VOLUME 4 - SECTION 2

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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	Original Document Signed
Chairperson	Secretary-Treasurer

October 18, 2016

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, 2016, 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 Beautiful Plains School Division as at June 30, 2016 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
Chartered Professional Accountants

Brandon, Manitoba
October 18, 2016

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. 18/16
Date

MNP

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2016	2015
	Financial Assets		
4	Cash and Bank	646,804	279,545
	Due from - Provincial Government	845,571	881,632
	- Federal Government	34,516	35,520
9	- Municipal Government	3,261,477	3,164,651
	- Other School Divisions	-	-
	- First Nations	-	-
	Accounts Receivable	24,598	23,094
	Accrued Investment Income	-	-
	Portfolio Investments	-	-
		4,812,966	4,384,442
	Liabilities		
4	Overdraft	-	-
	Accounts Payable	163,853	122,217
	Accrued Liabilities	1,758,685	1,811,239
3	Employee Future Benefits	47,396	49,615
	Accrued Interest Payable	405,047	442,639
	Due to - Provincial Government	-	-
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
5	Deferred Revenue	902,445	837,429
7	Borrowings from the Provincial Government	15,928,101	17,098,443
	Other Borrowings	-	-
	School Generated Funds Liability	35,960	54,069
		19,241,487	20,415,651
	Net Debt	(14,428,521)	(16,031,209)
	Non-Financial Assets		
2 e)	Net Tangible Capital Assets (TCA Schedule)	20,054,914	20,402,119
	Inventories	-	-
	Prepaid Expenses	383,800	449,877
		20,438,714	20,851,996
8	**Accumulated Surplus**	6,010,193	4,820,787

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes			2016	2015
	Revenue			
	Provincial Government		14,736,848	13,926,174
	Federal Government		-	-
9	Municipal Government	- Property Tax	6,300,172	6,101,414
		- Other	-	-
	Other School Divisions		29,900	31,200
	First Nations		-	-
	Private Organizations and Individuals		19,445	29,592
	Other Sources		86,312	127,252
	School Generated Funds		406,790	256,133
	Other Special Purpose Funds		-	-
			21,579,467	20,471,765
	Expenses			
	Regular Instruction		11,322,418	10,922,484
	Student Support Services		2,262,986	2,251,337
	Adult Learning Centres		-	-
	Community Education and Services		22,298	18,760
	Divisional Administration		666,785	642,821
	Instructional and Other Support Services		372,168	357,670
	Transportation of Pupils		1,171,497	1,200,348
	Operations and Maintenance		1,857,773	1,851,446
10	Fiscal	- Interest	880,908	961,941
		- Other	300,043	281,519
	Amortization		1,139,728	1,146,713
	Other Capital Items		2,752	-
6	School Generated Funds		392,924	261,514
	Other Special Purpose Funds		-	-
			20,392,280	19,896,553
	Current Year Surplus (Deficit) before Non-vested Sick Leave		1,187,187	575,212
3	Less: Non-vested Sick Leave Expense (Recovery)		(2,219)	15,406
	Net Current Year Surplus (Deficit)		1,189,406	559,806
	Opening Accumulated Surplus		4,820,787	4,260,981
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	-
		Other than Tangible Cap. Assets	-	-
		Non-vested sick leave - prior years	-	-
	Opening Accumulated Surplus, as adjusted		4,820,787	4,260,981
	Closing Accumulated Surplus		6,010,193	4,820,787

See accompanying notes to the Financial Statements

Beautiful Plains School Division

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2016

	2016	2015
Net Current Year Surplus (Deficit)	1,189,406	559,806
Amortization of Tangible Capital Assets	1,139,728	1,146,713
Acquisition of Tangible Capital Assets	(792,523)	(479,309)
(Gain) / Loss on Disposal of Tangible Capital Assets	-	(28,583)
Proceeds on Disposal of Tangible Capital Assets	-	28,583
	347,205	667,404
Inventories (Increase)/Decrease	-	-
Prepaid Expenses (Increase)/Decrease	66,077	33,008
	66,077	33,008
(Increase)/Decrease in Net Debt	1,602,688	1,260,218
Net Debt at Beginning of Year	(16,031,209)	(17,291,427)
Adjustments Other than Tangible Cap. Assets	-	-
	(16,031,209)	(17,291,427)
Net Debt at End of Year	(14,428,521)	(16,031,209)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2016

	2016	2015
Operating Transactions		
Net Current Year Surplus (Deficit)	1,189,406	559,806
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	1,139,728	1,146,713
(Gain)/Loss on Disposal of Tangible Capital Assets	-	(28,583)
Employee Future Benefits Increase/(Decrease)	(2,219)	15,406
Due from Other Organizations (Increase)/Decrease	(59,761)	741,250
Accounts Receivable & Accrued Income (Increase)/Decrease	(1,504)	2,496
Inventories and Prepaid Expenses - (Increase)/Decrease	66,077	33,008
Due to Other Organizations Increase/(Decrease)	-	-
Accounts Payable & Accrued Liabilities Increase/(Decrease)	(48,510)	(274,529)
Deferred Revenue Increase/(Decrease)	65,016	791,068
School Generated Funds Liability Increase/(Decrease)	(18,109)	(51,001)
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by (Applied to) Operating Transactions	2,330,124	2,935,634
Capital Transactions		
Acquisition of Tangible Capital Assets	(792,523)	(479,309)
Proceeds on Disposal of Tangible Capital Assets	-	28,583
Cash Provided by (Applied to) Capital Transactions	(792,523)	(450,726)
Investing Transactions		
Portfolio Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
Financing Transactions		
Borrowings from the Provincial Government Increase/(Decrease)	(1,170,342)	(1,359,825)
Other Borrowings Increase/(Decrease)	-	-
Cash Provided by (Applied to) Financing Transactions	(1,170,342)	(1,359,825)
Cash and Bank / Overdraft (Increase)/Decrease	367,259	1,125,083
Cash and Bank (Overdraft) at Beginning of Year	279,545	(845,538)
Cash and Bank (Overdraft) at End of Year	646,804	279,545

Beautiful Plains School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2016

	Buildings and Leasehold Improvements		School	Other	Furniture / Fixtures &	Computer Hardware &		Land	Assets Under	2016	2015
	School	Non-School	Buses	Vehicles	Equipment	Software *	Land	Improvements	Construction	TOTALS	TOTALS
Tangible Capital Asset Cost											
Opening Cost, as previously reported	32,905,549	841,511	2,276,451	100,334	407,058	305,895	221,168	-	63,350	37,121,316	36,884,404
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	32,905,549	841,511	2,276,451	100,334	407,058	305,895	221,168	-	63,350	37,121,316	36,884,404
Add: Additions during the year	336,072	-	108,176	41,631	-	-		-	306,644	792,523	479,309
Less: Disposals and write downs	-	-	-	-	-	-	-	-	-	-	242,397
Closing Cost	33,241,621	841,511	2,384,627	141,965	407,058	305,895	221,168	-	369,994	37,913,839	37,121,316
Accumulated Amortization											
Opening, as previously reported	13,987,761	359,717	1,834,290	55,336	335,783	146,310		-		16,719,197	15,814,881
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	13,987,761	359,717	1,834,290	55,336	335,783	146,310		-		16,719,197	15,814,881
Add: Current period Amortization	958,072	25,368	93,427	14,163	19,952	28,746		-		1,139,728	1,146,713
Less: Accumulated Amortization on Disposals and Writedowns	-	-	-	-	-	-		-		-	242,397
Closing Accumulated Amortization	14,945,833	385,085	1,927,717	69,499	355,735	175,056		-		17,858,925	16,719,197
Net Tangible Capital Asset	18,295,788	456,426	456,910	72,466	51,323	130,839	221,168	-	369,994	20,054,914	20,402,119
Proceeds from Disposal of Capital Assets	-	-	-	-	-	-				-	28,583

* 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 $713,099 and a Neepawa and Area Collegiate/Division Office Site reserve in the amount of $329,000.

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 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, 2016 was decreased by $2,219. The total accrual at June 30, 2016 is $47,396.

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 #271) 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, 2015	Additions in the period	Revenue recognized in the period	Balance as at June 30, 2016
Education Property Tax Credits (Fall)	$ 788,946	$ 818,233	$ 788,946	$ 818,233
Charitable Scholarship Fund	45,563	60,904	22,255	84,212
Prov. French Revitalization Grant	2,920	-	2,920	-
	$ 837,429	**$ 879,137**	**$ 814,121**	**$ 902,445**

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 $35,960.

School generated funds revenue and expenses reported in the Consolidated Statement of Revenue, Expenses and Accumulated Surplus as at June 30, 2016 covers a period of twelve months from April 1, 2015 to March 31, 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 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
2016/17	$ 1,482,156	$ 829,896	$ 2,312,052
2017/18	1,306,321	752,119	2,058,440
2018/19	1,295,805	699,741	1,995,546
2019/20	1,354,082	646,435	2,000,517
2020/21	1,300,880	572,881	1,873,761
	$ 6,739,244	**$ 3,501,072**	**$ 10,240,316**

8. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

		2015/16
Operating Fund		
Designated Surplus	$	45,580
Undesignated Surplus		579,088
Non-vested Sick Leave Benefits		47,396
	$	**672,064**
Capital Fund		
Reserve Accounts	$	1,042,099
Equity in Tangible Capital Assets		4,033,619
	$	**5,075,718**
Special Purpose Fund		
School Generated Funds	$	262,411
Other Special Purpose Funds		-
		262,411
Total Accumulated Surplus	**$**	**6,010,193**

Unexpended school instructional budgets from the 2015/16 year totalling $37,170 have been carried forward to the 2016/17 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 School Bus reserve, $100,000 was approved by board resolution #7, October 4, 2016 and in the Neepawa Collegiate/Division Office Site reserve $185,000 was approved by board resolution #19, June 7, 2016 and $144,000 was approved by board resolution #7, October 4, 2016. A Schedule of Capital Reserve Accounts is provided on page 24 of the audited financial statements.

		2015/16
School Bus Reserve	$	713,099
Neepawa Collegiate/Division Office site		329,000
Total Capital Reserves	**$**	**1,042,099**

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 2015 tax year and 52% from the 2016 tax year. Below are the related revenue and receivable amounts:

		2015/16		2014/15
Revenue-Municipal Government-Property Tax	$	6,300,172	$	6,101,414
Receivable-Due from Municipal-Property Tax	$	3,261,477	$	3,164,651

10. Interest Received and Paid

The Division received interest during the year of $13,177 (previous year $8,456). Interest expense is included in Fiscal and is comprised of the following:

		2015/16
Operating Fund		
Fiscal short term loan, interest and bank charges	$	10,600
Capital Fund		
Debenture debt interest		870,308
Other interest		-
Total Interest Expense	**$**	**880,908**

The accrual portion of debenture debt interest expense of $405,047 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 is in the process of purchasing property (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. A deposit of $ 5,000 has been made and $ 167,500 remains to be paid.

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 2015/16	Budget 2015/16	Actual 2014/15
Salaries	$ 13,803,074	$ 14,117,779	$ 13,321,611
Employees benefits & allowances	1,062,759	1,033,521	964,279
Services	1,577,867	1,667,137	1,644,383
Supplies, materials & minor equipment	1,184,732	1,040,190	1,258,256
Interest	880,908	820,383	961,941
Transfers (Other than Capital)	47,493	55,000	56,337
Payroll tax	300,043	300,000	281,519
Amortization	1,139,728	-	1,146,713
Other capital items	2,752	-	-
School generated funds	392,924	-	261,514
Total	**$ 20,392,280**	**$ 19,034,010**	**$ 19,896,553**

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 19, 2016

BDO

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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, 2016, 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, 2016, 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 19, 2016

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 19, 2016
Date

Border Land School Division

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2016	2015
	Financial Assets		
	Cash and Bank	-	1,170,662
	Due from - Provincial Government	2,789,519	2,648,771
	- Federal Government	378,657	231,132
11	- Municipal Government	5,552,115	5,377,232
	- Other School Divisions	652,945	611,808
	- First Nations	92,178	54,406
	Accounts Receivable	257,480	163,034
	Accrued Investment Income	-	-
	Portfolio Investments	-	-
		9,722,894	10,257,045
	Liabilities		
3	Overdraft	2,403,662	-
	Accounts Payable	1,320,486	1,934,107
	Accrued Liabilities	94,842	86,213
4	Employee Future Benefits	-	-
	Accrued Interest Payable	192,847	197,767
	Due to - Provincial Government	163,211	106,862
	- Federal Government	1,252,781	53,780
	- Municipal Government	11,494	68,212
	- Other School Divisions	237,999	271,961
	- First Nations	-	-
5	Deferred Revenue	1,083,347	1,307,492
6	Borrowings from the Provincial Government	8,506,541	8,522,230
7	Other Borrowings	-	5,600
8	School Generated Funds Liability	-	-
		15,267,210	12,554,224
	Net Debt	(5,544,316)	(2,297,179)
	Non-Financial Assets		
9	Net Tangible Capital Assets (TCA Schedule)	17,285,465	14,243,030
	Inventories	176,598	192,954
	Prepaid Expenses	65,709	2,657
		17,527,772	14,438,641
10	**Accumulated Surplus**	11,983,456	12,141,462

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			2016	2015
	Revenue			
	Provincial Government		23,155,677	22,909,467
	Federal Government		4,486	15,623
11	Municipal Government	- Property Tax	9,079,319	8,969,967
		- Other	-	2,000
	Other School Divisions		695,853	631,173
	First Nations		1,250,373	1,252,605
	Private Organizations and Individuals		302,549	135,110
	Other Sources		234,757	453,693
	School Generated Funds		699,344	556,544
	Other Special Purpose Funds		-	-
			35,422,358	34,926,182
13	**Expenses**			
	Regular Instruction		19,320,025	18,440,587
	Student Support Services		4,679,456	4,785,918
	Adult Learning Centres		556,765	573,186
	Community Education and Services		49,633	61,984
	Divisional Administration		1,030,133	1,111,167
	Instructional and Other Support Services		824,999	739,286
	Transportation of Pupils		2,513,360	2,413,198
	Operations and Maintenance		3,188,991	3,290,061
12	Fiscal	- Interest	480,637	491,914
		- Other	500,004	640,969
	Amortization		1,837,890	1,593,660
	Other Capital Items		-	-
	School Generated Funds		598,471	555,306
	Other Special Purpose Funds		-	-
			35,580,364	34,697,236
	Current Year Surplus (Deficit) before Non-vested Sick Leave		(158,006)	228,946
	Less: Non-vested Sick Leave Expense (Recovery)		0	0
	Net Current Year Surplus (Deficit)		(158,006)	228,946
10	Opening Accumulated Surplus		12,141,462	11,912,516
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	-
		Other than Tangible Cap. Assets	-	-
		Non-vested sick leave - prior years	-	-
	Opening Accumulated Surplus, as adjusted		12,141,462	11,912,516
10	**Closing Accumulated Surplus**		11,983,456	12,141,462

See accompanying notes to the Financial Statements

Border Land School Division

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2016

	2016	2015
Net Current Year Surplus (Deficit)	(158,006)	228,946
Amortization of Tangible Capital Assets	1,837,890	1,593,660
Acquisition of Tangible Capital Assets	(4,880,325)	(2,276,578)
(Gain) / Loss on Disposal of Tangible Capital Assets	(3,250)	85,013
Proceeds on Disposal of Tangible Capital Assets	3,250	342,355
	(3,042,435)	(255,550)
Inventories (Increase)/Decrease	16,356	(27,940)
Prepaid Expenses (Increase)/Decrease	(63,052)	44,959
	(46,696)	17,019
(Increase)/Decrease in Net Debt	(3,247,137)	(9,585)
Net Debt at Beginning of Year	(2,297,179)	(2,287,594)
Adjustments Other than Tangible Cap. Assets	-	-
	(2,297,179)	(2,287,594)
Net Debt at End of Year	(5,544,316)	(2,297,179)

Border Land School Division

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2016

	2016	2015
Operating Transactions		
Net Current Year Surplus (Deficit)	(158,006)	228,946
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	1,837,890	1,593,660
(Gain)/Loss on Disposal of Tangible Capital Assets	(3,250)	85,013
Employee Future Benefits Increase/(Decrease)	-	-
Due from Other Organizations (Increase)/Decrease	(542,065)	1,234,433
Accounts Receivable & Accrued Income (Increase)/Decrease	(94,446)	(38,482)
Inventories and Prepaid Expenses - (Increase)/Decrease	(46,696)	17,019
Due to Other Organizations Increase/(Decrease)	1,164,670	(1,005,002)
Accounts Payable & Accrued Liabilities Increase/(Decrease)	(609,912)	515,680
Deferred Revenue Increase/(Decrease)	(224,145)	891,082
School Generated Funds Liability Increase/(Decrease)	-	-
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by (Applied to) Operating Transactions	1,324,040	3,522,349
Capital Transactions		
Acquisition of Tangible Capital Assets	(4,880,325)	(2,276,578)
Proceeds on Disposal of Tangible Capital Assets	3,250	342,355
Cash Provided by (Applied to) Capital Transactions	(4,877,075)	(1,934,223)
Investing Transactions		
Portfolio Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
Financing Transactions		
Borrowings from the Provincial Government Increase/(Decrease)	(15,689)	(600,632)
Other Borrowings Increase/(Decrease)	(5,600)	(5,600)
Cash Provided by (Applied to) Financing Transactions	(21,289)	(606,232)
Cash and Bank / Overdraft (Increase)/Decrease	(3,574,324)	981,894
Cash and Bank (Overdraft) at Beginning of Year	1,170,662	188,768
Cash and Bank (Overdraft) at End of Year	(2,403,662)	1,170,662

Border Land School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2016

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	2016 TOTALS	2015 TOTALS
	School	Non-School									
Tangible Capital Asset Cost											
Opening Cost, as previously reported	23,645,062	651,882	4,200,029	127,308	2,932,691	1,877,119	207,919	362,405	649,427	34,653,842	33,400,627
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	23,645,062	651,882	4,200,029	127,308	2,932,691	1,877,119	207,919	362,405	649,427	34,653,842	33,400,627
Add: Additions during the year	1,908,054	130,929	672,049	-	322,745	1,305,527	-	288,932	252,089	4,880,325	2,276,578
Less: Disposals and write downs	-	-	412,750	-	-	-	-	-	-	412,750	1,023,363
Closing Cost	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
Accumulated Amortization											
Opening, as previously reported	15,090,426	397,820	2,379,860	100,561	1,757,000	575,981		109,164		20,410,812	19,413,147
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	15,090,426	397,820	2,379,860	100,561	1,757,000	575,981		109,164		20,410,812	19,413,147
Add: Current period Amortization	806,399	28,467	370,594	14,737	306,899	260,107		50,687		1,837,890	1,593,660
Less: Accumulated Amortization on Disposals and Writedowns	-	-	412,750	-	-	-		-		412,750	595,995
Closing Accumulated Amortization	15,896,825	426,287	2,337,704	115,298	2,063,899	836,088		159,851		21,835,952	20,410,812
Net Tangible Capital Asset	9,656,291	356,524	2,121,624	12,010	1,191,537	2,346,558	207,919	491,486	901,516	17,285,465	14,243,030
Proceeds from Disposal of Capital Assets	-	-	3,250	-	-	-				3,250	342,355

* 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 (PSAS) established by Public Sector Accounting Board 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 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 Division, 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 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 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, 2016); 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 2016 year was $426,496 ($383,751 in 2015).

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, 2015	Additions in the year	Revenue recognized in the year	Balance as at June 30, 2016
Education Property Tax Credit (EPTC)	$ 932,645	$ 751,084	$ 932,645	$ 751,084
Professional Development	134,718	19,344	44,297	109,765
First Nations Grant	54,532	85,000	71,949	67,583
Special Levy (DSFM)	55,689	46,656	55,689	46,656
Manitoba Textbook Bureau	52,258	60,140	75,771	36,627
Donations and Special Purpose Funds	59,574	59,032	60,198	58,408
Green Team	-	6,327	-	6,327
Rhineland Child Care	18,076	207,143	218,322	6,897
	$1,307,492	$ 1,234,726	$1,458,871	$1,083,347

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 June 30, 2017 to 2035. 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 8.375%. 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 fiscal years ending June 30 are:

2017	$ 1,204,846
2018	1,179,415
2019	1,164,926
2020	1,051,566
2021	1,000,363

7. Other Borrowings

Other borrowings are debts other than overdrafts or debentures. This includes loans payable for fixtures installed on school grounds. The balance due at June 30, 2015 has been paid in full in the current year.

8. School Generated Funds Liability

School Generated Funds Liability includes the non-controlled portion of school generated funds. At June 30, 2016, an amount equal to the liability of $nil ($nil in 2015) is included in cash and bank on the Statement of Financial Position.

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 amount of interest capitalized in the period included in Assets under Construction was $nil ($nil in 2015).

10. Accumulated Surplus

The accumulated surplus is comprised of the following:

	2016	2015
Operating Fund		
Designated Surplus	$ 520,103	$ 1,127,715
Undesignated Surplus	74,768	54,889
	594,871	1,182,604
Capital Fund		
Reserve Accounts	3,741,780	4,998,803
Equity in Tangible Capital Assets	7,252,682	5,666,805
	10,994,462	10,665,608
Special Purpose Fund		
School Generated Funds	394,123	293,250
Other	-	-
	394,123	293,250
Total Accumulated Surplus	$ 11,983,456	$ 12,141,462

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:

	2016	2015
School budget carryovers by Board policy	$ 520,103	$ 616,747
Applied to Budget and Special Levy	-	177,084
Projects and allowances	-	333,884
Designated surplus	$ 520,103	$ 1,127,715

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.

	2016	2015
Building Additions or Renovations	$ 2,670,710	$ 3,045,190
Software Conversion Projects	155,117	155,117
Wide Area Network	-	1,015,285
Equipment and Vehicles	64,741	64,741
Bus Reserve	651,212	718,470
Capital Reserve	$ 3,741,780	$ 4,998,803

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 revenue and expense is raised over the two calendar (tax) years; 40% from 2015 tax year and 60% from 2016 tax year. Below are the related revenue and receivable amounts:

	2016	2015
Revenue – Municipal Government – Property Tax	$ 9,079,319	$ 8,969,967
Receivable – Due from Municipal – Property Tax	$ 5,552,115	$ 5,577,232

12. Interest Received and Paid

The Division received interest during the year of $30,973 ($86,397 in 2015); interest paid during the year was $480,637 ($491,914 in 2015).

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

	2016	2015
Operating Fund		
Fiscal-short term loan, interest and bank charges	$ 13,650	$ 226
Capital Fund		
Debenture interest	466,987	491,688
	$ 480,637	$ 491,914

The accrual portion of debenture debt interest expense of $192,847 ($197,767 in 2015) 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 statement of revenue, expenses and accumulated surplus are reported by function as defined by FRAME. Below is the detail of expenses by object

	2016	2015
Salaries	$ 23,360,269	$ 22,936,141
Employees benefits and allowances	1,876,096	1,826,585
Services	3,183,593	2,975,098
Supplies, materials and minor equipment	3,363,640	3,287,407
Interest	480,637	491,914
Bad debts	-	149,053
Payroll tax	500,004	491,916
Amortization	1,837,890	1,593,660
Transfers	379,764	390,156
Other capital items	-	-
School generated funds	598,471	555,306
Other special purpose funds	-	-
	$ 35,580,364	$ 34,697,236

14. Special Levy Raised for 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, 2016, the amount of this special levy was $121,050 ($126,705 in 2015). These amounts are not included in the Division's financial statements.

