds earned from designated project activities are restricted and eligible for expenditure under certain conditions, in the year following project completion. During the year, an amount of $896 was transferred from unrestricted to internally restricted for net proceeds in project reserves.

The College transferred an amount of $1,000 from unrestricted net assets to internally restricted net assets, relating to the excess of revenue over expenses generated in the year ending March 31, 2018. The amount was allocated to the Notre Dame campus structural reserve.

21. Changes in non-cash working capital balances:

	2018	2017
Accounts receivable	$ (5,166)	$ 2,211
Inventories	(36)	(540)
Prepaid expenses	13	968
Accounts payable and accrued liabilities	1,305	2,170
Deferred revenue	3,261	5,724
Future employee benefits	(145)	904
Changes in non-cash working capital	$ (768)	$ 11,437

(In thousands of dollars)

22. Pension costs and obligations:

The College, together with other related and unrelated parties, is part of a defined benefit pension plan (Civil Service Superannuation Plan) that satisfies the definition of a multi-employer plan. The costs of the benefit plan are not allocated to the individual entities within the group. As a result, individual entities within the group are not able to identify their share of the underlying assets and liabilities. Therefore, the plan is accounted for as a defined contribution plan in accordance with the requirements of the CPA Canada Handbook, Section 3462.

The expense related to the pension plan was $8,118 (2017 - $6,291). These contributions represent the total pension obligations of the College. The College is not required under present legislation to make contributions with respect to any actuarial deficiencies of the plan.

23. Commitments and contingencies:

Commitments:

The College leases classroom and office space in Winnipeg, Portage la Prairie, Steinbach, Arborg and Winkler, Manitoba. The College has also contracted for services, as well as leased certain computer and other equipment. Minimum annual operating lease and contractual commitment payments for accommodation and services, in aggregate, for each of the next five years, is included in the following table, along with construction contract commitments.

2019	$ 39,669
2020	25,957
2021	25,229
2022	987
2023	781
	$ 92,623

The College continued the construction contract for the Motive Lab Project with approximately $1.5 million remaining to be incurred as at March 31, 2018 before the expected completion date of August 31, 2018.

The College has a remaining construction cost for the Skilled Trades and Technology Centre of approximately $10 million remaining to be incurred as at March 31, 2018 before the expected completion date of June 30, 2018.

(In thousands of dollars)

23. Commitments and contingencies (continued):

During the year ended March 31, 2018, the College has entered into construction contracts for the following projects with remaining construction cost commitment at March 31, 2018 as follows:

- Innovation Centre project - $72.3 million construction commitment with the completion date of December 31, 2020;

- Smart factory project - $1.5 million construction commitment with the completion date of August 31, 2018.

The above commitments do not include provincial future payments on promissory notes, which are fully funded by the Province (note 16).

Contingencies:

The College is involved in various legal matters arising in the ordinary course of business. Management believes the resolution of these matters is not likely to have a material adverse effect on the College's financial position, results of operations or cash flows.

The College is currently involved in a review by the Canada Revenue Agency (CRA) over GST income tax credits. Any amount payable back to CRA has not been accrued as at March 31, 2018.

24. Contractual rights:

The College is involved in various contracts and agreements arising in the ordinary course of business. This results in contractual rights to economic resourses, leading to both assets and revenue in the future. The contractual rights excludes provincial future funding of payments of promissory notes (note 16).

2019	$ 43,033
2020	1,178
2021	142
2022	143
2023	145
	$ 44,641

25. Related parties:

(a) Red River College Students' Association Inc.:

The Red River College Students' Association (the Students' Association) is an income tax exempt organization significantly influenced by the College. The Students' Association is responsible for providing services such as health and dental benefits, study and lounging areas, and a voice on the College's Board of Governors for students of the College. The Students' Association and the Students' Association Building Fund (SABF) are incorporated under the *Corporations Act* of Manitoba and operate on a not-for-profit basis. SABF is a wholly-owned subsidiary of the Students' Association.

(b) Canadian Animal Blood Bank Inc.:

The Canadian Animal Blood Bank Inc. (the Blood Bank) is a significantly influenced investee owned 50 percent by the College and 50 percent by the Manitoba Veterinary Medical Association. The Blood Bank is dedicated to improving veterinary care by providing blood products for animals that require transfusion therapy. The Blood Bank is incorporated under the *Corporations Act* of Manitoba and operates on a not-for-profit basis and is exempt from income taxes. As at February 28, 2018, net resources of the Blood Bank amount to $113.

The net assets and results of operations of the Blood Bank are not included in the financial statements of the College.

26. Financial instruments:

(a) Fair value:

The carrying amounts of short-term financial assets and liabilities are a reasonable estimate of their fair values because of the short maturity of these instruments. Short-term financial assets are comprised of cash, short-term investments and accounts receivable. Short-term financial liabilities are comprised of bank indebtedness, accounts payable and accrued liabilities and current portion of obligations under capital leases. The fair value of obligations under capital leases is also approximately equal to their carrying amounts. The fair value of the long-term investments is disclosed in note 6.

The fair value of the balance due from the Province of Manitoba is not readily determinable due to the underlying terms and conditions.

26. Financial instruments (continued):

(b) Credit risk:

Credit risk is the risk to the College's earnings arising from the risk that a counter party to a transaction is unable to satisfy its obligations to the College. Credit risk is mitigated by the fact that the College's accounts receivable are comprised of a large number of comparatively small individual balances. Reviews are made of the credit worthiness of accounts and reserves established as required.

There has been no significant changes to the credit risk exposure from 2017.

(c) Interest rate and foreign exchange risk:

Interest rates, maturities and security affect the interest rate risk of certain of the College's financial assets and liabilities.

The College is subject to foreign exchange risk because a portion of its financial instruments are denominated in foreign currencies.

The financial risk is the risk to the College's earnings that arises from fluctuations in interest rates and foreign exchange rates and the degree of volatility of these rates. The College does not use derivative instruments to reduce its exposure to interest rate and foreign exchange risk.

There has been no significant changes to the interest rate and foreign exhange risk exposure from 2017.

27. Capital disclosure:

The College's objectives in managing capital are:

- minimizing the cost of capital
- preserving the ability to continue as a going concern
- maintaining flexibility to ensure the ongoing ability to execute the Strategic Plan.

Management considers the current and long-term portions of debt, unrestricted net assets and internally restricted net assets are capital. The College has various policies in place to manage capital, including a policy requiring Board approval on major capital expenditures, securing debt and capital budget approval. The College also uses its net assets to support the Strategic Plan, special initiatives, trust and endowment activities and campus expansion and redevelopment. The College receives Province of Manitoba funding to support major capital projects. The College also maintains deferred contribution accounts and endowments for externally restricted funding. These funds are managed with the objectives of spending the funds in accordance with various terms stipulated in the funding arrangements. For the twelve months ended March 31, 2018, the College has met its externally imposed capital requirements.

28. Comparative information:

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current period.