15. 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.

16. Commitments

Commitments of Operating Fund Surplus at year end are detailed in the Analysis of Accumulated Surplus. Designated Operating Fund Accumulated Surplus is $520,103 at June 30, 2016 ($1,127,715 at June 30, 2015). 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.

17. 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

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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, 2016, 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 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.

BDO

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, 2016, and the results of its operations and its 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 20, 2016

24 October 2016
Date

Original Document Signed
Chairperson

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2016	2015
	Financial Assets		
	Cash and Bank	4,750,839	2,342,986
	Due from - Provincial Government	2,876,352	2,779,675
	- Federal Government	82,604	115,778
	- Municipal Government	20,277,396	18,675,020
	- Other School Divisions	58,506	24,141
	- First Nations	21,987	53,104
	Accounts Receivable	59,349	20,702
	Accrued Investment Income	-	-
	Portfolio Investments	-	-
		28,127,033	24,011,406
	Liabilities		
4	Overdraft	-	-
	Accounts Payable	14,016,096	11,363,065
	Accrued Liabilities	8,279	11,551
5	Employee Future Benefits	1,919,601	1,767,527
	Accrued Interest Payable	678,523	631,017
	Due to - Provincial Government	-	-
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
6	Deferred Revenue	3,191,748	3,318,142
7	Borrowings from the Provincial Government	31,661,399	28,854,352
	Other Borrowings	-	-
8	School Generated Funds Liability	190,785	274,615
		51,666,431	46,220,269
	Net Debt	(23,539,398)	(22,208,863)
	Non-Financial Assets		
9	Net Tangible Capital Assets (TCA Schedule)	43,515,798	39,301,313
	Inventories	87,303	54,920
	Prepaid Expenses	428,027	338,684
		44,031,128	39,694,917
10	**Accumulated Surplus**	20,491,730	17,486,054

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			2016	2015
	Revenue			
	Provincial Government		60,744,921	57,592,869
	Federal Government		20,654	20,196
11	Municipal Government	- Property Tax	34,958,937	32,902,072
		- Other	-	-
	Other School Divisions		373,752	300,824
	First Nations		153,680	130,900
	Private Organizations and Individuals		929,669	778,064
	Other Sources		238,634	163,223
	School Generated Funds		2,593,879	2,392,158
	Other Special Purpose Funds		240,865	282,436
			100,254,991	94,562,742
	Expenses			
	Regular Instruction		54,412,671	52,479,939
	Student Support Services		19,264,763	17,815,990
	Adult Learning Centres		-	-
	Community Education and Services		253,711	241,746
	Divisional Administration		2,996,337	2,619,630
	Instructional and Other Support Services		2,757,008	2,484,418
	Transportation of Pupils		2,139,279	2,213,387
	Operations and Maintenance		7,507,948	7,224,637
12	Fiscal	- Interest	1,290,595	1,086,844
		- Other	1,529,739	1,520,377
	Amortization		2,337,152	2,057,469
	Other Capital Items		32,174	-
	School Generated Funds		2,375,257	2,376,761
	Other Special Purpose Funds		230,122	248,371
			97,126,756	92,369,569
	Current Year Surplus (Deficit) before Non-vested Sick Leave		3,128,235	2,193,173
	Less: Non-vested Sick Leave Expense (Recovery)		122,559	57,831
	Net Current Year Surplus (Deficit)		3,005,676	2,135,342
	Opening Accumulated Surplus		17,486,054	15,350,712
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	-
		Other than Tangible Cap. Assets	-	-
		Non-vested sick leave - prior years	-	-
	Opening Accumulated Surplus, as adjusted		17,486,054	15,350,712
	Closing Accumulated Surplus		20,491,730	17,486,054

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2016

	2016	2015
Net Current Year Surplus (Deficit)	3,005,676	2,135,342
Amortization of Tangible Capital Assets	2,337,152	2,057,469
Acquisition of Tangible Capital Assets	(6,551,637)	(10,246,416)
(Gain) / Loss on Disposal of Tangible Capital Assets	(11,036)	(20,184)
Proceeds on Disposal of Tangible Capital Assets	11,036	20,184
	(4,214,485)	(8,188,947)
Inventories (Increase)/Decrease	(32,383)	1,177
Prepaid Expenses (Increase)/Decrease	(89,343)	(94,791)
	(121,726)	(93,614)
(Increase)/Decrease in Net Debt	(1,330,535)	(6,147,219)
Net Debt at Beginning of Year	(22,208,863)	(16,061,644)
Adjustments Other than Tangible Cap. Assets	-	-
	(22,208,863)	(16,061,644)
Net Debt at End of Year	(23,539,398)	(22,208,863)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2016

	2016	2015
Operating Transactions		
Net Current Year Surplus (Deficit)	3,005,676	2,135,342
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	2,337,152	2,057,469
(Gain)/Loss on Disposal of Tangible Capital Assets	(11,036)	(20,184)
Employee Future Benefits Increase/(Decrease)	152,074	159,034
Due from Other Organizations (Increase)/Decrease	(1,669,127)	(628,960)
Accounts Receivable & Accrued Income (Increase)/Decrease	(38,647)	76,329
Inventories and Prepaid Expenses - (Increase)/Decrease	(121,726)	(93,614)
Due to Other Organizations Increase/(Decrease)	-	(1,627)
Accounts Payable & Accrued Liabilities Increase/(Decrease)	2,697,265	(402,735)
Deferred Revenue Increase/(Decrease)	(126,394)	151,747
School Generated Funds Liability Increase/(Decrease)	(83,830)	6,433
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by (Applied to) Operating Transactions	6,141,407	3,439,234
Capital Transactions		
Acquisition of Tangible Capital Assets	(6,551,637)	(10,246,416)
Proceeds on Disposal of Tangible Capital Assets	11,036	20,184
Cash Provided by (Applied to) Capital Transactions	(6,540,601)	(10,226,232)
Investing Transactions		
Portfolio Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
Financing Transactions		
Borrowings from the Provincial Government Increase/(Decrease)	2,807,047	13,793,528
Other Borrowings Increase/(Decrease)	-	-
Cash Provided by (Applied to) Financing Transactions	2,807,047	13,793,528
Cash and Bank / Overdraft (Increase)/Decrease	2,407,853	7,006,530
Cash and Bank (Overdraft) at Beginning of Year	2,342,986	(4,663,544)
Cash and Bank (Overdraft) at End of Year	4,750,839	2,342,986

Brandon School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2016

	Buildings and Leasehold Improvements		School	Other	Furniture / Fixtures &	Computer Hardware &		Land	Assets Under	2016	2015
	School	Non-School	Buses	Vehicles	Equipment	Software *	Land	Improvements	Construction	TOTALS	TOTALS
Tangible Capital Asset Cost											
Opening Cost, as previously reported	67,233,654	1,937,773	4,401,087	334,292	2,731,249	1,332,269	1,079,084	298,062	8,173,625	87,521,095	77,464,982
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	67,233,654	1,937,773	4,401,087	334,292	2,731,249	1,332,269	1,079,084	298,062	8,173,625	87,521,095	77,464,982
Add:											
Additions during the year	8,175,238	1,211,080	136,654	45,909	539,737	-	-	-	(3,556,981)	6,551,637	10,246,416
Less:											
Disposals and write downs	-	-	336,538	21,547	-	-	-	-		358,085	190,303
Closing Cost	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
Accumulated Amortization											
Opening, as previously reported	40,792,087	1,443,667	2,892,187	214,237	2,365,989	428,931		82,684		48,219,782	46,352,616
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	40,792,087	1,443,667	2,892,187	214,237	2,365,989	428,931		82,684		48,219,782	46,352,616
Add:											
Current period Amortization	1,603,188	58,299	294,661	36,058	143,569	171,571		29,806		2,337,152	2,057,469
Less:											
Accumulated Amortization on Disposals and Writedowns	-	-	336,538	21,547	-	-		-		358,085	190,303
Closing Accumulated Amortization	42,395,275	1,501,966	2,850,310	228,748	2,509,558	600,502		112,490		50,198,849	48,219,782
Net Tangible Capital Asset	33,013,617	1,646,887	1,350,893	129,906	761,428	731,767	1,079,084	185,572	4,616,644	43,515,798	39,301,313
Proceeds from Disposal of Capital Assets	-	-	7,200	3,836	-	-				11,036	20,184

* 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 public sector accounting standards as established by 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, 2016 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, 2016 is an increase of $122,559 (2015 – increase of $57,831). At June 30, 2016, the Division has recorded an estimated liability of $539,213 (2015 - $416,654) 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% (2015 – 4%) and a salary rate increase of 2% (2015 – 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 2015-2016 is a decrease of $10,617 (2014-2015 increase of $4,073).

At June 30, 2016, the Division has recorded an estimated liability for employee future benefits of $1,919,601 (2015 - $1,767,527).

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, 2015	Additions in the period	Revenue recognized in the period	Balance as at June 30, 2016
Education property tax credit	$ 3,221,013	$ 7,618,689	$ 7,755,488	$ 3,084,214
Other special funds	97,129	143,897	133,492	107,535
	$ 3,318,142	$ 7,762,586	$ 7,888,980	$ 3,191,748

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 2016 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 and promissory notes carry interest rates that range from 3.000% to 9.875%.

The interest payable as at June 30, 2016 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
2016-17	$ 1,682,842	$ 1,308,496	$ 2,991,338
2017-18	1,652,477	1,227,921	2,880,398
2018-19	1,705,169	1,152,045	2,857,214
2019-20	1,730,622	1,073,929	2,804,551
2020-21	1,775,454	995,125	2,770,579
Thereafter	23,114,836	6,482,551	29,597,387
	$ 31,661,399	$ 12,240,068	$ 43,901,467

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 $190,785.

	2016
Parent Council Funds	$ 170,556
Student Council Funds	19,075
Staff Funds	1,154
	$ 190,785

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	2016 Net Book Value
Owned-tangible capital assets	$ 93,159,411	$ 49,837,946	$ 43,321,465
Capital lease	555,236	360,903	194,333
	$ 93,714,647	$ 50,198,849	$ 43,515,798

10. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2016
Operating fund:	
Designated surplus	$ 524,900
Undesignated surplus	3,088,583
Less: Non-vested sick leave to date	(539,213)
	3,074,270
Capital fund:	
Reserve accounts	6,520,302
Equity in tangible capital assest	8,913,912
	15,434,214
Special purpose fund:	
School generated funds	909,893
Other special purpose funds	1,073,353
	1,983,246
Total accumulated surplus	$ 20,491,730

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.

	2016
Insurance Aggregate Retention (Self-Insurance)	$ 45,000
School budget carryovers by board policy	479,900
	$ 524,900

Reserve Accounts under the Capital Fund represents 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 24 of the audited financial statements.

	2016
Admin. Office Roof Replacement	$ 220,000
Ameresco	150,000
Administration Building Reserves	175,526
Bus Garage Addition	450,000
Bus Reserves	1,104,802
Disaster Recovery System	200,517
Electrician Vehicle	48,200
Emergency Equipment/System Replacement	100,000
ERP System	800,000
Green Acres Gymnasium	51,000
Johnson Controls	120,000
New School	2,000,000
School Building Reserves	411,557
School Bus Video Surveillance Hardware	188,700
Security Camera/Card Access	500,000
	$ 6,520,302

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

	2016
Scholarship trust	$ 5,093
Property trust	900,761
Charitable donation fund	167,499
Other special purpose funds	$ 1,073,353

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 2015 tax year and 56.5% from 2016 tax year. Below are the related revenue and receivable amounts:

	2016	2015
Revenue - Municipal Government - Property Tax	$ 34,958,937	$ 32,902,072
Receivable - Due from Municipal - Property Tax	$ 20,277,396	$ 18,675,020

12. Interest Received and Paid

The Division received interest during the year of $86,213 (previous year $106,773); interest paid during the year was $1,290,595 (previous year $1,086,844).

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

	2016
Operating fund	
Fiscal-short term loan, interest and bank charges	$ 4,228
Capital fund	
Debenture debt interest	1,286,367
Other interest	
	$ 1,290,595

The accrual portion of debenture debt interest expense of $678,523 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 la Division scolaire franco-manitobaine. As at June 30, 2016, the amount of this special levy was $533,045 (2015 - $448,740). These amounts are not included in the Division's consolidated financial statements.

DIVISION • SCOLAIRE
FRANCO-MANITOBAINE

Bernard Lesage
Président
CSFM

Alain Laberge
Directeur général
DSFM

RAPPORT DE LA DIRECTION

La responsabilité de la direction pour la préparation des états financiers

Les états financiers consolidés de la Division scolaire franco-manitobaine qui accompagnent ce rapport sont la responsabilité de la direction et ont été préparés conformément à la législation, et selon les normes comptables du secteur public du Canada tel qu'établis par le Conseil sur la comptabilité dans le secteur public des Comptables professionnels agréés Canada. Le sommaire des principales politiques comptables est compris à la note 2 des états financiers consolidés.

La préparation des états financiers consolidés exige nécessairement l'utilisation d'estimations fondées sur le jugement de la direction, particulièrement lorsque les transactions touchant l'exercice courant ne peuvent pas être finalisées avec certitude avant les prochains exercices. La direction de la Division scolaire maintient un système d'audit interne conçu pour offrir une assurance raisonnable que les actifs sont protégés, que les transactions sont dûment autorisées et comptabilisées conformément aux exigences législatives et réglementaires et que des données financières fiables sont disponibles en temps opportun pour la préparation des états financiers consolidés. Ces systèmes sont surveillés et évalués par la direction.

La commission scolaire de la Division scolaire a rencontré la direction afin de revoir les états financiers consolidés et de discuter des points importants se rattachant à la communication des informations financières ou aux contrôles internes avant qu'elle approuve les états financiers consolidés.

Les états financiers consolidés ont été audités par BDO Canada s.r.l., des auditeurs externes indépendants, nommés par la commission scolaire. Le rapport de l'auditeur indépendant élabore leurs responsabilités, l'étendue de leur examen et leur opinion sur les états financiers consolidés de la Division scolaire.

Original Document Signed
President

Original Document Signed
Secrétaire-trésorier

Le 26 octobre 2016

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Winnipeg MB R3C 4L5 Canada

Rapport de l'auditeur indépendant

Au président et aux membres de la Commission scolaire de la **Division scolaire franco-manitobaine**

Nous avons effectué l'audit des états financiers consolidés ci-joints de la Division scolaire franco-manitobaine, qui comprennent l'état consolidé de la situation financière au 30 juin 2016, et l'état consolidé des recettes, des dépenses et de l'excédent accumulé, l'état consolidé du changement de la dette nette et l'état consolidé de l'évolution des liquidités pour l'exercice terminé à cette date, ainsi qu'un résumé des principales méthodes comptables et d'autres informations explicatives.

Responsabilité de la direction à l'égard des états financiers

La direction est responsable de la préparation et de la présentation fidèle de ces états financiers conformément aux normes comptables du secteur public du Canada, ainsi que du contrôle interne qu'elle considère comme nécessaire pour permettre la préparation d'états financiers consolidés exempts d'anomalies significatives, que celles-ci résultent de fraudes ou d'erreurs.

Responsabilité de l'auditeur

Notre responsabilité consiste à exprimer une opinion sur les états financiers consolidés, sur la base de notre audit. Nous avons effectué notre audit selon les normes d'audit généralement reconnues du Canada. Ces normes requièrent que nous nous conformions aux règles de déontologie et que nous planifiions et réalisions l'audit de façon à obtenir l'assurance raisonnable que les états financiers ne comportent pas d'anomalies significatives.

Un audit implique la mise en œuvre de procédures en vue de recueillir des éléments probants concernant les montants et les informations fournis dans les états financiers consolidés. Le choix des procédures relève du jugement de l'auditeur, et notamment de son évaluation des risques que les états financiers consolidés comportent des anomalies significatives, que celles-ci résultent de fraudes ou d'erreurs. Dans l'évaluation de ces risques, l'auditeur prend en considération le contrôle interne de l'organisation portant sur la préparation et la présentation fidèle des états financiers consolidés afin de concevoir des procédures d'audit appropriées aux circonstances, et non dans le but d'exprimer une opinion sur l'efficacité du contrôle interne de l'organisation. Un audit comporte également l'appréciation du caractère approprié des méthodes comptables retenues et du caractère raisonnable des estimations comptables faites par la direction, de même que l'appréciation de la présentation d'ensemble des états financiers consolidés.

Nous estimons que les éléments probants que nous avons obtenus sont suffisants et appropriés pour fonder notre opinion d'audit.

Opinion

À notre avis, les états financiers consolidés donnent, dans tous les aspects significatifs, une image fidèle de la situation financière de la Division scolaire franco-manitobaine au 30 juin 2016, ainsi que de ses résultats d'exploitation et de ses flux de trésorerie pour l'exercice terminé à cette date, conformément aux normes comptables du secteur public du Canada.

BDO Canada s.r.l.

Comptables professionnels agréés

Winnipeg (Manitoba)
Le 26 octobre 2016

J'atteste par la présente que le rapport ci-dessus ainsi que les états financiers consolidés audités et les renseignements supplémentaires ont été présentés aux membres de la commission scolaire de la Division scolaire franco-manitobaine.

16 novembre 2016
Date

Original Document Signed
Président de la commission scolaire

la Division scolaire franco-manitobaine

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2016	2015
	Financial Assets		
	Cash and Bank	-	-
	Due from - Provincial Government	3,372,933	3,282,611
	- Federal Government	746,268	1,905,913
	- Municipal Government	12,763,887	11,952,737
	- Other School Divisions	2,724	94,883
	- First Nations	-	-
	Accounts Receivable	142,123	133,997
	Accrued Investment Income	-	-
*	Portfolio Investments	50,936	50,003
		17,078,871	17,420,144
	Liabilities		
*	Overdraft	3,748,949	6,863,811
	Accounts Payable	4,518,068	8,306,296
	Accrued Liabilities	564,952	2,239,538
*	Employee Future Benefits	1,052,097	839,469
	Accrued Interest Payable	995,132	846,373
	Due to - Provincial Government	328,567	284,903
	- Federal Government	45,874	137,250
	- Municipal Government	15,913	11,822
	- Other School Divisions	172,795	111,122
	- First Nations	-	-
*	Deferred Revenue	2,367,789	2,383,378
*	Borrowings from the Provincial Government	49,098,598	40,521,601
*	Other Borrowings	2,232,341	2,488,755
	School Generated Funds Liability	242,395	242,260
		65,383,470	65,276,578
	Net Debt	(48,304,599)	(47,856,434)
	Non-Financial Assets		
*	Net Tangible Capital Assets (TCA Schedule)	83,328,244	80,048,260
	Inventories	-	-
	Prepaid Expenses	2,167,953	2,241,861
		85,496,197	82,290,121
*	**Accumulated Surplus**	37,191,598	34,433,687

See accompanying notes to the Financial Statements

la Division scolaire franco-manitobaine

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes			2016	2015
	Revenue			
	Provincial Government		64,608,053	62,670,265
	Federal Government		1,913,757	2,558,998
	Municipal Government	- Property Tax	20,638,696	19,076,247
		- Other	-	-
	Other School Divisions		1,650,182	1,412,761
	First Nations		-	-
	Private Organizations and Individuals		198,790	169,358
	Other Sources		397,077	283,374
	School Generated Funds		1,307,082	1,456,389
	Other Special Purpose Funds		43,674	109,827
			90,757,311	87,737,219
	Expenses			
	Regular Instruction		46,300,726	45,193,319
	Student Support Services		9,303,159	8,931,738
	Adult Learning Centres		241,689	241,158
	Community Education and Services		1,290,947	946,651
	Divisional Administration		3,177,676	2,905,200
	Instructional and Other Support Services		2,730,950	2,728,755
	Transportation of Pupils		8,181,051	8,013,703
	Operations and Maintenance		9,062,975	7,540,382
*	Fiscal	- Interest	2,295,701	2,049,420
		- Other	1,181,985	1,122,041
	Amortization		2,788,916	2,379,797
	Other Capital Items		120,411	19,627
	School Generated Funds		1,240,624	1,489,827
	Other Special Purpose Funds		68,082	33,078
			87,984,892	83,594,696
	Current Year Surplus (Deficit) before Non-vested Sick Leave		2,772,419	4,142,523
	Less: Non-vested Sick Leave Expense (Recovery)		14,508	(18,054)
	Net Current Year Surplus (Deficit)		2,757,911	4,160,577
	Opening Accumulated Surplus		34,433,687	30,273,110
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	-
		Other than Tangible Cap. Assets	-	-
		Non-vested sick leave - prior years	-	-
	Opening Accumulated Surplus, as adjusted		34,433,687	30,273,110
	Closing Accumulated Surplus		37,191,598	34,433,687

See accompanying notes to the Financial Statements

* NOTE REQUIRED

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2016

	2016	2015
Net Current Year Surplus (Deficit)	2,757,911	4,160,577
Amortization of Tangible Capital Assets	2,788,916	2,379,797
Acquisition of Tangible Capital Assets	(6,068,900)	(19,303,554)
(Gain) / Loss on Disposal of Tangible Capital Assets	(7,500)	-
Proceeds on Disposal of Tangible Capital Assets	7,500	-
	(3,279,984)	(16,923,757)
Inventories (Increase)/Decrease	-	-
Prepaid Expenses (Increase)/Decrease	73,908	359,889
	73,908	359,889
(Increase)/Decrease in Net Debt	(448,165)	(12,403,291)
Net Debt at Beginning of Year	(47,856,434)	(35,453,143)
Adjustments Other than Tangible Cap. Assets	-	-
	(47,856,434)	(35,453,143)
Net Debt at End of Year	(48,304,599)	(47,856,434)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2016

	2016	2015
Operating Transactions		
Net Current Year Surplus (Deficit)	2,757,911	4,160,577
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	2,788,916	2,379,797
(Gain)/Loss on Disposal of Tangible Capital Assets	(7,500)	-
Employee Future Benefits Increase/(Decrease)	212,628	(14,209)
Due from Other Organizations (Increase)/Decrease	350,332	1,855,322
Accounts Receivable & Accrued Income (Increase)/Decrease	(8,126)	75,520
Inventories and Prepaid Expenses - (Increase)/Decrease	73,908	359,889
Due to Other Organizations Increase/(Decrease)	18,052	(2,353,132)
Accounts Payable & Accrued Liabilities Increase/(Decrease)	(5,314,055)	6,266,738
Deferred Revenue Increase/(Decrease)	(15,589)	2,319,468
School Generated Funds Liability Increase/(Decrease)	135	15,530
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by (Applied to) Operating Transactions	856,612	15,065,500
Capital Transactions		
Acquisition of Tangible Capital Assets	(6,068,900)	(19,303,554)
Proceeds on Disposal of Tangible Capital Assets	7,500	-
Cash Provided by (Applied to) Capital Transactions	(6,061,400)	(19,303,554)
Investing Transactions		
Portfolio Investments (Increase)/Decrease	(933)	(981)
Cash Provided by (Applied to) Investing Transactions	(933)	(981)
Financing Transactions		
Borrowings from the Provincial Government Increase/(Decrease)	8,576,997	6,495,022
Other Borrowings Increase/(Decrease)	(256,414)	(245,309)
Cash Provided by (Applied to) Financing Transactions	8,320,583	6,249,713
Cash and Bank / Overdraft (Increase)/Decrease	3,114,862	2,010,678
Cash and Bank (Overdraft) at Beginning of Year	(6,863,811)	(8,874,489)
Cash and Bank (Overdraft) at End of Year	(3,748,949)	(6,863,811)

la Division scolaire franco-manitobaine

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2016

	Buildings and Leasehold Improvements										
	School	Non-School	School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	2016 TOTALS	2015 TOTALS
Tangible Capital Asset Cost											
Opening Cost, as previously reported	76,500,493	401,335	-	237,737	2,094,731	847,568	12,957,737	1,281,593	20,245,927	114,567,121	95,362,207
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	76,500,493	401,335	-	237,737	2,094,731	847,568	12,957,737	1,281,593	20,245,927	114,567,121	95,362,207
Add:											
Additions during the year	23,289,727	-	-	69,450	285,348	98,596	-	219,778	(17,893,999)	6,068,900	19,303,554
Less:											
Disposals and write downs	-	-	-	41,298	-	-	-	-		41,298	98,640
Closing Cost	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
Accumulated Amortization											
Opening, as previously reported	31,936,491	303,108	-	117,423	1,132,902	466,463		562,474		34,518,861	32,237,704
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	31,936,491	303,108	-	117,423	1,132,902	466,463		562,474		34,518,861	32,237,704
Add:											
Current period Amortization	2,222,099	4,637	-	42,177	226,741	154,113		139,149		2,788,916	2,379,797
Less:											
Accumulated Amortization on Disposals and Writedowns	-	-	-	41,298	-	-		-		41,298	98,640
Closing Accumulated Amortization	34,158,590	307,745	-	118,302	1,359,643	620,576		701,623		37,266,479	34,518,861
Net Tangible Capital Asset	65,631,630	93,590	-	147,587	1,020,436	325,588	12,957,737	799,748	2,351,928	83,328,244	80,048,260
Proceeds from Disposal of Capital Assets	-	-	-	7,500	-	-				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-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.

School Generated Funds (cont'd)

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.

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.

Net Tangible Capital Assets (cont'd)

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:

Defined Contribution Pension Plan

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.

Defined Benefit/Self-Managed Employee Future Benefit Plans

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 operations and of $16,500,000 to fund capital projects by way of overdrafts, repayable on demand at prime less 0.75 % (1.95 % as at June 30, 2016) with interest payable monthly. Included in the overdraft are costs for capital projects totaling approximately $678,884 which will be submitted to the Public Schools Finance Board (PSFB) for debenture funding. These loans are secured by way of a security agreement and borrowing by-law.

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 a part of the Employee Benefits and Allowances item. Total contributions to the defined contribution pension plan for the period ended June 30, 2016, amount to $770,448 ($631,291 in 2015).

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 2015/16 period has resulted in a recovery of $14,508.

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, 2015	Amounts received in the period	Recognized in the period	Balance as at June 30, 2016
	$	$	$	$
Administration – Healthy Schools	8,679	15,829	19,291	5,217
Other (EPTC)	2,262,810	6,250,063	6,276,638	2,236,235
Healthy Baby	10,818	67,700	74,974	3,544
C.T.I. Central and C.T.I Urban	-	88,680	88,680	-
Coalition petite enfance	30,391	557,401	576,164	11,628
Growing with Mom	1,268	1,788	1,664	1,392
Parlons petite enfance	33,270	-	-	33,270
Other deferred revenue	36,316	76,677	36,316	76,677
	2,383,552	7,058,138	7,073,727	2,367,963

6. School Generated Funds Liability

Liability pertaining to school generated funds not controlled by the school division includes a cash amount of $242,395 as at June 30, 2016 ($241,522 as at June 30, 2015), which is recorded in the Consolidated Statement of Financial Position as the School Generated Funds Liability.

7. Debenture Debt

The Division's debenture debt is made up of twenty-year debentures payable, principal and interest, in twenty equal yearly installments and maturing at various dates from 2017 to 2036. Payment of principal and interest is funded entirely by grants from the Province. The debentures carry interest rates that range from 3.250% to 8.125 %. 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	3,233,701	2,260,545	5,494,246
2018	3,325,899	2,086,431	5,412,331
2019	3,330,391	1,908,443	5,238,834
2020	3,472,245	1,731,712	5,203,956
2021	3,559,333	1,547,138	5,106,472

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.

	2016	2015
	$	$
Child care facility improvement	211,817	244,744
Connectivity project	2,020,524	2,244,011
	2,232,341	2,488,755

Loans for the connectivity project and improvements to child care facilities are at 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, 2016. These loans are secured by way of a security agreement and borrowing by-law.

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

	Principal ($)	Interest ($)	Total ($)
2017	268,003	92,616	360,619
2018	279,918	80,701	360,619
2019	292,377	68,242	360,619
2020	305,251	55,368	360,619
2021	318,987	41,632	360,619

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, 2016 was $108,214 ($78,929 in 2015).

10. Accumulated Surplus

The consolidated accumulated surplus as at June 30, 2016 is comprised of the following:

	2016	2015
	$	$
Operating fund		
Designated surplus	875,108	1,797,369
Undesignated surplus	2,218,398	2,113,837
Sick leave	(369,590)	(355,082)
	2,723,916	3,556,124
Capital fund		
Reserve accounts	1,340,000	1,065,000
Equity in tangible capital assets	32,326,219	29,053,150
	33,666,219	30,118,150
Special purpose fund		
School generated funds	661,120	594,662
Other special purpose funds	140,343	164,751
	801,463	759,413
Consolidated accumulated surplus	37,191,598	34,433,687

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 2015 tax year and 60% from 2016 tax year. Below are the revenue and related receivable amounts:

	2016	2015
	$	$
Revenue - Municipal Government - Property Tax	20,638,696	19,076,247
Due from Municipal – Property Tax	12,763,887	11,952,737

12. Interest Received and Paid

The Division received interest in the amount of $64,134 during the year ending June 30, 2016 ($34,974 in 2015); interest paid during the year was $2,295,701 ($2,049,420 in 2015).

Interest expense is included in Fiscal for the period ended June 30, 2016 and is comprised of the following:

	2016	2015
	$	$
Operating fund		
Fiscal – short term loan, interest and bank charges	100,373	120,781
Capital fund		
Debenture debt interest	2,186,836	1,918,383
Other interest	8,492	10,256
	2,195,328	1,928,639
	2,295,701	2,049,420

The accrual portion of the debenture debt interest expense of $995,132 as at June 30, 2016 ($846,373 as at June 30, 2015) 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, 2016:

	2016	2015
	$	$
Allowance for doubtful accounts (recovery) deducted from Receivables	-	507
Bad debts (recovery) (included in Fiscal)	-	507

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 2016	Budget 2016	Actual 2015
	$	$	$
Salaries	55,115,566	55,765,063	52,346,764
Employee benefits and allowances	4,202,369	4,645,084	3,901,737
Services	16,044,610	17,719,039	14,864,467
Supplies, materials & minor equipment	4,570,184	3,471,392	5,117,446
Interest and bank charges	2,295,701	125,818	2,049,420
Bad debts (recovery)	-	-	507
Payroll tax	1,181,985	1,205,956	1,121,534
Transfers	356,444	250,000	270,492
Amortization	2,788,916	-	2,379,797
Other capital items	120,411	-	19,627
School generated funds	1,240,624	-	1,489,827
Other special purpose funds	68,082	-	33,078
	87,984,892	83,182,352	83,594,696

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, 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 $319,135 in hold back payments for construction projects ($1,159,995 in 2015). These monies are currently being held in a bank account in the Division's name but they 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.

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
Chairperson

Original Document Signed
Secretary-Treasurer

October 19, 2016

CRAIG & ROSS
CHARTERED ACCOUNTANTS

October 19, 2016

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, 2016 and June 30, 2015, 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, 2016 and 2015 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.

Oct 19, 2016 — Date

Original Document Signed — Chairperson

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Evergreen School Division

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2016	2015
	Financial Assets		
	Cash and Bank	-	42,320
	Due from - Provincial Government	1,474,592	1,526,688
	- Federal Government	70,217	69,367
	- Municipal Government	4,167,929	4,053,420
	- Other School Divisions	458	230
	- First Nations	92,000	163,020
	Accounts Receivable	68,981	55,684
	Accrued Investment Income	1,831	1,829
5	Portfolio Investments	130,887	130,822
		6,006,895	6,043,380
	Liabilities		
3	Overdraft	552,024	-
	Accounts Payable	765,821	718,625
	Accrued Liabilities	1,666,325	1,902,190
4	Employee Future Benefits	78,204	66,335
	Accrued Interest Payable	342,081	366,630
	Due to - Provincial Government	-	-
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
6	Deferred Revenue	759,627	840,133
8	Borrowings from the Provincial Government	14,326,619	14,844,618
9	Other Borrowings	869,065	959,232
	School Generated Funds Liability	38,801	32,408
		19,398,567	19,730,171
	Net Debt	(13,391,672)	(13,686,791)
	Non-Financial Assets		
10	Net Tangible Capital Assets (TCA Schedule)	21,441,197	21,181,373
	Inventories	-	-
	Prepaid Expenses	223,325	133,943
		21,664,522	21,315,316
11	**Accumulated Surplus**	8,272,850	7,628,525

See accompanying notes to the Financial Statements

Evergreen School Division

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes			2016	2015
	Revenue			
	Provincial Government		14,952,603	14,811,760
	Federal Government		-	-
	Municipal Government	- Property Tax	7,339,733	7,116,923
		- Other	-	-
	Other School Divisions		50,734	51,374
	First Nations		103,000	142,000
	Private Organizations and Individuals		155,832	99,673
	Other Sources		284,035	81,356
	School Generated Funds		371,873	435,658
	Other Special Purpose Funds		38,176	73,861
			23,295,986	22,812,605
	Expenses			
	Regular Instruction		10,898,595	10,337,474
	Student Support Services		3,180,095	3,259,555
	Adult Learning Centres		-	-
	Community Education and Services		67,438	57,901
	Divisional Administration		886,225	917,653
	Instructional and Other Support Services		649,533	650,454
	Transportation of Pupils		1,620,065	1,707,197
	Operations and Maintenance		2,306,970	2,470,564
13	Fiscal	- Interest	818,866	847,227
		- Other	300,889	296,585
	Amortization		1,485,862	1,427,451
	Other Capital Items		-	-
	School Generated Funds		394,107	419,746
	Other Special Purpose Funds		31,148	73,536
			22,639,793	22,465,343
	Current Year Surplus (Deficit) before Non-vested Sick Leave		656,193	347,262
	Less: Non-vested Sick Leave Expense (Recovery)		11,868	13,805
	Net Current Year Surplus (Deficit)		644,325	333,457
	Opening Accumulated Surplus		7,628,525	7,295,068
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	-
		Other than Tangible Cap. Assets	-	-
		Non-vested sick leave - prior years	-	-
	Opening Accumulated Surplus, as adjusted		7,628,525	7,295,068
	Closing Accumulated Surplus		8,272,850	7,628,525

See accompanying notes to the Financial Statements

Evergreen School Division

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2016

	2016	2015
Net Current Year Surplus (Deficit)	644,325	333,457
Amortization of Tangible Capital Assets	1,485,862	1,427,451
Acquisition of Tangible Capital Assets	(1,745,686)	(1,852,878)
(Gain) / Loss on Disposal of Tangible Capital Assets	(7,309)	(5,099)
Proceeds on Disposal of Tangible Capital Assets	7,309	5,099
	(259,824)	(425,427)
Inventories (Increase)/Decrease	-	-
Prepaid Expenses (Increase)/Decrease	(89,382)	(6,293)
	(89,382)	(6,293)
(Increase)/Decrease in Net Debt	295,119	(98,263)
Net Debt at Beginning of Year	(13,686,791)	(13,588,528)
Adjustments Other than Tangible Cap. Assets	-	-
	(13,686,791)	(13,588,528)
Net Debt at End of Year	(13,391,672)	(13,686,791)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2016

	2016	2015
Operating Transactions		
Net Current Year Surplus (Deficit)	644,325	333,457
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	1,485,862	1,427,451
(Gain)/Loss on Disposal of Tangible Capital Assets	(7,309)	(5,099)
Employee Future Benefits Increase/(Decrease)	11,869	13,805
Due from Other Organizations (Increase)/Decrease	7,529	1,248,663
Accounts Receivable & Accrued Income (Increase)/Decrease	(13,299)	20,668
Inventories and Prepaid Expenses - (Increase)/Decrease	(89,382)	(6,293)
Due to Other Organizations Increase/(Decrease)	-	-
Accounts Payable & Accrued Liabilities Increase/(Decrease)	(213,218)	407,861
Deferred Revenue Increase/(Decrease)	(80,506)	808,847
School Generated Funds Liability Increase/(Decrease)	6,393	16,978
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by (Applied to) Operating Transactions	1,752,264	4,266,338
Capital Transactions		
Acquisition of Tangible Capital Assets	(1,745,686)	(1,852,878)
Proceeds on Disposal of Tangible Capital Assets	7,309	5,099
Cash Provided by (Applied to) Capital Transactions	(1,738,377)	(1,847,779)
Investing Transactions		
Portfolio Investments (Increase)/Decrease	(65)	(61)
Cash Provided by (Applied to) Investing Transactions	(65)	(61)
Financing Transactions		
Borrowings from the Provincial Government Increase/(Decrease)	(517,999)	213,884
Other Borrowings Increase/(Decrease)	(90,167)	(285,553)
Cash Provided by (Applied to) Financing Transactions	(608,166)	(71,669)
Cash and Bank / Overdraft (Increase)/Decrease	(594,344)	2,346,829
Cash and Bank (Overdraft) at Beginning of Year	42,320	(2,304,509)
Cash and Bank (Overdraft) at End of Year	(552,024)	42,320

Evergreen School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2016

	Buildings and Leasehold Improvements		School	Other	Furniture / Fixtures &	Computer Hardware &		Land	Assets Under	2016	2015
	School	Non-School	Buses	Vehicles	Equipment	Software *	Land	Improvements	Construction	TOTALS	TOTALS
Tangible Capital Asset Cost											
Opening Cost, as previously reported	30,554,631	1,626,928	3,432,523	254,772	1,029,575	1,676,345	256,678	181,437	1,400,470	40,413,359	38,778,349
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	30,554,631	1,626,928	3,432,523	254,772	1,029,575	1,676,345	256,678	181,437	1,400,470	40,413,359	38,778,349
Add: Additions during the year	1,284,453	-	350,457	34,811	113,206	-	-	226,671	(263,912)	1,745,686	1,852,878
Less: Disposals and write downs	-	-	437,985	-	-	-	-	-	-	437,985	217,868
Closing Cost	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
Accumulated Amortization											
Opening, as previously reported	15,316,936	538,829	2,201,537	208,495	518,520	380,809		66,860		19,231,986	18,022,403
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	15,316,936	538,829	2,201,537	208,495	518,520	380,809		66,860		19,231,986	18,022,403
Add: Current period Amortization	935,690	54,314	229,743	21,295	107,653	107,690		29,477		1,485,862	1,427,451
Less: Accumulated Amortization on Disposals and Writedowns	-	-	437,985	-	-	-		-		437,985	217,868
Closing Accumulated Amortization	16,252,626	593,143	1,993,295	229,790	626,173	488,499		96,337		20,279,863	19,231,986
Net Tangible Capital Asset	15,586,458	1,033,785	1,351,700	59,793	516,608	1,187,846	256,678	311,771	1,136,558	21,441,197	21,181,373
Proceeds from Disposal of Capital Assets	-	-	7,309	-	-	-				7,309	5,099

* 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, 2016 is $3,708,092 (June 30, 2015 - $3,788,649).

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 2015 / 2016 is $11,868, (2014 / 2015 $13,805).

5. Short Term Investments

Short term investments consist of deposit certificates that mature within one year. Investment income earned during the year was $3,704.

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 $38,801.

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, 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	1,183,840	765,880	$ 1,949,720
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	469,350	1,739,553
	$ 6,894,727	$ 3,105,653	$ 10,000,380

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.

Principal and interest repayments in each of the next five years are $115,805 annually.

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	2016 Net Book Value	2015 Net Book Value
Owned-tangible capital assets	$ 41,721,060	$ 20,279,863	$ 21,441,197	$ 21,181,373
Capital lease	-	-	-	-
	$ 41,721,060	$ 20,279,863	$ 21,441,197	$ 21,181,373

11. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2016	2015
Operating Fund		
Undesignated Surplus	1,090,599	741,078
Capital Fund		
Reserve Accounts	1,628,898	1,813,622
Equity in Tangible Capital Assets	5,230,950	4,736,216
	6,859,848	6,549,838
Special Purpose Fund		
School Generated Funds	136,040	158,274
Other Special Purpose Funds	186,363	179,335
	322,403	337,609
Total Accumulated Surplus	$ 8,272,850	$ 7,628,525

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 2015 tax year and 57% from 2016 tax year. Below are the related revenue and receivable amounts:

	2016	2015
Revenue-Municipal Government-Property Tax	$ 7,339,733	$ 7,116,923
Receivable-Due from Municipal-Property Tax	$ 4,167,929	$ 4,053,420

13. Interest Received and Paid

The Division received interest during the year of $12,362 (2015 - $14,477). Interest paid during the year was $818,866 (2015 - $847,227).

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

13. Interest Received and Paid - continued

		2016		2015
Operating Fund				
Fiscal-short term loan, interest and bank charges	$	7,840	$	15,613
Capital Fund				
Debenture debt interest		785,671		802,185
Other interest		25,355		29,429
	$	818,866	$	847,227

The accrual portion of debenture debt interest expense of $364,383 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 2016	Budget 2016	Actual 2015
Salaries	$ 14,228,167	$ 14,450,000	$ 14,163,708
Employees benefits & allowances	1,333,429	1,529,950	1,374,793
Services	1,928,907	1,990,271	2,158,165
Supplies, materials & minor equipment	2,035,346	1,829,806	1,648,432
Interest	818,866	12,000	847,227
Bad debts	-	-	-
Payroll tax	300,889	305,000	296,585
Transfers	83,072	60,500	55,700
Amortization	1,485,862	-	1,427,451
Other capital items	-	-	-
School generated funds	394,107	-	419,746
Other special purpose funds	31,148	-	73,536
	$ 22,639,793	$ 20,177,527	$ 22,465,343

15. Budget Figures and Non Financial Information

The 2016 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
Chairperson

Original Document Signed
Secretary-Treasurer

October 11, 2016

KENDALL & PANDYA
Chartered Accountants
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Partners .... David Kendall, FCA *
Manisha Pandya, 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, 2016, 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, 2016 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, 2016. 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.

Kendall & Pandya
CHARTERED ACCOUNTANTS

Flin Flon, Manitoba
October 11, 2016

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 11, 2016

Original Document Signed
Chairperson

Flin Flon School Division

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2016	2015
	Financial Assets		
	Cash and Bank	383,264	426,424
	Due from - Provincial Government	1,036,630	1,074,848
	- Federal Government	-	-
	- Municipal Government	1,423,613	1,554,879
	- Other School Divisions	-	-
	- First Nations	-	-
	Accounts Receivable	239,412	95,939
	Accrued Investment Income	-	-
	Portfolio Investments	-	-
		3,082,919	3,152,090
	Liabilities		
	Overdraft	-	-
	Accounts Payable	590,877	556,063
	Accrued Liabilities	1,440,593	1,611,827
2g	Employee Future Benefits	79,623	79,486
	Accrued Interest Payable	45,439	48,030
	Due to - Provincial Government	-	-
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
7	Deferred Revenue	48,839	38,804
6	Borrowings from the Provincial Government	2,707,841	2,864,676
	Other Borrowings	-	-
	School Generated Funds Liability	140,318	140,318
		5,053,530	5,339,204
	Net Debt	(1,970,611)	(2,187,114)
	Non-Financial Assets		
12	Net Tangible Capital Assets (TCA Schedule)	4,170,935	4,369,457
	Inventories	-	-
	Prepaid Expenses	36,124	27,294
		4,207,059	4,396,751
14	**Accumulated Surplus**	2,236,448	2,209,637

See accompanying notes to the Financial Statements

Flin Flon School Division

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes			2016	2015
	Revenue			
	Provincial Government		10,981,259	10,583,437
	Federal Government		-	-
	Municipal Government	- Property Tax	2,867,928	3,117,074
		- Other	-	-
	Other School Divisions		289,655	285,509
	First Nations		35,351	-
	Private Organizations and Individuals		242,091	206,513
	Other Sources		29,446	30,995
	School Generated Funds		277,686	258,518
	Other Special Purpose Funds		-	-
			14,723,416	14,482,046
	Expenses			
	Regular Instruction		7,652,447	7,359,113
	Student Support Services		2,374,058	2,293,938
	Adult Learning Centres		92,300	92,300
	Community Education and Services		14,231	11,767
	Divisional Administration		693,796	670,780
	Instructional and Other Support Services		288,838	298,631
	Transportation of Pupils		449,197	439,407
	Operations and Maintenance		2,227,985	2,231,478
9	Fiscal	- Interest	142,899	149,368
		- Other	214,403	204,707
	Amortization		314,747	306,610
	Other Capital Items		-	(2,602)
	School Generated Funds		231,704	250,276
	Other Special Purpose Funds		-	-
			14,696,605	14,305,773
	Current Year Surplus (Deficit) before Non-vested Sick Leave		26,811	176,273
	Less: Non-vested Sick Leave Expense (Recovery)		0	0
	Net Current Year Surplus (Deficit)		26,811	176,273
	Opening Accumulated Surplus		2,209,637	2,033,364
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	-
		Other than Tangible Cap. Assets	-	-
		Non-vested sick leave - prior years	-	-
	Opening Accumulated Surplus, as adjusted		2,209,637	2,033,364
	Closing Accumulated Surplus		2,236,448	2,209,637

See accompanying notes to the Financial Statements

Flin Flon School Division

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2016

	2016	2015
Net Current Year Surplus (Deficit)	26,811	176,273
Amortization of Tangible Capital Assets	314,747	306,610
Acquisition of Tangible Capital Assets	(116,225)	(225,141)
(Gain) / Loss on Disposal of Tangible Capital Assets	-	-
Proceeds on Disposal of Tangible Capital Assets	-	-
	198,522	81,469
Inventories (Increase)/Decrease	-	-
Prepaid Expenses (Increase)/Decrease	(8,830)	2,342
	(8,830)	2,342
(Increase)/Decrease in Net Debt	216,503	260,084
Net Debt at Beginning of Year	(2,187,114)	(2,447,198)
Adjustments Other than Tangible Cap. Assets	-	-
	(2,187,114)	(2,447,198)
Net Debt at End of Year	(1,970,611)	(2,187,114)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2016

	2016	2015
Operating Transactions		
Net Current Year Surplus (Deficit)	26,811	176,273
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	314,747	306,610
(Gain)/Loss on Disposal of Tangible Capital Assets	-	-
Employee Future Benefits Increase/(Decrease)	137	17,430
Due from Other Organizations (Increase)/Decrease	169,484	(172,182)
Accounts Receivable & Accrued Income (Increase)/Decrease	(143,473)	81,256
Inventories and Prepaid Expenses - (Increase)/Decrease	(8,830)	2,342
Due to Other Organizations Increase/(Decrease)	-	-
Accounts Payable & Accrued Liabilities Increase/(Decrease)	(139,011)	119,239
Deferred Revenue Increase/(Decrease)	10,035	2,735
School Generated Funds Liability Increase/(Decrease)	-	-
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by (Applied to) Operating Transactions	229,900	533,703
Capital Transactions		
Acquisition of Tangible Capital Assets	(116,225)	(225,141)
Proceeds on Disposal of Tangible Capital Assets	-	-
Cash Provided by (Applied to) Capital Transactions	(116,225)	(225,141)
Investing Transactions		
Portfolio Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
Financing Transactions		
Borrowings from the Provincial Government Increase/(Decrease)	(156,835)	408,640
Other Borrowings Increase/(Decrease)	-	-
Cash Provided by (Applied to) Financing Transactions	(156,835)	408,640
Cash and Bank / Overdraft (Increase)/Decrease	(43,160)	717,202
Cash and Bank (Overdraft) at Beginning of Year	426,424	(290,778)
Cash and Bank (Overdraft) at End of Year	383,264	426,424

Flin Flon School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2016

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	2016 TOTALS	2015 TOTALS
	School	Non-School									
Tangible Capital Asset Cost											
Opening Cost, as previously reported	11,141,330	373,249	-	229,759	471,267	35,610	476,043	596,258	-	13,323,516	13,098,375
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	11,141,330	373,249	-	229,759	471,267	35,610	476,043	596,258	-	13,323,516	13,098,375
Add: Additions during the year	-	-	-	101,840	14,385	-	-	-	-	116,225	225,141
Less: Disposals and write downs	-	-	-	-	-	-	-	-	-	-	-
Closing Cost	11,141,330	373,249	-	331,599	485,652	35,610	476,043	596,258	-	13,439,741	13,323,516
Accumulated Amortization											
Opening, as previously reported	8,123,393	350,749	-	125,331	303,547	32,049		18,990		8,954,059	8,647,449
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	8,123,393	350,749	-	125,331	303,547	32,049		18,990		8,954,059	8,647,449
Add: Current period Amortization	241,102	-	-	25,266	40,598	3,561		4,220		314,747	306,610
Less: Accumulated Amortization on Disposals and Writedowns	-	-	-	-	-	-		-		-	-
Closing Accumulated Amortization	8,364,495	350,749	-	150,597	344,145	35,610		23,210		9,268,806	8,954,059
Net Tangible Capital Asset	2,776,835	22,500	-	181,002	141,507	-	476,043	573,048	-	4,170,935	4,369,457
Proceeds from Disposal of Capital Assets	-	-	-	-	-	-				-	-

* 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 $184,113 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, 2016 is $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, 2016	Balance June 30, 2015
$ 90,000	8.875%	30/09/2015	$ 0.00	$ 8,974.99
$ 74,000	6.125%	30/04/2019	$ 17,380.56	$ 22,518.57
$ 170,000	6.625%	31/01/2022	$ 75,140.49	$ 85,085.68
$ 563,500	5.375%	30/06/2025	$ 326,220.39	$ 353,865.60
$ 119,200	5.000%	28/02/2026	$ 73,857.78	$ 79,450.19
$ 257,100	4.875%	15/02/2027	$ 170,671.46	$ 182,201.42
$ 372,300	5.125%	15/05/2027	$ 249,147.01	$ 265,720.59
$ 271,400	5.875%	15/02/2029	$ 208,873.01	$ 219,405.29
$ 306,300	4.125%	15/12/2031	$ 263,103.66	$ 274,566.07
$ 230,700	4.000%	28/02/2032	$ 197,801.33	$ 206,516.00
$ 44,600	3.750%	15/11/2033	$ 39,813.90	$ 41,468.35
$ 500,000	4.125%	31/03/2034	$ 466,167.80	$ 483,425.74
$ 104,600	4.250%	31/05/2034	$ 97,609.50	$ 101,177.44
$ 424,400	4.000%	15/07/2034	$ 410,147.84	$ 424,399.93
$ 115,900	3.750%	15/12/2034	$ 111,905.88	$ 0.00
			$ 2,707,840.61	$ 2,864,675.92

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

2017	$ 155,035
2018	$ 162,632
2019	$ 170,613
2020	$ 172,479
2021	$ 180,887

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

7. DEFERRED REVENUE

Deferred Revenue valued at $ 48,839 at June 30, 2016 consists of the following:

a) An amount of $ 48,839 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 and lighting.

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:

	2016	2015
Bank Balance at Beginning	$164,744	$163,269
Add:		
Contributions	$ 50	$ 0
Interest/Change In Investments	$4,501	$5,725
	$169,295	$168,994
Deduct: Scholarships Paid/Transferred	(3,250)	($4,250)
Ending Bank Balance	$166,045	$164,744
Deduct: Scholarships Payable	($7,500)	($7,000)
Due (to) from Operating	($ 250)	($ 700)
Ending Fund Balance	$ 158,295	$ 157,044

9. FISCAL INTEREST

Fiscal interest is recorded at June 30, 2016 in the amount of $ 142,899. This is comprised of the following:

Interest on Short Term borrowing	$ 12,590
Interest on Debenture Debt	$ 130,309

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 $55,117.

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 2016 Net Book Value
Owned-tangible Capital Assets	$ 13,439,741	$ 9,268,806	$ 4,170,935

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

13. OTHER BORROWINGS

The Division has no other borrowings as at June 30, 2016.

14. ACCUMULATED SURPLUS – JUNE 30, 2016

The operating surplus at June 30, 2016 was $ 506,929 or 3.6% of operating expenditures for the 2015/2016 school year. Carryovers of professional development, bulk budgets and other special requests in accordance with Policy 7:9 are valued at $ 148,234, 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	$ 148,234
Undesignated Surplus	$ 358,695
Total Operating Fund	$ 506,929
Capital Fund	
Reserve Accounts	$ 184,113
Equity in Tangible Capital Assets	$1,463,093
Total Capital Fund	$1,647,206
Special Purpose Fund	
School Generated Funds	$ 82,313
Other Special Purpose Funds	$ 0
Total Special Purpose Fund	$ 82,313
Total Accumulated Assets	**$2,236,448**

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 24, 2016

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, 2016, 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, 2016 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.

Brandon, Manitoba
October 24, 2016

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 Fort La Bosse School Division.

Original Document Signed
Chairperson of the Board

Oct 24/2016
Date

MNP

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2016	2015
	Financial Assets		
	Cash and Bank	-	-
	Due from - Provincial Government	727,619	1,351,822
	- Federal Government	58,385	130,556
12	- Municipal Government	4,004,500	3,806,123
	- Other School Divisions	-	-
	- First Nations	238,888	535,721
	Accounts Receivable	197,067	191,231
	Accrued Investment Income	-	-
6	Portfolio Investments	72,147	73,721
		5,298,606	6,089,174
	Liabilities		
5	Overdraft	1,076,660	3,553,314
	Accounts Payable	607,883	607,966
	Accrued Liabilities	687,693	349,826
3	Employee Future Benefits	96,463	91,678
	Accrued Interest Payable	228,178	236,537
	Due to - Provincial Government	-	-
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
7	Deferred Revenue	702,506	148,199
8	Borrowings from the Provincial Government	9,565,986	9,831,953
9	Other Borrowings	1,400,000	1,500,000
	School Generated Funds Liability	17,683	17,632
		14,383,052	16,337,105
	Net Debt	(9,084,446)	(10,247,931)
	Non-Financial Assets		
10	Net Tangible Capital Assets (TCA Schedule)	15,556,505	16,133,353
	Inventories	18,478	18,480
	Prepaid Expenses	54,284	53,209
		15,629,267	16,205,042
11	**Accumulated Surplus**	6,544,821	5,957,111

See accompanying notes to the Financial Statements

Fort La Bosse School Division

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes			2016	2015
	Revenue			
	Provincial Government		11,346,145	11,170,031
	Federal Government		-	-
12	Municipal Government	- Property Tax	7,055,127	6,674,710
		- Other	-	-
	Other School Divisions		28,400	25,800
	First Nations		917,428	916,970
	Private Organizations and Individuals		-	-
	Other Sources		282,224	498,731
	School Generated Funds		566,855	634,214
	Other Special Purpose Funds		22,443	82,166
			20,218,622	20,002,622
	Expenses			
	Regular Instruction		9,782,999	9,796,430
	Student Support Services		2,451,310	2,131,825
	Adult Learning Centres		-	-
	Community Education and Services		333,840	345,839
	Divisional Administration		736,863	731,109
	Instructional and Other Support Services		423,031	751,604
	Transportation of Pupils		1,358,230	1,448,392
	Operations and Maintenance		2,017,942	1,959,228
13	Fiscal	- Interest	560,144	574,881
		- Other	270,411	254,266
	Amortization		1,083,865	1,001,155
	Other Capital Items		-	-
	School Generated Funds		581,335	669,815
	Other Special Purpose Funds		26,157	87,444
			19,626,127	19,751,988
	Current Year Surplus (Deficit) before Non-vested Sick Leave		592,495	250,634
	Less: Non-vested Sick Leave Expense (Recovery)		4,785	27,203
	Net Current Year Surplus (Deficit)		587,710	223,431
	Opening Accumulated Surplus		5,957,111	5,733,680
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	-
		Other than Tangible Cap. Assets	-	-
		Non-vested sick leave - prior years	-	-
	Opening Accumulated Surplus, as adjusted		5,957,111	5,733,680
	Closing Accumulated Surplus		6,544,821	5,957,111

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2016

	2016	2015
Net Current Year Surplus (Deficit)	587,710	223,431
Amortization of Tangible Capital Assets	1,083,865	1,001,155
Acquisition of Tangible Capital Assets	(533,354)	(3,485,206)
(Gain) / Loss on Disposal of Tangible Capital Assets	24,435	93,601
Proceeds on Disposal of Tangible Capital Assets	1,902	7,500
	576,848	(2,382,950)
Inventories (Increase)/Decrease	2	10,069
Prepaid Expenses (Increase)/Decrease	(1,075)	(3,050)
	(1,073)	7,019
(Increase)/Decrease in Net Debt	1,163,485	(2,152,500)
Net Debt at Beginning of Year	(10,247,931)	(8,095,431)
Adjustments Other than Tangible Cap. Assets	-	-
	(10,247,931)	(8,095,431)
Net Debt at End of Year	(9,084,446)	(10,247,931)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2016

	2016	2015
Operating Transactions		
Net Current Year Surplus (Deficit)	587,710	223,431
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	1,083,865	1,001,155
(Gain)/Loss on Disposal of Tangible Capital Assets	24,435	93,601
Employee Future Benefits Increase/(Decrease)	4,785	27,203
Due from Other Organizations (Increase)/Decrease	794,830	(149,681)
Accounts Receivable & Accrued Income (Increase)/Decrease	(5,836)	(180,127)
Inventories and Prepaid Expenses - (Increase)/Decrease	(1,073)	7,019
Due to Other Organizations Increase/(Decrease)	-	-
Accounts Payable & Accrued Liabilities Increase/(Decrease)	329,425	(443,370)
Deferred Revenue Increase/(Decrease)	554,307	97,580
School Generated Funds Liability Increase/(Decrease)	51	8,338
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by (Applied to) Operating Transactions	3,372,499	685,149
Capital Transactions		
Acquisition of Tangible Capital Assets	(533,354)	(3,485,206)
Proceeds on Disposal of Tangible Capital Assets	1,902	7,500
Cash Provided by (Applied to) Capital Transactions	(531,452)	(3,477,706)
Investing Transactions		
Portfolio Investments (Increase)/Decrease	1,574	1,492
Cash Provided by (Applied to) Investing Transactions	1,574	1,492
Financing Transactions		
Borrowings from the Provincial Government Increase/(Decrease)	(265,967)	852,291
Other Borrowings Increase/(Decrease)	(100,000)	1,500,000
Cash Provided by (Applied to) Financing Transactions	(365,967)	2,352,291
Cash and Bank / Overdraft (Increase)/Decrease	2,476,654	(438,774)
Cash and Bank (Overdraft) at Beginning of Year	(3,553,314)	(3,114,540)
Cash and Bank (Overdraft) at End of Year	(1,076,660)	(3,553,314)

Fort La Bosse School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2016

	Buildings and Leasehold Improvements		School	Other	Furniture / Fixtures &	Computer Hardware &		Land	Assets Under	2016	2015
	School	Non-School	Buses	Vehicles	Equipment	Software *	Land	Improvements	Construction	TOTALS	TOTALS
Tangible Capital Asset Cost											
Opening Cost, as previously reported	24,029,405	3,402,533	3,203,826	172,297	904,282	228,843	271,581	-	586,783	32,799,550	30,373,331
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	24,029,405	3,402,533	3,203,826	172,297	904,282	228,843	271,581	-	586,783	32,799,550	30,373,331
Add: Additions during the year	618,546	125,663	202,738	22,308	51,119	28,723	-	-	(515,743)	533,354	3,485,206
Less: Disposals and write downs	-	195,610	132,029	-	-	-	-	-	-	327,639	1,058,987
Closing Cost	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
Accumulated Amortization											
Opening, as previously reported	13,047,980	567,996	2,151,036	122,629	604,152	172,404		-		16,666,197	16,622,928
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	13,047,980	567,996	2,151,036	122,629	604,152	172,404		-		16,666,197	16,622,928
Add: Current period Amortization	610,963	120,983	227,742	16,150	94,367	13,660		-		1,083,865	1,001,155
Less: Accumulated Amortization on Disposals and Writedowns	-	169,273	132,029	-	-	-		-		301,302	957,886
Closing Accumulated Amortization	13,658,943	519,706	2,246,749	138,779	698,519	186,064		-		17,448,760	16,666,197
Net Tangible Capital Asset	10,989,008	2,812,880	1,027,786	55,826	256,882	71,502	271,581	-	71,040	15,556,505	16,133,353
Proceeds from Disposal of Capital Assets	-	-	1,902	-	-	-				1,902	7,500

* 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 2015-2016 is $4,785.

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.

h) 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 2016 and 2017. Other investments are recorded at the lower of cost or market. As at June 30, 2016, the cost of short term investments was $72,147; investment income earned during the year was $811.

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, 2015	Additions in the period	Revenue recognized In the period	Balance as at June 30, 2016
Education Property Tax Credit	0	598,816	0	598,816
Donated Capital Assets	148,199	0	44,509	103,690
	148,199	598,816	44,509	702,506

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% to7.25%. 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
2017	708,509	473,812	1,182,321
2018	748,434	433,886	1,182,320
2019	777,409	391,613	1,169,022
2020	821,357	347,664	1,169,021
2021	812,918	301,123	1,114,041
	3,868,627	1,948,098	5,816,725

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	2016 Net Book Value
Owned-tangible capital assets	33,005,265	17,448,760	15,556,505
Capital Lease	0	0	0
	33,005,265	17,448,760	15,556,505

11. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2016
Operating Fund	
Designated Surplus	15,394
Undesignated Surplus	679,494
Less: Non-vested sick leave	96,463
	598,425
Capital Fund	
Reserve Accounts	1,189,469
Equity in Tangible Capital Assets	4,400,445
	5,589,914
Special Purpose Fund	
School Generated Funds	264,986
Other Special Purpose Funds	91,496
	359,419
Total Accumulated Surplus	6,544,821

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.

	2016
Board approved appropriation by motion	
School budget carryovers by board policy	15,394
Designated surplus	15,394

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.

	2016
Bus reserves	222,220
Other reserves	967,249
	1,189,469

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

	2016
Foundation Scholarship	91,496
Other	0
Other Special Purpose Funds	91,496

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 2015 tax year and 57% from 2016 tax year. Below are the related revenue and receivable amounts:

	2016	2015
Revenue-Municipal Government-Property Tax	7,055,127	6,674,710
Receivable-Due from Municipal-Property Tax	4,004,500	3,806,123

13. Interest Received and Paid

The Division received interest during the year of $0 (2015 - $0); interest paid during the year was $560,144 (2015 - $574,881).

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

	2016
Operating Fund	
Fiscal-short term loan, interest and bank charges	68,364
Capital Fund	
Debenture debt interest	491,780
Other interest	-
	560,144

The accrual portion of debenture debt interest expense of $228,178 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 2016	Budget 2016	Actual 2015
Salaries	13,239,278	13,243,086	12,755,819
Employee benefits & allowances	992,966	1,000,300	935,553
Services	1,577,023	1,645,745	1,904,319
Supplies, materials & minor equipment	1,222,418	1,342,534	1,442,154
Interest	560,144	76,000	574,881
Bad debts	0	0	0
Payroll tax	270,411	285,000	254,266
Tuition and transfers	72,530	76,550	126,582
Amortization	1,083,865	0	1,001,115
Other Capital Items	0	0	0
School generated funds	581,335	0	669,815
Other special purpose funds	26,157	0	87,444
	19,626,127	17,669,215	19,751,988

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.

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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, 2016, 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, 2016 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, 2016

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2016	2015
	Financial Assets		
	Cash and Bank	-	14,262,189
	Due from - Provincial Government	3,323,333	3,270,158
	- Federal Government	584,915	550,519
	- Municipal Government	2,135,210	2,202,491
	- Other School Divisions	-	-
	- First Nations	34,590,079	30,261,964
	Accounts Receivable	540,529	526,089
	Accrued Investment Income	27,945	-
*	Portfolio Investments	10,000,000	-
		51,202,011	51,073,410
	Liabilities		
*	Overdraft	181,143	-
	Accounts Payable	11,280,113	12,243,936
	Accrued Liabilities	8,186,367	7,579,873
*	Employee Future Benefits	1,625,209	1,296,744
	Accrued Interest Payable	943,220	980,469
	Due to - Provincial Government	-	-
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	24,354	254,916
	- First Nations	3,323,003	3,829,438
*	Deferred Revenue	19,963,057	23,437,033
*	Borrowings from the Provincial Government	49,993,945	51,824,753
*	Other Borrowings	1,843,419	1,527,322
	School Generated Funds Liability	337,625	339,896
		97,701,455	103,314,380
	Net Debt	(46,499,444)	(52,240,970)
	Non-Financial Assets		
*	Net Tangible Capital Assets (TCA Schedule)	79,910,164	78,969,037
	Inventories	-	-
	Prepaid Expenses	300,292	335,604
		80,210,456	79,304,641
*	**Accumulated Surplus**	33,711,012	27,063,671

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes			2016	2015
	Revenue			
	Provincial Government		56,817,452	56,566,854
	Federal Government		5,082,797	-
	Municipal Government	- Property Tax	2,716,872	2,831,986
		- Other	267,991	267,991
	Other School Divisions		18,200	13,650
	First Nations		73,473,156	70,406,923
	Private Organizations and Individuals		4,890,524	4,841,777
	Other Sources		1,378,055	1,675,714
	School Generated Funds		940,133	936,891
	Other Special Purpose Funds		-	-
			145,585,180	137,541,786
	Expenses			
	Regular Instruction		58,068,696	55,607,667
	Student Support Services		18,927,735	18,111,839
	Adult Learning Centres		3,433,665	3,247,784
	Community Education and Services		2,576,090	2,372,596
	Divisional Administration		7,179,480	7,160,845
	Instructional and Other Support Services		6,684,319	6,324,894
	Transportation of Pupils		11,355,370	11,389,474
	Operations and Maintenance		22,305,070	21,137,444
*	Fiscal	- Interest	2,397,552	2,647,325
		- Other	1,171,243	1,744,706
	Amortization		3,899,866	3,230,699
	Other Capital Items		-	-
	School Generated Funds		938,753	890,623
	Other Special Purpose Funds		-	-
			138,937,839	133,865,896
	Current Year Surplus (Deficit) before Non-vested Sick Leave		6,647,341	3,675,890
	Less: Non-vested Sick Leave Expense (Recovery)		0	0
	Net Current Year Surplus (Deficit)		6,647,341	3,675,890
	Opening Accumulated Surplus		27,063,671	23,387,781
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	-
		Other than Tangible Cap. Assets	-	-
		Non-vested sick leave - prior years	-	-
	Opening Accumulated Surplus, as adjusted		27,063,671	23,387,781
	Closing Accumulated Surplus		33,711,012	27,063,671

See accompanying notes to the Financial Statements

* NOTE REQUIRED

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2016

	2016	2015
Net Current Year Surplus (Deficit)	6,647,341	3,675,890
Amortization of Tangible Capital Assets	3,899,866	3,230,699
Acquisition of Tangible Capital Assets	(4,840,993)	(15,421,765)
(Gain) / Loss on Disposal of Tangible Capital Assets	(29,670)	(47,553)
Proceeds on Disposal of Tangible Capital Assets	29,670	47,553
	(941,127)	(12,191,066)
Inventories (Increase)/Decrease	-	-
Prepaid Expenses (Increase)/Decrease	35,312	46,637
	35,312	46,637
(Increase)/Decrease in Net Debt	5,741,526	(8,468,539)
Net Debt at Beginning of Year	(52,240,970)	(43,772,431)
Adjustments Other than Tangible Cap. Assets	-	-
	(52,240,970)	(43,772,431)
Net Debt at End of Year	(46,499,444)	(52,240,970)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2016

	2016	2015
Operating Transactions		
Net Current Year Surplus (Deficit)	6,647,341	3,675,890
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	3,899,866	3,230,699
(Gain)/Loss on Disposal of Tangible Capital Assets	(29,670)	(47,553)
Employee Future Benefits Increase/(Decrease)	328,465	(223,721)
Due from Other Organizations (Increase)/Decrease	(4,348,405)	(277,247)
Accounts Receivable & Accrued Income (Increase)/Decrease	(42,385)	212,842
Inventories and Prepaid Expenses - (Increase)/Decrease	35,312	46,637
Due to Other Organizations Increase/(Decrease)	(736,997)	4,000,606
Accounts Payable & Accrued Liabilities Increase/(Decrease)	(394,578)	121,814
Deferred Revenue Increase/(Decrease)	(3,473,976)	4,733,825
School Generated Funds Liability Increase/(Decrease)	(2,271)	(84,153)
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by (Applied to) Operating Transactions	1,882,702	15,389,639
Capital Transactions		
Acquisition of Tangible Capital Assets	(4,840,993)	(15,421,765)
Proceeds on Disposal of Tangible Capital Assets	29,670	47,553
Cash Provided by (Applied to) Capital Transactions	(4,811,323)	(15,374,212)
Investing Transactions		
Portfolio Investments (Increase)/Decrease	(10,000,000)	-
Cash Provided by (Applied to) Investing Transactions	(10,000,000)	-
Financing Transactions		
Borrowings from the Provincial Government Increase/(Decrease)	(1,830,808)	5,312,624
Other Borrowings Increase/(Decrease)	316,097	57,101
Cash Provided by (Applied to) Financing Transactions	(1,514,711)	5,369,725
Cash and Bank / Overdraft (Increase)/Decrease	(14,443,332)	5,385,152
Cash and Bank (Overdraft) at Beginning of Year	14,262,189	8,877,037
Cash and Bank (Overdraft) at End of Year	(181,143)	14,262,189

Frontier School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2016

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	2016 TOTALS	2015 TOTALS
	School	Non-School									
Tangible Capital Asset Cost											
Opening Cost, as previously reported	128,105,564	17,752,981	9,907,050	197,755	2,105,042	-	1,462,248	-	4,605,529	164,136,169	149,862,136
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	128,105,564	17,752,981	9,907,050	197,755	2,105,042	-	1,462,248	-	4,605,529	164,136,169	149,862,136
Add: Additions during the year	6,382,416	-	1,373,092	-	147,103	-	-	-	(3,061,618)	4,840,993	15,421,765
Less: Disposals and write downs	233,179	147,891	93,749	-		-	-	-	-	474,819	1,147,732
Closing Cost	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
Accumulated Amortization											
Opening, as previously reported	65,273,884	12,470,316	5,460,986	180,255	1,781,691	-		-		85,167,132	83,084,165
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	65,273,884	12,470,316	5,460,986	180,255	1,781,691	-		-		85,167,132	83,084,165
Add: Current period Amortization	2,499,391	361,630	907,381	9,148	122,316	-		-		3,899,866	3,230,699
Less: Accumulated Amortization on Disposals and Writedowns	233,179	147,891	93,749	-	-	-		-		474,819	1,147,732
Closing Accumulated Amortization	67,540,096	12,684,055	6,274,618	189,403	1,904,007	-		-		88,592,179	85,167,132
Net Tangible Capital Asset	66,714,705	4,921,035	4,911,775	8,352	348,138	-	1,462,248	-	1,543,911	79,910,164	78,969,037
Proceeds from Disposal of Capital Assets	-	-	29,670	-	-	-				29,670	47,553

* 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 has established a future benefit liability for life insurance premiums paid on behalf of retired employees.

(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 (2016 – 9.0%, 2015 – 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 2016 was $2,512,594 (2015 - $2,438,199). 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, 2016 is $733,009, (2015 - $704,816). 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 $30,000,000 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:

	2016	2015
Employee Future Benefit Liability (EFBL)		
Retirement Insurance Plan	**$ 314,720**	$ 71,636
Superintendent Retirement	**775,209**	815,786
Special Leave	**535,280**	409,322
	$ 1,625,209	$ 1,296,744

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 6%.

See Appendix 1

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 $337,625 (2015 - $339,896).

	2016	2015
Student Council funds	$ **26,535**	37,060
Travel	**43,047**	48,729
Graduation	**15,208**	23,294
Music enhancement	**8,368**	20,420
Community development	**78,067**	41,265
Other	**166,400**	169,128
	$ **337,625**	$ 339,896

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 2017 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 3.00% to 9.375%. 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	$2,872,961	$2,354,655	$ 5,227,616
2018	2,930,602	2,207,035	5,137,637
2019	3,032,967	2,058,636	5,091,603
2020	3,165,984	1,905,559	5,071,543
2021	3,217,887	1,745,714	4,963,601
	$15,220,401	$10,271,599	$ 25,492,000

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 2.98% to 3.58% per annum, due between 2017 and 2021. 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
2017	$ 637,459	$ 53,826	$ 691,285
2018	534,146	32,451	566,597
2019	398,855	16,068	414,923
2020	258,305	4,987	263,292
2021	14,654	164	14,818
	$ 1,843,419	$107,496	$1,950,915

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.

	2016			2015
	Gross Amount	Accumulated Amortization	Net Book Value	Net Book Value
Owned tangible capital assets	**$161,517,393**	**$85,100,726**	**$76,416,667**	$75,930,406
Capital lease	**6,984,950**	**3,491,453**	**3,493,497**	3,038,631
	$168,502,343	**$88,592,179**	**$79,910,164**	$78,969,037

9. ACCUMULATED FUNDS

The consolidated accumulated surplus is comprised of the following:

	2016	2015
Operating Fund		
- Undesignated	**$ 5,315 396**	$ 4,812,623
Capital Fund		
- Reserve Accounts	**1.442,617**	1,242,859
- Equity in Tangible Assets	**26,835,274**	20,891,844
Special Purpose Funds	**117,725**	116,345
Total Accumulated Surplus	**$ 33,711,012**	$27,063,671

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.

	2016	2015
Bus Reserves	**$1,442,617**	$ 1,242,859

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 2015 tax year and 40% from 2016 tax year. Below are the related revenue and receivable amounts:

	2016	2015
Revenue – Municipal Government – Property Tax	**$2,716,872**	$ 2,831,986
Receivable – Due from Municipal – Property Tax	**2,135,210**	2,202,491

11. INTEREST RECEIVED AND PAID

The Division received interest during the year of $462,314 (2015 - $593,734); interest paid during the year was $2,397,552 (2015 - $2,647,325). Interest expense is included in Fiscal and is comprised of the following:

	2016	2015
Operating Fund		
Fiscal – short term loan, interest and bank charges	**$ 7,257**	$ 112,478
Capital Fund		
Debenture debt interest	**2,322,360**	2,475,633
Other interest	**67,935**	59,214
	$ 2,397,552	$ 2,647,325

The accrual portion of debenture debt interest expense of $943,220 (2015 - $980,468) 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 (2015 - $166,606).

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	Budget 2016	Actual 2015
Salaries	$ **84,803,002**	$84,658,158	$ 81,439,317
Employees benefits & allowances	**8,704,580**	8,844,967	8,258,261
Services	**19,872.602**	19,610,725	19,771,864
Supplies, materials & minor equipment	**12,193,582**	12,821,051	10,847,573
Interest	**7,257**	275,000	112,478
Bad debts	-	-	-
Payroll tax & Transfers	**6,127,902**	6,179,817	6,780,234
	131,708,925	132,389,718	127,209,727
Amortization	**3,899,866**		3,230,699
Other capital items	**2,390,295**		2,534,847
School generated funds	**938,753**		890,623
Other special purpose funds	-		-
	$ **138,937,839**		$133,865,896

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:

	2016	2015
(Bank Overdraft) / Cash	**$(181,143)**	$14,262,189
Due from - Provincial Government	**3,323,333**	3,270,158
- Federal Government	**584,915**	550,519
- Municipal Government	**2,135,210**	2,202,491
- Other School Divisions		
- First Nations	**34,591,815**	30,261,964
Accounts Receivable	**540,529**	526,089
Accrued Investment Income	**27.945**	0
Portfolio Investment	**10,000,000**	0

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	$11,280,113	$ -	$ -	$ -	$ -	$ -
Accrued Liabilities	8,186,367	-	-	-	-	-
Due to governments	24,354	-	-	-	-	-
Debenture Debt	**2,872,961**	2,930,602	3,032,967	3,165,984	3,217,887	34,773,544
Other Borrowings	637,459	534,146	398,855	258,305	14,654	

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 was made use of surplus funds on April 6, 2016 and invested $10,000,000 with the Royal Bank for a period of 180 days at an interest rate of 1.2%. This instrument was a redeemable item that could be cashed up to the maturity date.

GARDEN VALLEY SCHOOL DIVISION
Box 1330
750 Triple E Boulevard
Winkler, Manitoba R6W 4B3

October 11, 2016

GISLASON TARGOWNIK PETERS
Chartered Professional Accountants
Box 2430, 675 Norquay Drive
Winkler, Manitoba R6W 4C1

Dear Sirs:

This representation letter is provided in connection with your audit of the financial statements of Garden Valley School Division for the year ended June 30, 2016 for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with Canadian public sector accounting standards.

We confirm that to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial statements

We have fulfilled our responsibilities, as set out in the terms of the audit engagement, for the preparation of the financial statements in accordance with Canadian public sector accounting standards; in particular, the financial statements are fairly presented in accordance therewith.

Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of Canadian public sector accounting standards.

All events subsequent to the date of the financial statements and for which Canadian public sector accounting standards require adjustment or disclosure have been adjusted or disclosed.

We have reviewed and approved all journal entries you prepared or changed, account codes you determined or changed, transactions you classified, and accounting records you prepared or changed.

Information provided

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;
- Additional information that you have requested from us for the purpose of the audit; and
- Unrestricted access to persons within the organization from whom you determined it necessary to obtain audit evidence.

GARDEN VALLEY SCHOOL DIVISION
Fiscal period ended June 30, 2016

All transactions have been recorded in the accounting records and are reflected in the financial statements.

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.

We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the organization and involves:

- Management;
- Employees who have significant roles in internal control; or
- Others where the fraud could have a material effect on the financial statements.

We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the organization's financial statements communicated by employees, former employees, analysts, regulators or others.

We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

We have disclosed to you the identity of the organization's related parties and all the related party relationships and transactions of which we are aware.

We have disclosed to you all known or possible litigation and claims whose effects should be considered when preparing the financial statements, and they have been accounted for and disclosed in accordance with Canadian public sector accounting standards.

We have identified all School Generated Funds and have recorded these funds in the financial statements in accordance with FRAME requirements. As well, these funds are being disbursed only under proper authority.

Other matters

We have obtained all consents that are required under applicable privacy legislation for the collection, use, and disclosure to you of personal information.

We hereby acknowledge that you have made us aware of your firm's legal obligations under the Proceeds of Crime (Money Laundering) and Terrorist Financing Act. We hereby acknowledge that we are aware of potential conflict of interest that may arise as a result of your legal obligations under this Act and authorize your firm to release and disclose information about the organization if and when required by statute.

Yours very truly,

GARDEN VALLEY SCHOOL DIVISION

Per: Original Document Signed Title: Chairperson

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, 2016, 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 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 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, 2016, 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 11, 2016

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.

Dec 11, 2016 — Date

Original Document Signed — Chairperson

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2016	2015
	Financial Assets		
	Cash and Bank	-	-
	Due from - Provincial Government	2,350,604	2,475,457
	- Federal Government	45,798	97,303
	- Municipal Government	7,462,582	6,581,540
	- Other School Divisions	396,914	400,656
	- First Nations	-	-
	Accounts Receivable	65,812	260,811
	Accrued Investment Income	-	-
	Portfolio Investments	-	18,000
		10,321,710	9,833,767
	Liabilities		
4	Overdraft	1,010,544	290,715
	Accounts Payable	1,335,527	1,999,305
	Accrued Liabilities	470,391	1,086,818
	Employee Future Benefits	-	-
	Accrued Interest Payable	1,260,640	1,313,723
	Due to - Provincial Government	158,813	7,534
	- Federal Government	2,346,704	2,278,901
	- Municipal Government	210,304	220,101
	- Other School Divisions	301,577	355,975
	- First Nations	-	-
6	Deferred Revenue	1,672,696	1,634,464
7	Borrowings from the Provincial Government	65,282,887	68,223,404
8	Other Borrowings	1,867,938	2,025,381
	School Generated Funds Liability	-	-
		75,918,021	79,436,321
	Net Debt	(65,596,311)	(69,602,554)
	Non-Financial Assets		
9	Net Tangible Capital Assets (TCA Schedule)	88,334,709	89,723,804
	Inventories	-	-
	Prepaid Expenses	149,950	192,469
		88,484,659	89,916,273
10	**Accumulated Surplus**	22,888,348	20,313,719

See accompanying notes to the Financial Statements

Garden Valley School Division

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes			2016	2015
	Revenue			
	Provincial Government		38,695,924	38,211,491
	Federal Government		-	-
	Municipal Government	- Property Tax	14,878,648	13,177,394
		- Other	-	-
	Other School Divisions		405,987	427,957
	First Nations		-	-
	Private Organizations and Individuals		40,494	52,480
	Other Sources		597,354	496,389
	School Generated Funds		105,821	143,221
	Other Special Purpose Funds		-	-
			54,724,228	52,508,932
	Expenses			
	Regular Instruction		26,609,395	25,950,108
	Student Support Services		8,349,753	7,767,024
	Adult Learning Centres		-	-
	Community Education and Services		77,471	76,786
	Divisional Administration		1,336,629	1,399,937
	Instructional and Other Support Services		1,222,313	1,059,933
	Transportation of Pupils		2,600,988	2,542,811
	Operations and Maintenance		4,182,610	3,988,226
12	Fiscal	- Interest	3,099,921	3,179,558
		- Other	744,211	709,265
	Amortization		3,824,128	3,765,890
	Other Capital Items		-	-
	School Generated Funds		102,180	134,560
	Other Special Purpose Funds		-	-
			52,149,599	50,574,098
	Current Year Surplus (Deficit) before Non-vested Sick Leave		2,574,629	1,934,834
	Less: Non-vested Sick Leave Expense (Recovery)		0	0
	Net Current Year Surplus (Deficit)		2,574,629	1,934,834
	Opening Accumulated Surplus		20,313,719	18,378,885
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	-
		Other than Tangible Cap. Assets	-	-
		Non-vested sick leave - prior years	-	-
	Opening Accumulated Surplus, as adjusted		20,313,719	18,378,885
	Closing Accumulated Surplus		22,888,348	20,313,719

See accompanying notes to the Financial Statements

Garden Valley School Division

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2016

	2016	2015
Net Current Year Surplus (Deficit)	2,574,629	1,934,834
Amortization of Tangible Capital Assets	3,824,128	3,765,890
Acquisition of Tangible Capital Assets	(2,435,033)	(3,561,219)
(Gain) / Loss on Disposal of Tangible Capital Assets	(16,901)	-
Proceeds on Disposal of Tangible Capital Assets	16,901	-
	1,389,095	204,671
Inventories (Increase)/Decrease	-	-
Prepaid Expenses (Increase)/Decrease	42,519	(91,808)
	42,519	(91,808)
(Increase)/Decrease in Net Debt	4,006,243	2,047,697
Net Debt at Beginning of Year	(69,602,554)	(71,650,251)
Adjustments Other than Tangible Cap. Assets	-	-
	(69,602,554)	(71,650,251)
Net Debt at End of Year	(65,596,311)	(69,602,554)

Garden Valley School Division

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2016

	2016	2015
Operating Transactions		
Net Current Year Surplus (Deficit)	2,574,629	1,934,834
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	3,824,128	3,765,890
(Gain)/Loss on Disposal of Tangible Capital Assets	(16,901)	-
Employee Future Benefits Increase/(Decrease)	-	-
Due from Other Organizations (Increase)/Decrease	(700,942)	1,601,586
Accounts Receivable & Accrued Income (Increase)/Decrease	194,999	(121,441)
Inventories and Prepaid Expenses - (Increase)/Decrease	42,519	(91,808)
Due to Other Organizations Increase/(Decrease)	154,887	(61,212)
Accounts Payable & Accrued Liabilities Increase/(Decrease)	(1,333,288)	986,998
Deferred Revenue Increase/(Decrease)	38,232	1,623,064
School Generated Funds Liability Increase/(Decrease)	-	-
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by (Applied to) Operating Transactions	4,778,263	9,637,911
Capital Transactions		
Acquisition of Tangible Capital Assets	(2,435,033)	(3,561,219)
Proceeds on Disposal of Tangible Capital Assets	16,901	-
Cash Provided by (Applied to) Capital Transactions	(2,418,132)	(3,561,219)
Investing Transactions		
Portfolio Investments (Increase)/Decrease	18,000	4,500
Cash Provided by (Applied to) Investing Transactions	18,000	4,500
Financing Transactions		
Borrowings from the Provincial Government Increase/(Decrease)	(2,940,517)	(1,961,054)
Other Borrowings Increase/(Decrease)	(157,443)	(289,372)
Cash Provided by (Applied to) Financing Transactions	(3,097,960)	(2,250,426)
Cash and Bank / Overdraft (Increase)/Decrease	(719,829)	3,830,766
Cash and Bank (Overdraft) at Beginning of Year	(290,715)	(4,121,481)
Cash and Bank (Overdraft) at End of Year	(1,010,544)	(290,715)

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2016

	Buildings and Leasehold Improvements		School	Other	Furniture /	Computer		Land	Assets	2016	2015
	School	Non-School	Buses	Vehicles	Fixtures & Equipment	Hardware & Software *	Land	Improvements	Under Construction	TOTALS	TOTALS
Tangible Capital Asset Cost											
Opening Cost, as previously reported	113,431,635	3,189,853	5,228,245	192,456	2,119,833	855,325	4,066,745	212,836	1,016,170	130,313,098	126,801,755
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	113,431,635	3,189,853	5,228,245	192,456	2,119,833	855,325	4,066,745	212,836	1,016,170	130,313,098	126,801,755
Add:											
Additions during the year	631,924	162,975	553,985	-	40,236	1,538,608	-	102,005	(594,700)	2,435,033	3,561,219
Less:											
Disposals and write downs	-	-	136,976	-	-	10,485	-	-	-	147,461	49,876
Closing Cost	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
Accumulated Amortization											
Opening, as previously reported	34,428,920	1,010,511	2,719,430	150,215	1,681,598	575,114		23,506		40,589,294	36,873,280
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	34,428,920	1,010,511	2,719,430	150,215	1,681,598	575,114		23,506		40,589,294	36,873,280
Add:											
Current period Amortization	2,929,292	84,740	454,142	26,719	156,543	146,308		26,384		3,824,128	3,765,890
Less:											
Accumulated Amortization on Disposals and Writedowns	-	-	136,976	-	-	10,485		-		147,461	49,876
Closing Accumulated Amortization	37,358,212	1,095,251	3,036,596	176,934	1,838,141	710,937		49,890		44,265,961	40,589,294
Net Tangible Capital Asset	76,705,347	2,257,577	2,608,658	15,522	321,928	1,672,511	4,066,745	264,951	421,470	88,334,709	89,723,804
Proceeds from Disposal of Capital Assets	-	-	16,901	-	-	-				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	25,000	10 years
Buildings – bricks, mortar, 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, 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.

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 2015/16 is $187,880.

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.

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.

3. Portfolio Investments

The amount represents the share equity balance of the Division with Access Credit Union - $0 at June 30 2016.

4. 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% (2.20% to 2.075% respectively at June 30, 2016); interest is paid monthly. Included in the overdraft are capital projects totalling approximately $2,100,000 which will be submitted to PSFB for debenture funding. Overdrafts are secured by a demand promissory note, line of credit agreement, borrowing by-law and banking documents.

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 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 2015/2016 year was $634,507 ($514,481 in 2014/15).

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, 2015	Additions in period	Revenue recognized in period	Balance as at June 30, 2016
Education Property Tax Credit (EPTC)	$ 1,634,464	1,648,207	1,634,464	1,648,207
Other	0	24,488		24,488
	$ 1,634,464	1,672,695	1,634,464	1,672,695

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 2035. 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 7.00%. 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 total debenture principal and interest repayments in the next five years are:

2016/2017	6,279,325
2017/2018	6,279,325
2018/2019	6,263,295
2019/2020	6,254,493
2020/2021	6,133,054
	$ 31,209,492

8. Other Borrowings

Other borrowings are debts other than overdrafts or debentures.

	2016	2015
Access Credit Union, demand loan, prime less .50% (2.2% at June 30, 2016); 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	$ 958,641	1,292,516
Access Credit Union, demand loan, prime less .50% (2.2% at June 30, 2016); 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.	$ 314,147	382,237
Access Credit Union, demand loan, prime less .50% (2.2% at June 30, 2016); 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	$ 294,008	346,831
Access Credit Union, demand loan, prime less .50% (2.35% at June 30, 2015); secured by a demand promissory note, financing by-law, banking documents, and a Registered General Security Agreement	$ 301,142	3,798
Total Other Borrowings	$ 1,867,938	2,025,382

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

	Principal	Interest	Total
2016/17	316,116	30,504	346,620
2017/18	323,141	23,479	346,620
2018/19	330,322	16,298	346,620
2019/20	337,642	8,978	346,620
2020/21	221,979	2,102	224,081
	$ 1,529,200	81,361	1,610,561

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 School Buildings was $0.

10. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2016	2015
Operating Fund		
Designated Surplus	$ 255,830	297,556
Undesignated Surplus	1,549,003	1,426,811
	$ 1,804,833	1,724,367
Capital Fund		
Reserve Accounts	$ 475,823	212,907
Equity in Tangible Capital Assets	20,522,935	18,294,862
	$20,998,758	18,507,769
Special Purpose Fund		
School Generated Funds	$ 84,757	81,583
Other Special Purpose Funds	-	-
	$ 84,757	81,583
Total Accumulated Surplus	$22,888,348	20,313,719

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:

	2016	2015
School budget surplus (deficit) carryovers by board policy	$ 55,830	297,556
Applied to 2016/2017 Operating budget deficit	-	-
Board approved appropriation by motion	200,000	-
Designated surplus	$ 255,830	297,556

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.

	2016	2015
Bus reserves (deficit)	$ 472,848	209,932
High School Renovation reserve	-	-
Maintenance Shop relocation reserve	2,975	2,975
Other reserves	-	-
Capital Reserve	$ 475,823	212,907

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; 50% from 2014 tax year and 50% from 2015 tax year. Below are the related revenue and receivable amounts:

	2016	2015
Revenue – Municipal Government – Property Tax	$ 14,878,648	13,177,394
Receivable – Due from Municipal – Property Tax	$ 7,462,582	6,581,540

12. Interest Received and Paid

The Division received interest during the year of $3,002,187 ($3,122,438 in 2015); interest paid during the year was $3,099,921 ($3,179,558 in 2015).

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

	2016	2015
Operating Fund		
Fiscal-short term loan, interest and bank charges	$ 20,580	23,446
Capital Fund		
Debenture interest	2,985,158	3,102,478
Other interest	94,183	53,634
	$3,099,921	3,179,558

The accrual portion of debenture debt interest expense of $1,260,640 at June 30, 2016 ($1,313,723 at June 30, 2015) 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 2016	Actual 2015
Salaries	$ 34,237,070	32,707,417
Employees benefits and allowances	3,039,347	3,043,930
Services	3,748,697	3,539,101
Supplies, materials and minor equipment	2,938,601	3,050,040
Interest	3,099,921	3,179,558
Bad debt expense	-	4,036
Payroll tax	744,211	705,229
Transfers	415,444	444,337
Amortization	3,824,128	3,765,890
Other capital items	-	-
School generated funds	102,180	134,560
	$ 52,149,599	50,574,098

14. Commitments

Commitments of Operating Fund Surplus at year end are detailed in the Analysis of Consolidated Accumulated Surplus. Designated Operating Fund Accumulated Surplus is $255,830 at June 30, 2016 ($297,556 at June 30, 2015). The details of the Designated Surplus as disclosed at note 10 and page 5 of the audited financial statements

15. Contingent Liabilities

As of June 30, 2016, 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 Institute of 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
Chairperson

Original Document Signed
Secretary-Treasurer

October 18, 2016

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, 2016, 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, 2016 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 basic consolidated financial statements. Such supplemental information has been subjected only to auditing procedures applied in the audit of the basic consolidated financial statements, taken as a whole.

MNP LLP

Winnipeg, Manitoba

October 18, 2016

Chartered 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

OCTOBER 18, 2016
DATE

Original Document Signed
CHAIRPERSON

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2016	2015
	Financial Assets		
	Cash and Bank	-	-
	Due from - Provincial Government	4,304,405	4,746,694
	- Federal Government	96,170	49,196
	- Municipal Government	14,177,382	13,225,073
	- Other School Divisions	-	4,975
	- First Nations	-	-
	Accounts Receivable	153,148	158,920
	Accrued Investment Income	-	-
	Portfolio Investments	10	10
		18,731,115	18,184,868
	Liabilities		
3	Overdraft	5,685,788	6,213,440
	Accounts Payable	3,042,299	3,089,024
	Accrued Liabilities	3,204,370	3,898,180
4	Employee Future Benefits	642,787	429,458
	Accrued Interest Payable	1,908,200	1,964,674
	Due to - Provincial Government	-	-
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
5	Deferred Revenue	2,601,743	2,475,105
7	Borrowings from the Provincial Government	90,126,471	89,381,003
8	Other Borrowings	270,000	540,000
	School Generated Funds Liability	146,403	130,112
		107,628,061	108,120,996
	Net Debt	(88,896,946)	(89,936,128)
	Non-Financial Assets		
9	Net Tangible Capital Assets (TCA Schedule)	112,674,764	110,755,782
	Inventories	227,703	164,718
	Prepaid Expenses	414,815	432,002
		113,317,282	111,352,502
10	**Accumulated Surplus**	24,420,336	21,416,374

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes			2016	2015
	Revenue			
	Provincial Government		67,010,005	63,820,921
	Federal Government		-	-
	Municipal Government	- Property Tax	23,720,824	22,121,082
		- Other	-	-
	Other School Divisions		125,250	122,038
	First Nations		-	-
	Private Organizations and Individuals		424,888	445,501
	Other Sources		189,001	569,210
	School Generated Funds		1,876,216	1,846,950
	Other Special Purpose Funds		-	-
			93,346,184	88,925,702
	Expenses			
	Regular Instruction		49,748,846	48,930,480
	Student Support Services		11,559,866	9,327,766
	Adult Learning Centres		-	-
	Community Education and Services		155,584	175,024
	Divisional Administration		2,234,541	2,140,097
	Instructional and Other Support Services		2,309,589	2,074,076
	Transportation of Pupils		3,521,653	3,516,272
	Operations and Maintenance		8,739,555	8,352,265
12	Fiscal	- Interest	4,186,329	4,223,346
		- Other	1,302,998	1,222,476
	Amortization		4,724,011	3,931,786
	Other Capital Items		(19,402)	2,885
	School Generated Funds		1,878,652	1,830,729
	Other Special Purpose Funds		-	-
			90,342,222	85,727,202
	Current Year Surplus (Deficit) before Non-vested Sick Leave		3,003,962	3,198,500
	Less: Non-vested Sick Leave Expense (Recovery)		0	0
	Net Current Year Surplus (Deficit)		3,003,962	3,198,500
	Opening Accumulated Surplus		21,416,374	18,217,874
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	-
		Other than Tangible Cap. Assets	-	-
		Non-vested sick leave - prior years	-	-
	Opening Accumulated Surplus, as adjusted		21,416,374	18,217,874
	Closing Accumulated Surplus		24,420,336	21,416,374

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2016

	2016	2015
Net Current Year Surplus (Deficit)	3,003,962	3,198,500
Amortization of Tangible Capital Assets	4,724,011	3,931,786
Acquisition of Tangible Capital Assets	(6,642,993)	(8,538,451)
(Gain) / Loss on Disposal of Tangible Capital Assets	(28,800)	(351,332)
Proceeds on Disposal of Tangible Capital Assets	28,800	351,332
	(1,918,982)	(4,606,665)
Inventories (Increase)/Decrease	(62,985)	531
Prepaid Expenses (Increase)/Decrease	17,187	(16,611)
	(45,798)	(16,080)
(Increase)/Decrease in Net Debt	1,039,182	(1,424,245)
Net Debt at Beginning of Year	(89,936,128)	(88,511,883)
Adjustments Other than Tangible Cap. Assets	-	-
	(89,936,128)	(88,511,883)
Net Debt at End of Year	(88,896,946)	(89,936,128)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2016

	2016	2015
Operating Transactions		
Net Current Year Surplus (Deficit)	3,003,962	3,198,500
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	4,724,011	3,931,786
(Gain)/Loss on Disposal of Tangible Capital Assets	(28,800)	(351,332)
Employee Future Benefits Increase/(Decrease)	213,329	(52,615)
Due from Other Organizations (Increase)/Decrease	(552,019)	1,587,175
Accounts Receivable & Accrued Income (Increase)/Decrease	5,772	620,838
Inventories and Prepaid Expenses - (Increase)/Decrease	(45,798)	(16,080)
Due to Other Organizations Increase/(Decrease)	-	(22,522)
Accounts Payable & Accrued Liabilities Increase/(Decrease)	(797,009)	1,416,925
Deferred Revenue Increase/(Decrease)	126,638	2,418,581
School Generated Funds Liability Increase/(Decrease)	16,291	(5,789)
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by (Applied to) Operating Transactions	6,666,377	12,725,467
Capital Transactions		
Acquisition of Tangible Capital Assets	(6,642,993)	(8,538,451)
Proceeds on Disposal of Tangible Capital Assets	28,800	351,332
Cash Provided by (Applied to) Capital Transactions	(6,614,193)	(8,187,119)
Investing Transactions		
Portfolio Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
Financing Transactions		
Borrowings from the Provincial Government Increase/(Decrease)	745,468	3,959,106
Other Borrowings Increase/(Decrease)	(270,000)	(270,000)
Cash Provided by (Applied to) Financing Transactions	475,468	3,689,106
Cash and Bank / Overdraft (Increase)/Decrease	527,652	8,227,454
Cash and Bank (Overdraft) at Beginning of Year	(6,213,440)	(14,440,894)
Cash and Bank (Overdraft) at End of Year	(5,685,788)	(6,213,440)

Hanover School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2016

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	2016 TOTALS	2015 TOTALS
	School	Non-School									
Tangible Capital Asset Cost											
Opening Cost, as previously reported	134,776,422	4,870,877	8,534,039	355,009	2,572,493	2,735,687	3,559,619	-	1,949,157	159,353,303	151,203,223
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	134,776,422	4,870,877	8,534,039	355,009	2,572,493	2,735,687	3,559,619	-	1,949,157	159,353,303	151,203,223
Add: Additions during the year	499,430	-	928,728	47,676	337,926	1,333,527	-	-	3,495,706	6,642,993	8,538,451
Less: Disposals and write downs	-	-	900,450	-	-	-	-	-	-	900,450	388,371
Closing Cost	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
Accumulated Amortization											
Opening, as previously reported	39,043,611	1,581,843	5,572,744	252,708	1,658,176	488,439		-		48,597,521	45,054,106
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	39,043,611	1,581,843	5,572,744	252,708	1,658,176	488,439		-		48,597,521	45,054,106
Add: Current period Amortization	3,414,235	114,830	575,560	41,614	200,526	377,246		-		4,724,011	3,931,786
Less: Accumulated Amortization on Disposals and Writedowns	-	-	900,450	-	-	-		-		900,450	388,371
Closing Accumulated Amortization	42,457,846	1,696,673	5,247,854	294,322	1,858,702	865,685		-		52,421,082	48,597,521
Net Tangible Capital Asset	92,818,006	3,174,204	3,314,463	108,363	1,051,717	3,203,529	3,559,619	-	5,444,863	112,674,764	110,755,782
Proceeds from Disposal of Capital Assets	-	-	28,800	-	-	-				28,800	351,332

* 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:

Defined contribution plan

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.

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 leave as at June 30, 2016 is $291,953 (2015 - $296,011). 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, 2016.

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.

Effective July 1, 2014, the School Division adopted the recommendation relating to PS3260, Liability for Contaminated Sites, as set out in the Canadian public sector accounting standards. Pursuant to the recommendations, the change was applied prospectively, and no prior periods have been restated. Previously, no accounting policy existed to account for a liability for a contaminated site. Under the new recommendations, the School Division is required to recognize a liability for contaminated sites when economic benefits will be given up. There was no effect on the School Division's consolidated financial statements as a result of adopting the above-noted change in accounting policy, as the School Division has no contaminated sites.

3. Overdraft

The Division has an authorized line of credit with the Steinbach Credit Union of $27,000,000 (2015 – $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, 2016, the prime rate was 2.85%.

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 $1,006,141 in 2016 ($856,102 in 2015).

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, 2015	Additions for the year	Revenue recognized during year	Balance as at June 30, 2016
Education Property Tax Credit ("EPTC")	$ 2,438,281	$ 2,529,504	$ 2,438,281	$ 2,529,504
Special grant	32,774	-	-	32,774
Other amounts	4,050	100,684	65,269	39,465
	$ 2,475,105	$ 2,630,188	$ 2,503,550	$ 2,601,743

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 $146,403 ($130,112 in 2015).

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 2016 to 2033. 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 3.500% to 9.875%. 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:

	Total
2017	8,460,896
2018	8,325,561
2019	8,280,853
2020	8,238,048
2021	8,238,048
	$ 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.

	2016	2015
RBC Term Loan, unsecured, payable at 5.35%, due January 2017. Interest is paid monthly with annual principal repayments of $200,000.	$ 200,000	$ 400,000
RBC Term Loan, unsecured, payable at 4.79%, due January 2017. Interest is paid monthly with annual principal repayments of $70,000.	70,000	140,000
	$ 270,000	$ 540,000

Principal repayments for the next year is as follows:

	Total
2017	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 $16,590 in 2016 ($70,462 in 2015).

10. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2016	2015
Operating Fund		
Designated Surplus	$ -	$ -
Undesignated Surplus	3,184,347	3,025,031
	3,184,347	3,025,031
Capital Fund		
Reserved Accounts	$ 200,000	$ -
Equity in Tangible Capital Assets	20,588,963	17,941,881
	20,788,963	17,941,881
Special Purpose Fund		
School Generated Funds	$ 447,026	$ 449,462
Total Accumulated Surplus	$ 24,420,336	$ 21,416,374

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 2015 tax year and 60% from 2016 tax year. Below are the related revenue and receivable amounts:

	2016	2015
Revenue - Municipal Government - Property Tax	$31,449,337	$ 29,632,521
Receivable - Due from Municipal - Property Tax	$14,177,382	$ 13,225,073

12. Interest Received and Paid

The Division received interest during the year of $2,826 ($459 in 2015); interest paid during the year was $4,186,329 ($4,223,346 in 2015). Interest paid is comprised of interest expense of $4,169,739 ($4,152,884 in 2015) as outlined below, plus capitalized interest of $16,590 ($70,462 in 2015) included in construction in progress on the consolidated statement of financial position.

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

	2016	2015
Operating Fund		
Fiscal-short term loan, interest and bank charges	$ 135,396	$ 143,399
Capital Fund		
Debenture interest	4,028,556	4,043,437
Other interest	22,379	36,510
Total	$ 4,186,329	$ 4,223,346

The accrual portion of debenture debt interest expense of $1,908,200 (2015 - $1,964,674) 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 2016	Budget 2016	Actual 2015
Salaries	$ 60,950,428	$60,562,200	$ 58,204,842
Employees benefits and allowances	4,584,377	4,412,100	4,220,413
Services	4,696,459	4,066,100	4,442,499
Supplies, materials and minor equipment	6,623,289	7,451,500	6,423,123
Interest	4,186,329	80,000	4,223,346
Payroll tax	1,302,998	1,255,300	1,222,476
Amortization	4,724,011	-	3,931,786
Transfers	1,415,081	1,054,800	1,225,103
Other capital items	(19,402)	-	2,885
School generated funds	1,878,652	-	1,830,729
Other special purpose funds	-	-	-
	$90,342,222	$76,784,400	$ 85,727,202

14. Non Financial Information

The 2016 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 $24,420,336 ($21,416,374 in 2015). 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, 2016 the amount of this special levy was $199,450 ($264,129 in 2015). 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, 2016 are as follows:

2017	104,460
2018	84,696
2019	69,167
2020	27,538
2021	5,454
Thereafter	nil

CHRISTINE PENNER
Superintendent/CEO

MARGARET WARD
Assistant Superintendent

AL LEIMAN
Secretary-Treasurer

"Preparing Today's Learner for Tomorrow"

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
Chairperson

Original Document Signed
Secretary-Treasurer

October 11, 2016

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700 - 200 Graham Avenue
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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, 2016, 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, 2016, 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 11, 2016

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 11-2016
Date

Original Document Signed
Chairperson

Interlake School Division

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2016	2015
	Financial Assets		
	Cash and Bank	-	-
	Due from - Provincial Government	1,459,347	1,442,366
	- Federal Government	17,102	42,132
10	- Municipal Government	6,728,594	6,288,674
	- Other School Divisions	10,419	5,392
	- First Nations	-	-
	Accounts Receivable	95,783	39,001
	Accrued Investment Income	-	-
	Portfolio Investments	3,672	4,513
		8,314,917	7,822,078
	Liabilities		
3	Overdraft	3,010	2,234,500
	Accounts Payable	787,422	892,672
	Accrued Liabilities	2,746,410	815,150
4	Employee Future Benefits	1,888,001	1,754,301
	Accrued Interest Payable	319,767	326,923
	Due to - Provincial Government	-	-
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
5	Deferred Revenue	1,839,070	1,701,891
7	Borrowings from the Provincial Government	18,216,826	17,735,499
	Other Borrowings	1,500,000	1,800,000
6	School Generated Funds Liability	77,731	88,094
		27,378,237	27,349,030
	Net Debt	(19,063,320)	(19,526,952)
	Non-Financial Assets		
8	Net Tangible Capital Assets (TCA Schedule)	22,967,856	22,897,584
	Inventories	89,976	87,869
	Prepaid Expenses	62,383	62,325
		23,120,215	23,047,778
9	**Accumulated Surplus**	4,056,895	3,520,826

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			2016	2015
	Revenue			
	Provincial Government		24,888,401	24,376,090
	Federal Government		4,000	33,724
10	Municipal Government	- Property Tax	12,886,005	11,821,459
		- Other	13,500	7,500
	Other School Divisions		101,226	71,779
	First Nations		-	-
	Private Organizations and Individuals		218,163	185,229
	Other Sources		150,801	166,617
	School Generated Funds		368,643	368,844
	Other Special Purpose Funds		1,286	1,317
			38,632,025	37,032,559
	Expenses			
	Regular Instruction		20,655,441	19,884,873
	Student Support Services		5,751,852	5,677,506
	Adult Learning Centres		-	-
	Community Education and Services		248,213	258,159
	Divisional Administration		1,378,157	1,368,491
	Instructional and Other Support Services		1,297,284	1,563,904
	Transportation of Pupils		2,076,127	2,171,542
	Operations and Maintenance		3,479,148	3,588,124
11	Fiscal	- Interest	856,094	683,017
		- Other	585,798	581,440
	Amortization		1,442,081	1,214,281
	Other Capital Items		-	-
	School Generated Funds		361,698	362,297
	Other Special Purpose Funds		1,286	1,317
			38,133,179	37,354,951
	Current Year Surplus (Deficit) before Non-vested Sick Leave		498,846	(322,392)
	Less: Non-vested Sick Leave Expense (Recovery)		(37,223)	6,984
	Net Current Year Surplus (Deficit)		536,069	(329,376)
	Opening Accumulated Surplus		3,520,826	3,850,202
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	-
		Other than Tangible Cap. Assets	-	-
		Non-vested sick leave - prior years	-	-
	Opening Accumulated Surplus, as adjusted		3,520,826	3,850,202
	Closing Accumulated Surplus		4,056,895	3,520,826

See accompanying notes to the Financial Statements

Interlake School Division

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2016

	2016	2015
Net Current Year Surplus (Deficit)	536,069	(329,376)
Amortization of Tangible Capital Assets	1,442,081	1,214,281
Acquisition of Tangible Capital Assets	(1,512,353)	(8,613,307)
(Gain) / Loss on Disposal of Tangible Capital Assets	(1,294)	-
Proceeds on Disposal of Tangible Capital Assets	1,294	-
	(70,272)	(7,399,026)
Inventories (Increase)/Decrease	(2,107)	(22,318)
Prepaid Expenses (Increase)/Decrease	(58)	(2,755)
	(2,165)	(25,073)
(Increase)/Decrease in Net Debt	463,632	(7,753,475)
Net Debt at Beginning of Year	(19,526,952)	(11,773,477)
Adjustments Other than Tangible Cap. Assets	-	-
	(19,526,952)	(11,773,477)
Net Debt at End of Year	(19,063,320)	(19,526,952)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2016

	2016	2015
Operating Transactions		
Net Current Year Surplus (Deficit)	536,069	(329,376)
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	1,442,081	1,214,281
(Gain)/Loss on Disposal of Tangible Capital Assets	(1,294)	-
Employee Future Benefits Increase/(Decrease)	133,700	191,624
Due from Other Organizations (Increase)/Decrease	(436,898)	1,460,803
Accounts Receivable & Accrued Income (Increase)/Decrease	(56,782)	21,964
Inventories and Prepaid Expenses - (Increase)/Decrease	(2,165)	(25,073)
Due to Other Organizations Increase/(Decrease)	-	-
Accounts Payable & Accrued Liabilities Increase/(Decrease)	1,818,854	764,354
Deferred Revenue Increase/(Decrease)	137,179	1,601,957
School Generated Funds Liability Increase/(Decrease)	(10,363)	(80,565)
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by (Applied to) Operating Transactions	3,560,381	4,819,969
Capital Transactions		
Acquisition of Tangible Capital Assets	(1,512,353)	(8,613,307)
Proceeds on Disposal of Tangible Capital Assets	1,294	-
Cash Provided by (Applied to) Capital Transactions	(1,511,059)	(8,613,307)
Investing Transactions		
Portfolio Investments (Increase)/Decrease	841	813
Cash Provided by (Applied to) Investing Transactions	841	813
Financing Transactions		
Borrowings from the Provincial Government Increase/(Decrease)	481,327	6,056,543
Other Borrowings Increase/(Decrease)	(300,000)	1,800,000
Cash Provided by (Applied to) Financing Transactions	181,327	7,856,543
Cash and Bank / Overdraft (Increase)/Decrease	2,231,490	4,064,018
Cash and Bank (Overdraft) at Beginning of Year	(2,234,500)	(6,298,518)
Cash and Bank (Overdraft) at End of Year	(3,010)	(2,234,500)

Interlake School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2016

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	2016 TOTALS	2015 TOTALS
	School	Non-School									
Tangible Capital Asset Cost											
Opening Cost, as previously reported	23,325,371	1,214,424	5,053,910	296,426	473,419	2,216,531	170,631	-	9,634,360	42,385,072	33,805,627
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	23,325,371	1,214,424	5,053,910	296,426	473,419	2,216,531	170,631	-	9,634,360	42,385,072	33,805,627
Add: Additions during the year	9,766,902	-	-	-	-	-	-	-	(8,254,549)	1,512,353	8,613,307
Less: Disposals and write downs	-	-	55,961	-	79,180	-	-	-	-	135,141	33,862
Closing Cost	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
Accumulated Amortization											
Opening, as previously reported	14,328,974	625,315	3,810,713	238,164	373,495	110,827		-		19,487,488	18,307,069
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	14,328,974	625,315	3,810,713	238,164	373,495	110,827		-		19,487,488	18,307,069
Add: Current period Amortization	820,218	44,044	303,025	20,757	32,384	221,653		-		1,442,081	1,214,281
Less: Accumulated Amortization on Disposals and Writedowns	-	-	55,961	-	79,180	-		-		135,141	33,862
Closing Accumulated Amortization	15,149,192	669,359	4,057,777	258,921	326,699	332,480		-		20,794,428	19,487,488
Net Tangible Capital Asset	17,943,081	545,065	940,172	37,505	67,540	1,884,051	170,631	-	1,379,811	22,967,856	22,897,584
Proceeds from Disposal of Capital Assets	-	-	1,294	-	-	-				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, 2016, 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 $484,357 in 2016 ($450,229 in 2015).

Employee future benefits recorded as a liability represents vested sick leave payable and Supplemental Employment Benefits Plan payable for eligible employees of $1,676,083 in 2016 ($1,505,161 in 2015).

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, 2016 is $211,918 ($249,140 in 2015).

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, 2015	Additions in period	Revenue recognized in period	Balance as at June 30, 2016
Education Property Tax Credit (EPTC)	$ 1,599,646	$ 3,775,963	$ 3,644,444	$ 1,731,165
Manitoba Textbook Bureau	80,554	160,620	149,619	91,555
Education for Sustainable Development	0	5,100	0	5,100
Continuing Education Revenue	4,200	127,325	131,525	0
International Students	9,991	10,009	20,000	0
STAR Revenue	7,500	37,880	34,130	11,250
	$ 1,701,891	$ 4,116,897	$ 3,979,718	$ 1,839,070

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 $77,731 in 2016 ($88,094 in 2015).

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 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 3.00% to 7.38%. 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 and thereafter:

	Interest	Principal	Total
2016 / 2017	$ 822,570	$ 1,178,811	$ 2,001,381
2017 / 2018	760,082	1,192,232	1,952,314
2018 / 2019	697,687	1,171,778	1,869,465
2019 / 2020	637,107	1,195,875	1,832,982
2020 / 2021	575,419	1,034,006	1,609,425
Thereafter	3,439,735	12,444,124	15,883,859
	$ 6,932,600	$18,216,826	$25,149,426

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 2016 (2015 nil).

9. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2016	2015
Operating Fund		
Designated Surplus	$ -	$ -
Undesignated Surplus	906,455	421,561
	906,455	421,561
Capital Fund		
Reserve Accounts	1,294	-
Equity in Tangible Capital Assets	3,021,839	2,978,903
	3,023,133	2,978,903
Special Purpose Fund		
School Generated Funds	127,307	120,362
Other Special Purpose Funds	-	-
	127,307	120,362
Total Accumulated Surplus	$ 4,056,895	$3,520,826

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 2015 tax year and 52% from 2016 tax year. Below are the related revenue and receivable amounts:

	2016	2015
Revenue – Municipal Government – Property Tax	$12,886,005	$11,821,459
Receivable – Due from Municipal – Property Tax	$ 6,728,594	$ 6,288,674

11. Interest Received and Paid

The Division received interest during the year of $8,239 in 2016 ($2,025 in 2015); interest paid during the year was $856,094 in 2016 ($683,017 in 2015).

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

	2016	2015
Operating Fund		
Fiscal-short term loan, interest and bank charges	$ 1,417	$ 56,788
Capital Fund		
Interest on Fibre Liability	35,344	0
Debenture interest	819,333	626,229
	$ 856,094	$ 683,017

The accrual portion of debenture debt interest expense of $319,767 ($326,923 in 2015) 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 2016	Budget 2016	Actual 2015
Salaries	$ 27,521,318	$ 27,573,843	$ 27,365,466
Employees benefits and allowances	2,172,936	2,202,636	2,109,287
Services	2,509,059	2,611,789	2,586,554
Supplies, materials & minor equipment	2,332,818	2,432,715	2,111,269
Interest	856,094	78,000	683,017
Bad debts	-	-	-
Payroll tax	585,798	605,000	581,440
Amortization	1,442,081	-	1,214,281
Transfers	350,091	358,017	340,023
School generated funds	361,698	-	362,297
Other special purpose funds	1,286	-	1,317
Other capital items	-	-	-
	$ 38,133,179	$ 35,862,000	$ 37,354,951

KELSEY
SCHOOL DIVISION

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November 17, 2016

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	Original Document Signed
Vaughn Wadelius Chairperson	Jeannette Freese Secretary Treasurer

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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, 2016, 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.

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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, 2016, 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 17, 2016

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

November 16, 2016

Date

Kelsey School Division

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2016	2015
	Financial Assets		
	Cash and Bank	71,328	-
	Due from - Provincial Government	1,168,718	1,119,568
	- Federal Government	266,956	74,152
	- Municipal Government	1,874,034	1,833,985
	- Other School Divisions	24,354	10,849
	- First Nations	135,280	204,380
	Accounts Receivable	13,827	48,294
	Accrued Investment Income	-	-
	Portfolio Investments	-	-
		3,554,497	3,291,228
	Liabilities		
	Overdraft	-	340,237
	Accounts Payable	1,321,724	1,103,277
	Accrued Liabilities	978,425	1,051,546
*	Employee Future Benefits	126,989	102,861
	Accrued Interest Payable	-	-
	Due to - Provincial Government	-	-
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
*	Deferred Revenue	352,683	257,312
*	Borrowings from the Provincial Government	19,042,237	18,657,941
	Other Borrowings	-	-
	School Generated Funds Liability	50,907	57,307
		21,872,965	21,570,481
	Net Debt	(18,318,468)	(18,279,253)
	Non-Financial Assets		
*	Net Tangible Capital Assets (TCA Schedule)	21,826,227	21,230,496
	Inventories	-	-
	Prepaid Expenses	23,165	16,187
		21,849,392	21,246,683
*	**Accumulated Surplus**	3,530,924	2,967,430

See accompanying notes to the Financial Statements

Kelsey School Division

CONSOLIDATED STATEMENT
OF REVENUE, EXPENSES
AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes			2016	2015
	Revenue			
	Provincial Government		18,337,036	17,988,074
	Federal Government		-	20,110
	Municipal Government	- Property Tax	3,382,562	3,284,987
		- Other	-	-
	Other School Divisions		24,354	10,849
	First Nations		19,190	70,800
	Private Organizations and Individuals		-	400
	Other Sources		155,129	107,586
	School Generated Funds		400,280	386,819
	Other Special Purpose Funds		-	-
			22,318,551	21,869,625
	Expenses			
	Regular Instruction		9,977,475	9,750,984
	Student Support Services		4,703,325	4,455,832
	Adult Learning Centres		595,368	551,670
	Community Education and Services		55,690	55,393
	Divisional Administration		842,146	790,204
	Instructional and Other Support Services		468,849	479,739
	Transportation of Pupils		553,972	596,104
	Operations and Maintenance		2,476,069	2,433,228
*	Fiscal	- Interest	778,506	767,316
		- Other	339,587	330,359
	Amortization		561,971	349,137
	Other Capital Items		17,027	-
	School Generated Funds		360,944	410,669
	Other Special Purpose Funds		-	-
			21,730,929	20,970,635
	Current Year Surplus (Deficit) before Non-vested Sick Leave		587,622	898,990
	Less: Non-vested Sick Leave Expense (Recovery)		24,128	102,861
	Net Current Year Surplus (Deficit)		563,494	796,129
	Opening Accumulated Surplus		2,967,430	2,171,301
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	-
		Other than Tangible Cap. Assets	-	-
		Non-vested sick leave - prior years	-	-
	Opening Accumulated Surplus, as adjusted		2,967,430	2,171,301
	Closing Accumulated Surplus		3,530,924	2,967,430

See accompanying notes to the Financial Statements

* NOTE REQUIRED

Kelsey School Division

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2016

	2016	2015
Net Current Year Surplus (Deficit)	563,494	796,129
Amortization of Tangible Capital Assets	561,971	349,137
Acquisition of Tangible Capital Assets	(1,157,702)	(3,196,852)
(Gain) / Loss on Disposal of Tangible Capital Assets	(25,000)	-
Proceeds on Disposal of Tangible Capital Assets	25,000	-
	(595,731)	(2,847,715)
Inventories (Increase)/Decrease	-	-
Prepaid Expenses (Increase)/Decrease	(6,978)	5,951
	(6,978)	5,951
(Increase)/Decrease in Net Debt	(39,215)	(2,045,635)
Net Debt at Beginning of Year	(18,279,253)	(16,233,618)
Adjustments Other than Tangible Cap. Assets	-	-
	(18,279,253)	(16,233,618)
Net Debt at End of Year	(18,318,468)	(18,279,253)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2016

	2016	2015
Operating Transactions		
Net Current Year Surplus (Deficit)	563,494	796,129
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	561,971	349,137
(Gain)/Loss on Disposal of Tangible Capital Assets	(25,000)	-
Employee Future Benefits Increase/(Decrease)	24,128	102,861
Due from Other Organizations (Increase)/Decrease	(226,408)	760,079
Accounts Receivable & Accrued Income (Increase)/Decrease	34,467	25,088
Inventories and Prepaid Expenses - (Increase)/Decrease	(6,978)	5,951
Due to Other Organizations Increase/(Decrease)	-	-
Accounts Payable & Accrued Liabilities Increase/(Decrease)	145,326	431,973
Deferred Revenue Increase/(Decrease)	95,371	245,174
School Generated Funds Liability Increase/(Decrease)	(6,400)	(3,237)
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by (Applied to) Operating Transactions	1,159,971	2,713,155
Capital Transactions		
Acquisition of Tangible Capital Assets	(1,157,702)	(3,196,852)
Proceeds on Disposal of Tangible Capital Assets	25,000	-
Cash Provided by (Applied to) Capital Transactions	(1,132,702)	(3,196,852)
Investing Transactions		
Portfolio Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
Financing Transactions		
Borrowings from the Provincial Government Increase/(Decrease)	384,296	2,670,277
Other Borrowings Increase/(Decrease)	-	-
Cash Provided by (Applied to) Financing Transactions	384,296	2,670,277
Cash and Bank / Overdraft (Increase)/Decrease	411,565	2,186,580
Cash and Bank (Overdraft) at Beginning of Year	(340,237)	(2,526,817)
Cash and Bank (Overdraft) at End of Year	71,328	(340,237)

Kelsey School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2016

	Buildings and Leasehold Improvements		School	Other	Furniture / Fixtures &	Computer Hardware &		Land	Assets Under	2016	2015
	School	Non-School	Buses	Vehicles	Equipment	Software *	Land	Improvements	Construction	TOTALS	TOTALS
Tangible Capital Asset Cost											
Opening Cost, as previously reported	17,105,228	303,458	1,088,056	104,393	508,594	153,123	196,213	-	16,580,330	36,039,395	32,925,918
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	17,105,228	303,458	1,088,056	104,393	508,594	153,123	196,213	-	16,580,330	36,039,395	32,925,918
Add: Additions during the year	16,884,029	-	-	20,428	22,139	-	-	-	(15,768,894)	1,157,702	3,196,852
Less: Disposals and write downs	-	-	85,761	-	-	-	-	-	-	85,761	83,375
Closing Cost	33,989,257	303,458	1,002,295	124,821	530,733	153,123	196,213	-	811,436	37,111,336	36,039,395
Accumulated Amortization											
Opening, as previously reported	13,151,554	303,458	755,237	94,091	375,557	129,002		-		14,808,899	14,543,137
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	13,151,554	303,458	755,237	94,091	375,557	129,002		-		14,808,899	14,543,137
Add: Current period Amortization	436,264	-	66,890	6,163	47,612	5,042		-		561,971	349,137
Less: Accumulated Amortization on Disposals and Writedowns	-	-	85,761	-	-	-		-		85,761	83,375
Closing Accumulated Amortization	13,587,818	303,458	736,366	100,254	423,169	134,044		-		15,285,109	14,808,899
Net Tangible Capital Asset	20,401,439	-	265,929	24,567	107,564	19,079	196,213	-	811,436	21,826,227	21,230,496
Proceeds from Disposal of Capital Assets	-	-	25,000	-	-	-				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 Westoba Credit Union of $3,000,000 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, 2016 is $126,989 (2015 - $102,861).

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, 2015	Additions in the period	Transferred to Revenue	Balance as at June 30, 2016
Western Financial Group Insurance Solutions	$ 257,312	$ 90,701	$	$ 348,013
Regional Science Fair Funds		4,670		4,670
	$ 257,312	$ 95,371	$	$ 352,683

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 $319,476 (2015 - $286,540).

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 2035. 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 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 provincial government.

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

	Principal	Interest	Total
2017	$ 925,572	$ 780,828	$ 1,706,400
2018	941,179	740,068	1,681,247
2019	968,033	699,366	1,667,399
2020	1,001,720	657,635	1,659,355
2021	1,042,156	614,208	1,656,364
	$ 4,878,660	$ 3,492,105	$ 8,370,765

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	2016 Net Book Value	2015 Net Book Value
Owned-tangible capital assets	$ 37,111,336	$ 15,285,109	$ 21,826,227	$ 21,230,496

9. ACCUMULATED SURPLUS (DEFICIT)

The consolidated accumulated surplus is comprised of the following:

	2016	2015
Operating Fund		
Designated Surplus	$ -	$ -
Undesignated Surplus	1,295,501	1,073,937
	1,295,501	1,073,937
Capital Fund		
Reserve Accounts	-	-
Equity in Tangible Capital Assets	1,966,854	1,664,260
	1,966,854	1,664,260
Special Purpose Fund		
School Generated Funds	268,569	229,233
Other Special Purpose Funds	-	-
	268,569	229,233
Total Accumulated Surplus (Deficit)	$ 3,530,924	$ 2,967,430

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 2015 and 60% for 2016. Below are the related revenue and receivable amounts:

	2016	2015
Revenue-Municipal Government-Property Tax	$ 3,382,562	$ 3,284,987
Receivable-Due from Municipal-Property Tax	$ 1,874,034	$ 1,833,985

11. INTEREST RECEIVED AND PAID

The Division received interest during the year of $17,748 (previous year $12,074; interest paid during the year was $778,506 (previous year $767,316).

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

	2016	2015
Operating Fund		
Fiscal-short term loan, interest and bank charges	$ 2,180	$ 9,830
Capital Fund		
Debenture debt interest	776,326	757,486
	$ 778,506	$ 767,316

The accrual portion of debenture debt interest expense of $410,749 (2015 - $397,844) 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 2016	Budget 2016	Actual 2015
Salaries	$ 15,664,994	$ 16,272,592	$ 15,273,952
Employees benefits & allowances	1,475,583	1,443,150	1,373,485
Services	1,520,630	1,615,044	1,462,426
Supplies, materials & minor equipment	982,072	922,733	986,645
Interest	778,506	30,000	767,316
Bad debts			
Payroll tax	339,587	346,530	330,359
Amortization	561,971		349,137
Other capital items	17,027		
School generated funds	360,944		410,669
Transfers	29,615	17,500	16,646
	$ 21,730,929	$ 20,647,549	$ 20,970,635

13. SIGNIFICANT EVENT

In October, 2014 a significant fire struck Mary Duncan School, a facility owned and operated by the Division. Repairs to the facility are substantially completed and the majority of the Division's costs have been covered by its insurance policy which has a $7,500 deductible. The Division has been able to make temporary arrangements to substantially mitigate the operational impact of the loss of use of the facility.

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

October 11, 2016

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, 2016, 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, 2016 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 basic consolidated financial statements. Such supplemental information has been subjected only to auditing procedures applied in the audit of the basic consolidated financial statements, taken as a whole.

MNP LLP

Winnipeg, Manitoba

October 11, 2016

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.

Oct 11 / 16
DATE

Original Document Signed
CHAIRPERSON

Lakeshore School Division

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2016	2015
	Financial Assets		
	Cash and Bank	1,830,228	615,877
	Due from - Provincial Government	761,103	1,373,503
	- Federal Government	33,913	24,489
	- Municipal Government	2,063,131	2,000,130
	- Other School Divisions	14,187	12,120
	- First Nations	356,881	625,058
	Accounts Receivable	67,627	37,047
	Accrued Investment Income	-	-
	Portfolio Investments	-	-
		5,127,070	4,688,224
	Liabilities		
	Overdraft	-	-
	Accounts Payable	794,264	494,684
	Accrued Liabilities	1,557,819	1,631,317
4	Employee Future Benefits	140,981	189,552
	Accrued Interest Payable	244,289	261,633
	Due to - Provincial Government	77,670	-
	- Federal Government	-	-
	- Municipal Government	10,863	11,998
	- Other School Divisions	-	-
	- First Nations	-	-
5	Deferred Revenue	62,180	118,150
6	Borrowings from the Provincial Government	10,265,470	11,014,991
	Other Borrowings	-	-
	School Generated Funds Liability	-	-
		13,153,536	13,722,325
	Net Debt	(8,026,466)	(9,034,101)
	Non-Financial Assets		
7	Net Tangible Capital Assets (TCA Schedule)	13,428,544	13,577,291
	Inventories	-	-
	Prepaid Expenses	20,048	15,415
		13,448,592	13,592,706
8	**Accumulated Surplus**	5,422,126	4,558,605

See accompanying notes to the Financial Statements

Lakeshore School Division

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes			2016	2015
	Revenue			
	Provincial Government		13,387,263	13,497,724
	Federal Government		-	-
	Municipal Government	- Property Tax	3,438,551	3,338,885
		- Other	-	-
	Other School Divisions		104,078	89,568
	First Nations		1,076,444	1,018,180
	Private Organizations and Individuals		138,725	215,669
	Other Sources		398,312	291,880
	School Generated Funds		389,197	366,132
	Other Special Purpose Funds		6,517	22,994
			18,939,087	18,841,032
	Expenses			
	Regular Instruction		8,436,468	8,621,011
	Student Support Services		2,619,488	2,639,498
	Adult Learning Centres		264,121	263,862
	Community Education and Services		299,298	277,672
	Divisional Administration		693,866	670,708
	Instructional and Other Support Services		478,269	495,936
	Transportation of Pupils		1,595,431	1,654,484
	Operations and Maintenance		1,550,990	1,417,946
*	Fiscal	- Interest	576,750	619,821
		- Other	258,196	251,655
	Amortization		887,679	890,348
	Other Capital Items		-	-
	School Generated Funds		407,635	362,560
	Other Special Purpose Funds		7,375	22,975
			18,075,566	18,188,476
	Current Year Surplus (Deficit) before Non-vested Sick Leave		863,521	652,556
	Less: Non-vested Sick Leave Expense (Recovery)		0	0
	Net Current Year Surplus (Deficit)		863,521	652,556
	Opening Accumulated Surplus		4,558,605	3,906,049
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	-
		Other than Tangible Cap. Assets	-	-
		Non-vested sick leave - prior years	-	-
	Opening Accumulated Surplus, as adjusted		4,558,605	3,906,049
	Closing Accumulated Surplus		5,422,126	4,558,605

See accompanying notes to the Financial Statements

* NOTE REQUIRED

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2016

	2016	2015
Net Current Year Surplus (Deficit)	863,521	652,556
Amortization of Tangible Capital Assets	887,679	890,348
Acquisition of Tangible Capital Assets	(738,932)	(326,755)
(Gain) / Loss on Disposal of Tangible Capital Assets	-	-
Proceeds on Disposal of Tangible Capital Assets	-	-
	148,747	563,593
Inventories (Increase)/Decrease	-	-
Prepaid Expenses (Increase)/Decrease	(4,633)	7,865
	(4,633)	7,865
(Increase)/Decrease in Net Debt	1,007,635	1,224,014
Net Debt at Beginning of Year	(9,034,101)	(10,258,115)
Adjustments Other than Tangible Cap. Assets	-	-
	(9,034,101)	(10,258,115)
Net Debt at End of Year	(8,026,466)	(9,034,101)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2016

	2016	2015
Operating Transactions		
Net Current Year Surplus (Deficit)	863,521	652,556
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	887,679	890,348
(Gain)/Loss on Disposal of Tangible Capital Assets	-	-
Employee Future Benefits Increase/(Decrease)	(48,571)	56,949
Due from Other Organizations (Increase)/Decrease	806,085	(24,600)
Accounts Receivable & Accrued Income (Increase)/Decrease	(30,580)	14,370
Inventories and Prepaid Expenses - (Increase)/Decrease	(4,633)	7,865
Due to Other Organizations Increase/(Decrease)	76,535	(1,487)
Accounts Payable & Accrued Liabilities Increase/(Decrease)	208,738	205,837
Deferred Revenue Increase/(Decrease)	(55,970)	60,021
School Generated Funds Liability Increase/(Decrease)	-	-
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by (Applied to) Operating Transactions	2,702,804	1,861,859
Capital Transactions		
Acquisition of Tangible Capital Assets	(738,932)	(326,755)
Proceeds on Disposal of Tangible Capital Assets	-	-
Cash Provided by (Applied to) Capital Transactions	(738,932)	(326,755)
Investing Transactions		
Portfolio Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
Financing Transactions		
Borrowings from the Provincial Government Increase/(Decrease)	(749,521)	(743,643)
Other Borrowings Increase/(Decrease)	-	-
Cash Provided by (Applied to) Financing Transactions	(749,521)	(743,643)
Cash and Bank / Overdraft (Increase)/Decrease	1,214,351	791,461
Cash and Bank (Overdraft) at Beginning of Year	615,877	(175,584)
Cash and Bank (Overdraft) at End of Year	1,830,228	615,877

Lakeshore School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2016

	Buildings and Leasehold Improvements		School	Other	Furniture / Fixtures &	Computer Hardware &		Land	Assets Under	2016	2015
	School	Non-School	Buses	Vehicles	Equipment	Software *	Land	Improvements	Construction	TOTALS	TOTALS
Tangible Capital Asset Cost											
Opening Cost, as previously reported	23,363,123	498,069	3,430,161	25,738	1,284,015	-	50,115	-	30,005	28,681,226	28,354,471
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	23,363,123	498,069	3,430,161	25,738	1,284,015	-	50,115	-	30,005	28,681,226	28,354,471
Add: Additions during the year	455,187	32,954	220,157	38,373	22,266	-	-	-	(30,005)	738,932	326,755
Less: Disposals and write downs	-	-	-	-	-	-	-	-	-	-	-
Closing Cost	23,818,310	531,023	3,650,318	64,111	1,306,281	-	50,115	-	-	29,420,158	28,681,226
Accumulated Amortization											
Opening, as previously reported	11,317,933	490,407	2,484,113	25,738	785,744	-		-		15,103,935	14,213,587
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	11,317,933	490,407	2,484,113	25,738	785,744	-		-		15,103,935	14,213,587
Add: Current period Amortization	524,789	2,052	198,128	3,837	158,873	-		-		887,679	890,348
Less: Accumulated Amortization on Disposals and Writedowns	-	-	-	-	-	-		-		-	-
Closing Accumulated Amortization	11,842,722	492,459	2,682,241	29,575	944,617	-		-		15,991,614	15,103,935
Net Tangible Capital Asset	11,975,588	38,564	968,077	34,536	361,664	-	50,115	-	-	13,428,544	13,577,291
Proceeds from Disposal of Capital Assets	-	-	-	-	-	-				-	-

* 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 our 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:

<u>Defined contribution plan</u>

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, 2015.

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.

2. Significant Accounting Policies – Continued

j) Liability for contaminated sites - continued

Effective July 1, 2014, the School Division adopted the recommendation relating to PS3260, Liability for Contaminated Sites, as set out in the Canadian public sector accounting standards. Pursuant to the recommendations, the change was applied prospectively, and no prior periods have been restated. Previously, no accounting policy existed to account for a liability for a contaminated site. Under the new recommendations, the School Division is required to recognize a liability for contaminated sites when economic benefits will be given up. There was no effect on the School Division's consolidated financial statements as a result of adopting the above-noted change in accounting policy, as the School Division has no contaminated sites.

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% (2015 – 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 $245,205 in 2016 (2015 - $230,319).

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 2016 is $nil (2015 - $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, 2015	Additions in year	Revenue recognized in year	Balance as at June 30, 2016
Lakeshore Recreation Commission	57,481	-	7,141	50,340
Other amounts	60,669		48,829	11,840
	$ 118,150	$ 0.00	$ 55,970	$ 62,180

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 2034. Payment of principal and interest is funded entirely by grants from the Province of Manitoba. The debentures carry interest rates that range from 4.000% to 7.000%. 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 repayments in the next five years are:

	Principal	Interest	Total
2017	790,943	549,807	1,340,750
2018	834,689	506,061	1,340,750
2019	838,882	459,859	1,298,741
2020	859,206	413,622	1,272,828
2021	906,431	366,398	1,272,829
	$4,230,151	$2,295,747	$6,525,898

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	2016 Net Book Value	2015 Net Book Value
Owned-tangible capital assets	$ 29,420,158	$ 15,991,614	$13,428,544	$ 13,577,291

8. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2016	2015
Operating Fund		
Designated Surplus	$ 0	$ 25,000
Undesignated Surplus	1,050,171	632,835
	1,050,171	657,835
Capital Fund		
Reserve Accounts	1,298,372	1,190,682
Equity in Tangible Capital Assets	2,915,086	2,532,295
	4,213,458	3,722,977
Special Purpose Fund		
School Generated Funds	138,836	157,274
Other Special Purpose Funds	19,661	20,519
	158,497	177,793
Total Accumulated Surplus	$ 5,422,126	$ 4,558,60

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 2015 tax year and 60% from 2016 tax year. Below are the related revenue and receivable amounts:

	2016	2015
Revenue-Municipal Government-Property Tax	$3,438,551	$3,338,885
Receivable-Due from Municipal-Property Tax	$2,063,131	$2,000,130

10. Interest Received and Paid

The Division received interest during the year of $9,919 (2015 - $9,491); interest paid during the year was $576,750 (2015 - $619,821).

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

	2016	2015
Operating Fund		
Fiscal-short term loan, interest and bank charges	$ 2,865	$ 4,679
Capital Fund		
Debenture debt interest	573,885	615,142
	$ 576,750	$ 619,821

The accrual portion of debenture debt interest expense of $244,289 (2015 - $261,633) 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 2016	Budget 2016	Actual 2015
Salaries	$ 11,814,464	$ 12,165,650	$ 12,020,222
Employees benefits and allowances	1,162,723	1,234,900	1,142,560
Services	1,542,304	1,499,043	1,425,954
Supplies, materials and minor equipment	1,357,124	1,345,606	1,401,036
Interest	576,750	5,000	619,821
Payroll tax	258,196	250,000	251,655
Transfers	61,316	35,700	51,345
Amortization	887,679	-	890,348
Loss (Gain) and disposal of capital assets	-	-	-
School generated funds	407,635	-	362,560
Other capital items	0		0
Other special purpose funds	7,375	-	22,975
	$ 18,075,566	$ 16,535,899	$ 18,188,476

12. Non Financial Information

The 2015 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 $1,229,188 (2015 - $835,628).

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 $4,213,458 (2015 - $3,722,977).

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

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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
Chairperson

Original Document Signed
Secretary-Treasurer

October 18, 2016

BDO

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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, 2016, 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, 2016, 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, 2016

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 25, 2016
Date

Original Document Signed
Chairperson

Lord Selkirk School Division

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2016	2015
	Financial Assets		
	Cash and Bank	-	-
	Due from - Provincial Government	2,373,071	2,996,334
	- Federal Government	60,552	57,058
	- Municipal Government	12,827,904	12,051,205
	- Other School Divisions	972	30,672
	- First Nations	171,563	304,414
	Accounts Receivable	853,544	123,406
	Accrued Investment Income	-	-
	Portfolio Investments	-	-
		16,287,606	15,563,089
	Liabilities		
3	Overdraft	2,513,842	2,509,233
	Accounts Payable	4,673,983	4,520,446
	Accrued Liabilities	3,987,165	4,057,126
4	Employee Future Benefits	295,639	245,713
	Accrued Interest Payable	579,027	591,167
	Due to - Provincial Government	193,136	179,229
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
5	Deferred Revenue	1,265,858	935,354
7	Borrowings from the Provincial Government	27,264,085	27,620,448
	Other Borrowings	-	-
6	School Generated Funds Liability	56,867	49,978
		40,829,602	40,708,694
	Net Debt	(24,541,996)	(25,145,605)
	Non-Financial Assets		
8	Net Tangible Capital Assets (TCA Schedule)	35,977,577	36,057,153
	Inventories	39,068	30,509
	Prepaid Expenses	57,321	52,817
		36,073,966	36,140,479
9	**Accumulated Surplus**	11,531,970	10,994,874

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			2016	2015
	Revenue			
	Provincial Government		37,389,250	36,930,436
	Federal Government		40,604	19,997
	Municipal Government	- Property Tax	21,409,178	20,118,902
		- Other	-	-
	Other School Divisions		179,650	191,400
	First Nations		497,408	493,831
	Private Organizations and Individuals		618,997	592,357
	Other Sources		291,873	278,772
	School Generated Funds		1,164,434	1,187,951
	Other Special Purpose Funds		-	-
			61,591,394	59,813,646
	Expenses			
	Regular Instruction		32,908,017	31,437,840
	Student Support Services		8,675,347	9,010,382
	Adult Learning Centres		376,563	325,352
	Community Education and Services		518,283	506,447
	Divisional Administration		1,942,473	1,973,888
	Instructional and Other Support Services		1,496,566	1,476,843
	Transportation of Pupils		2,401,547	2,410,675
	Operations and Maintenance		6,573,836	6,335,805
11	Fiscal	- Interest	1,364,613	1,344,437
		- Other	939,366	895,075
	Amortization		2,649,543	2,446,312
	Other Capital Items		-	-
	School Generated Funds		1,123,251	1,186,847
	Other Special Purpose Funds		-	-
			60,969,405	59,349,903
	Current Year Surplus (Deficit) before Non-vested Sick Leave		621,989	463,743
	Less: Non-vested Sick Leave Expense (Recovery)		49,926	(44,581)
	Net Current Year Surplus (Deficit)		572,063	508,324
	Opening Accumulated Surplus		10,994,874	10,486,550
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	-
13		Other than Tangible Cap. Assets	(34,967)	-
		Non-vested sick leave - prior years	-	-
	Opening Accumulated Surplus, as adjusted		10,959,907	10,486,550
	Closing Accumulated Surplus		11,531,970	10,994,874

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2016

	2016	2015
Net Current Year Surplus (Deficit)	572,063	508,324
Amortization of Tangible Capital Assets	2,649,543	2,446,312
Acquisition of Tangible Capital Assets	(2,587,731)	(5,716,750)
(Gain) / Loss on Disposal of Tangible Capital Assets	(13,259)	(23,938)
Proceeds on Disposal of Tangible Capital Assets	31,023	32,400
	79,576	(3,261,976)
Inventories (Increase)/Decrease	(8,559)	3,819
Prepaid Expenses (Increase)/Decrease	(4,504)	19,863
	(13,063)	23,682
(Increase)/Decrease in Net Debt	638,576	(2,729,970)
Net Debt at Beginning of Year	(25,145,605)	(22,415,635)
Adjustments Other than Tangible Cap. Assets	(34,967)	-
	(25,180,572)	(22,415,635)
Net Debt at End of Year	(24,541,996)	(25,145,605)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2016

	2016	2015
Operating Transactions		
Net Current Year Surplus (Deficit)	572,063	508,324
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	2,649,543	2,446,312
(Gain)/Loss on Disposal of Tangible Capital Assets	(13,259)	(23,938)
Employee Future Benefits Increase/(Decrease)	49,926	(44,581)
Due from Other Organizations (Increase)/Decrease	5,621	2,634,119
Accounts Receivable & Accrued Income (Increase)/Decrease	(730,138)	52,533
Inventories and Prepaid Expenses - (Increase)/Decrease	(13,063)	23,682
Due to Other Organizations Increase/(Decrease)	13,907	15,424
Accounts Payable & Accrued Liabilities Increase/(Decrease)	71,436	888,140
Deferred Revenue Increase/(Decrease)	330,504	495,822
School Generated Funds Liability Increase/(Decrease)	6,889	(21,841)
Adjustments Other than Tangible Cap. Assets	(34,967)	-
Cash Provided by (Applied to) Operating Transactions	2,908,462	6,973,996
Capital Transactions		
Acquisition of Tangible Capital Assets	(2,587,731)	(5,716,750)
Proceeds on Disposal of Tangible Capital Assets	31,023	32,400
Cash Provided by (Applied to) Capital Transactions	(2,556,708)	(5,684,350)
Investing Transactions		
Portfolio Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
Financing Transactions		
Borrowings from the Provincial Government Increase/(Decrease)	(356,363)	3,101,025
Other Borrowings Increase/(Decrease)	-	-
Cash Provided by (Applied to) Financing Transactions	(356,363)	3,101,025
Cash and Bank / Overdraft (Increase)/Decrease	(4,609)	4,390,671
Cash and Bank (Overdraft) at Beginning of Year	(2,509,233)	(6,899,904)
Cash and Bank (Overdraft) at End of Year	(2,513,842)	(2,509,233)

Lord Selkirk School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2016

	Buildings and Leasehold Improvements		School	Other	Furniture / Fixtures &	Computer Hardware &		Land	Assets Under	2016	2015
	School	Non-School	Buses	Vehicles	Equipment	Software *	Land	Improvements	Construction	TOTALS	TOTALS
Tangible Capital Asset Cost											
Opening Cost, as previously reported	53,310,957	5,703,320	5,763,201	223,501	2,715,376	1,343,237	480,378	2,562,630	389,116	72,491,716	67,348,866
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	53,310,957	5,703,320	5,763,201	223,501	2,715,376	1,343,237	480,378	2,562,630	389,116	72,491,716	67,348,866
Add: Additions during the year	1,174,044	69,347	553,634	56,133	193,051	362,430	-	-	179,092	2,587,731	5,716,750
Less: Disposals and write downs	-	-	524,020	13,538	89,078	-	-	-	-	626,636	573,900
Closing Cost	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
Accumulated Amortization											
Opening, as previously reported	26,061,085	2,533,555	3,244,381	152,523	2,069,776	613,129		1,760,114		36,434,563	34,553,689
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	26,061,085	2,533,555	3,244,381	152,523	2,069,776	613,129		1,760,114		36,434,563	34,553,689
Add: Current period Amortization	1,459,605	168,017	492,119	26,139	195,523	170,327		137,813		2,649,543	2,446,312
Less: Accumulated Amortization on Disposals and Writedowns	-	-	511,102	13,538	84,232	-		-		608,872	565,438
Closing Accumulated Amortization	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
Net Tangible Capital Asset	26,964,311	3,071,095	2,567,417	100,972	638,282	922,211	480,378	664,703	568,208	35,977,577	36,057,153
Proceeds from Disposal of Capital Assets	-	-	30,162	861	-	-				31,023	32,400

* 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 $9,554,000 by way of overdrafts and is repayable on demand at prime less .75% (1.95% as of June 30, 2016); interest is paid monthly. Overdrafts are secured by a borrowing by-law. As at June 30, 2016, the Division's operating line of credit utilized is $3,229,590.

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 $838,068 in 2016 ($791,993 in 2015).

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 $49,926 (expense of $44,581 in 2015).

Employee future benefits of $295,639 ($245,713 at June 30, 2015) 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, 2015	Additions in period	Revenue recognized in period	Balance as at June 30, 2016
Operating Fund				
Education Property Tax Credit (EPTC)	$ 468,137	$ 6,142,590	$ 5,853,681	$ 757,046
START	33,212	99,250	72,721	59,741
Breakfast Programs	3,522	10,850	12,090	2,282
International Students Program	140,596	169,354	184,101	125,849
Community Stadium	30,916	255	-	31,171
Other	104,289	351,930	302,343	153,876
	780,672	6,774,229	6,424,936	1,129,965
Capital Fund				
Capital Fund Donations	154,682	-	18,789	135,893
Total	$ 935,354	$ 6,774,229	$ 6,443,725	$ 1,265,858

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 $56,867 in 2016 ($49,978 in 2015).

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, except for the debenture debt on self-funded capital projects. The debentures carry interest rates that range from 3.0% to 7.375%. 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:

2017	$ 3,005,857
2018	2,964,369
2019	2,917,206
2020	2,878,983
2021	2,814,115
	$ 14,580,530

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:

	2016	2015
Operating Fund		
Designated Surplus	$ 276,000	$ 185,000
Undesignated Surplus	2,169,805	2,091,665
Non-vested Sick Leave	(295,639)	(245,713)
	2,150,166	2,030,952
Capital Fund		
Reserve Accounts	918,846	390,626
Equity in Tangible Capital Assets	8,099,779	8,216,333
	9,018,625	8,606,959
Special Purpose Fund		
School Generated Funds	363,179	356,963
Other Special Purpose Funds	-	-
	363,179	356,963
Total Accumulated Surplus	$ 11,531,970	$ 10,994,874

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 $276,000 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 2015 tax year and 60% from 2016 tax year. Below are the related revenue and receivable amounts:

	2016	2015
Revenue – Municipal Government – Property Tax	$ 21,409,178	$ 20,118,902
Receivable – Due from Municipal – Property Tax	$ 12,827,904	$ 12,051,205

11. Interest Received and Paid

The Division received interest during the year of $8,961 (previous year $10,460); interest paid during the year was $1,364,613 (previous year $1,344,437).

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

	2016	2015
Operating Fund		
Fiscal-short term loan, interest and bank charges	$ 57,272	$ 62,830
Capital Fund		
Debenture interest	1,307,341	1,281,607
	$ 1,364,613	$ 1,344,437

The accrual portion of debenture debt interest expense of $ 579,027 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 2016	Budget 2016	Actual 2015
Salaries	$ 42,929,049	$ 43,277,220	$ 41,968,394
Employees benefits and allowances	3,659,844	3,774,560	3,536,303
Services	4,280,494	4,224,900	4,292,203
Supplies, materials & minor equipment	3,835,422	3,661,615	3,467,004
Interest	1,364,613	40,000	1,344,437
Payroll tax	939,366	929,000	895,075
Amortization	2,649,543	-	2,446,312
Transfers	187,823	203,520	213,328
Other capital items	-	-	-
School generated funds	1,123,251	-	1,186,847
	$ 60,969,405	$ 56,110,815	$ 59,349,903

13. Special Purpose Fund Opening Accumulated Surplus

During the year, a standardized chart of accounts for all schools was used that resulted in the reclassification of controlled and uncontrolled accounts. This resulted in a $34,967 adjustment to special purpose fund opening accumulated surplus.

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 25, 2016

KPMG

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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, 2016, 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.

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, 2016, 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 25, 2016
Winnipeg, Canada

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

Original Document Signed

Chairperson of the Board

Date

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2016	2015
	Financial Assets		
	Cash and Bank	-	-
	Due from - Provincial Government	5,975,127	5,759,993
	- Federal Government	479,632	335,550
	- Municipal Government	37,379,813	32,807,088
	- Other School Divisions	27,389	64,419
	- First Nations	35,000	35,000
	Accounts Receivable	999,574	1,042,298
	Accrued Investment Income	-	-
	Portfolio Investments	-	-
		44,896,535	40,044,348
	Liabilities		
3	Overdraft	6,506,207	5,815,989
	Accounts Payable	15,440,289	13,179,913
	Accrued Liabilities	4,446,920	3,964,642
5	Employee Future Benefits	1,102,444	1,209,321
	Accrued Interest Payable	503,076	376,507
	Due to - Provincial Government	14,279	10,430
	- Federal Government	8,412	7,113
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
7	Deferred Revenue	10,895,140	10,232,798
9	Borrowings from the Provincial Government	38,075,316	25,308,232
15	Other Borrowings	269,579	65,150
	School Generated Funds Liability	500,222	740,233
		77,761,884	60,910,328
	Net Debt	(32,865,349)	(20,865,980)
	Non-Financial Assets		
10	Net Tangible Capital Assets (TCA Schedule)	62,893,187	48,616,903
	Inventories	49,561	56,218
	Prepaid Expenses	940,584	773,647
		63,883,332	49,446,768
11	**Accumulated Surplus**	31,017,983	28,580,788

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT
OF REVENUE, EXPENSES
AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes			2016	2015
	Revenue			
	Provincial Government		108,531,682	107,777,193
	Federal Government		244,684	245,179
	Municipal Government	- Property Tax	62,617,639	54,822,614
		- Other	-	-
	Other School Divisions		589,980	507,881
	First Nations		22,000	45,000
	Private Organizations and Individuals		4,307,309	3,657,523
	Other Sources		377,627	364,447
	School Generated Funds		2,300,857	2,304,168
	Other Special Purpose Funds		-	-
			178,991,778	169,724,005
	Expenses			
	Regular Instruction		94,039,323	89,001,043
	Student Support Services		34,372,657	32,699,393
	Adult Learning Centres		1,096,791	1,250,607
	Community Education and Services		1,522,347	1,250,893
	Divisional Administration		5,537,437	5,723,036
	Instructional and Other Support Services		7,793,960	7,151,188
	Transportation of Pupils		3,816,729	3,855,472
	Operations and Maintenance		18,011,606	17,389,519
13	Fiscal	- Interest	1,508,896	1,347,730
		- Other	2,790,711	2,672,200
	Amortization		3,995,796	3,814,447
	Other Capital Items		-	-
	School Generated Funds		2,175,207	2,442,392
	Other Special Purpose Funds		-	-
			176,661,460	168,597,920
	Current Year Surplus (Deficit) before Non-vested Sick Leave		2,330,318	1,126,085
	Less: Non-vested Sick Leave Expense (Recovery)		(106,877)	148,776
	Net Current Year Surplus (Deficit)		2,437,195	977,309
	Opening Accumulated Surplus		28,580,788	27,603,479
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	-
		Other than Tangible Cap. Assets	-	-
		Non-vested sick leave - prior years	-	-
	Opening Accumulated Surplus, as adjusted		28,580,788	27,603,479
	Closing Accumulated Surplus		31,017,983	28,580,788

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2016

	2016	2015
Net Current Year Surplus (Deficit)	2,437,195	977,309
Amortization of Tangible Capital Assets	3,995,796	3,814,447
Acquisition of Tangible Capital Assets	(18,337,568)	(8,045,090)
(Gain) / Loss on Disposal of Tangible Capital Assets	(14,012)	(15,247)
Proceeds on Disposal of Tangible Capital Assets	79,500	17,798
	(14,276,284)	(4,228,092)
Inventories (Increase)/Decrease	6,657	(4,386)
Prepaid Expenses (Increase)/Decrease	(166,937)	(155,968)
	(160,280)	(160,354)
(Increase)/Decrease in Net Debt	(11,999,369)	(3,411,137)
Net Debt at Beginning of Year	(20,865,980)	(17,454,843)
Adjustments Other than Tangible Cap. Assets	-	-
	(20,865,980)	(17,454,843)
Net Debt at End of Year	(32,865,349)	(20,865,980)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2016

	2016	2015
Operating Transactions		
Net Current Year Surplus (Deficit)	2,437,195	977,309
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	3,995,796	3,814,447
(Gain)/Loss on Disposal of Tangible Capital Assets	(14,012)	(15,247)
Employee Future Benefits Increase/(Decrease)	(106,877)	148,776
Due from Other Organizations (Increase)/Decrease	(4,894,911)	10,768,389
Accounts Receivable & Accrued Income (Increase)/Decrease	42,724	(155,473)
Inventories and Prepaid Expenses - (Increase)/Decrease	(160,280)	(160,354)
Due to Other Organizations Increase/(Decrease)	5,148	(15,040)
Accounts Payable & Accrued Liabilities Increase/(Decrease)	2,869,223	2,519,992
Deferred Revenue Increase/(Decrease)	662,342	9,064,082
School Generated Funds Liability Increase/(Decrease)	(240,011)	29,096
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by (Applied to) Operating Transactions	4,596,337	26,975,977
Capital Transactions		
Acquisition of Tangible Capital Assets	(18,337,568)	(8,045,090)
Proceeds on Disposal of Tangible Capital Assets	79,500	17,798
Cash Provided by (Applied to) Capital Transactions	(18,258,068)	(8,027,292)
Investing Transactions		
Portfolio Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
Financing Transactions		
Borrowings from the Provincial Government Increase/(Decrease)	12,767,084	3,000,310
Other Borrowings Increase/(Decrease)	204,429	(188,774)
Cash Provided by (Applied to) Financing Transactions	12,971,513	2,811,536
Cash and Bank / Overdraft (Increase)/Decrease	(690,218)	21,760,221
Cash and Bank (Overdraft) at Beginning of Year	(5,815,989)	(27,576,210)
Cash and Bank (Overdraft) at End of Year	(6,506,207)	(5,815,989)

Louis Riel School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2016

	Buildings and Leasehold Improvements		School	Other	Furniture / Fixtures &	Computer Hardware &		Land	Assets Under	2016	2015
	School	Non-School	Buses	Vehicles	Equipment	Software *	Land	Improvements	Construction	TOTALS	TOTALS
Tangible Capital Asset Cost											
Opening Cost, as previously reported	111,984,324	3,342,617	3,063,810	293,291	3,665,678	6,377,149	5,099,286	309,405	3,818,319	137,953,879	129,934,301
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	111,984,324	3,342,617	3,063,810	293,291	3,665,678	6,377,149	5,099,286	309,405	3,818,319	137,953,879	129,934,301
Add:											
Additions during the year	6,135,150	-	365,843	-	1,131,420	183,862	-	-	10,521,293	18,337,568	8,045,090
Less:											
Disposals and write downs	-		390,382	-	798,929		-		-	1,189,311	25,512
Closing Cost	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
Accumulated Amortization											
Opening, as previously reported	78,336,599	2,902,482	1,609,397	224,072	2,694,142	3,338,227		232,057		89,336,976	85,545,490
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	78,336,599	2,902,482	1,609,397	224,072	2,694,142	3,338,227		232,057		89,336,976	85,545,490
Add:											
Current period Amortization	2,603,805	80,024	223,936	19,183	450,792	587,115		30,941		3,995,796	3,814,447
Less:											
Accumulated Amortization on Disposals and Writedowns		-	324,894	-	798,929	-		-		1,123,823	22,961
Closing Accumulated Amortization	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
Net Tangible Capital Asset	37,179,070	360,111	1,530,832	50,036	1,652,164	2,635,669	5,099,286	46,407	14,339,612	62,893,187	48,616,903
Proceeds from Disposal of Capital Assets	-	-	67,500	-	12,000	-				79,500	17,798

* 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) 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, 2016 totaled $226,938 (2015 - $266,100).

Trust funds under Canadian generally accepted accounting principles established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants (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.

2. Significant accounting policies (continued):

(c) Basis of accounting:

The consolidated financial statements have been prepared by management in accordance with PSAB. 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.

(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.

2. Significant accounting policies (continued):

(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.

2. Significant accounting policies (continued):

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, 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.

(o) Future accounting pronouncements:

In March 2011, PSAB approved two new standards, Section PS 3450, Financial Instruments and Section PS 2601, Foreign Currency Translation, and related financial statement presentation changes to Financial Statement Presentation, Section PS 1200 and 1201. Both standards must be adopted in the same fiscal period. The new standards are effective for the fiscal years beginning on or after April 1, 2016.

The Division intends to adopt PS 3450 and PS 2601 in its financial statements for the annual period beginning July 1, 2016. The impact of the adoption of these standards is being evaluated and is not known or reasonably estimable at this time.

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, 2016 is a decrease of $106,877 (2015 - increase of $148,776). At June 30, 2016, the Division has recorded an estimated liability of $1,102,444 (2015 - $1,209,321) 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, 2015 - 4 percent) and a rate of salary increase of 2 percent (June 30, 2015 - 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 $2,358,365 for fiscal 2016 (2015 - $1,929,354).

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 May 2017, and is projected to cost approximately $25,000,000.

7. Deferred revenue:

	Balance, June 30, 2015	Additions in the year	Revenue recognized in the year	Balance, June 30, 2016
Education property tax credit	$ 8,670,197	$ 22,109,311	$ 21,940,355	$ 8,839,153
Other	1,562,601	3,427,129	2,933,743	2,055,987
	$ 10,232,798	$ 25,536,440	$ 24,874,098	$ 10,895,140

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, 2016, school funds held in the Special Purpose Fund totaled $1,853,792 (2015 - $2,057,800).

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:

	2016	2015
Parent council funds	$ 9,622	$ 48,121
Lunch/snack funds	142,110	151,836
Students council funds	2,083	(591)
Graduation funds	6,407	85,920
Activity/sports fees	101,675	136,414
Other	222,642	289,640
Travel club funds	15,683	28,893
	$ $500,222	$ 740,233

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 2017 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 3.00 percent to 8.38 percent. The debenture principal and interest repayments in the next five years and thereafter are:

	Principal	Interest	Total
2017	$ 2,332,781	$ 1,676,552	$ 4,009,333
2018	2,440,041	1,555,410	3,995,451
2019	2,464,542	1,428,608	3,893,150
2020	2,534,412	1,301,460	3,835,872
2021	2,357,702	1,170,761	3,528,463
Thereafter	25,945,838	7,390,334	33,336,172
	$ 38,075,316	$ 14,523,125	$ 52,598,441

During 2016, the Division had submitted claims for capital projects to the Public Schools Finance Branch totaling $14,576,300 (2015 - $4,954,100) and received debenture proceeds of this amount in 2016.

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	$ 154,333,289	$ 91,751,921	$ 62,581,368
Capital lease	768,847	457,028	311,819
	$ 155,102,136	$ 92,208,949	$ 62,893,187

11. Accumulated surplus:

The consolidated accumulated surplus is comprised of the following:

Operating Fund:	
Designated surplus	$ 618,559
Undesignated surplus	5,769,664
Non-vested sick leave to date	(1,102,444)
	5,285,779
Capital Fund:	
Reserve accounts	7,675,898
Equity in tangible capital assets	17,193,405
	24,869,303
Special purpose Fund:	
School generated funds	862,901
Total accumulated surplus	$ 31,017,983

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	$ 277,146
Board approved appreciation by motion	303,908
K-3 Class Size Initiative - furnishings, supplies, and minor equipment	37,505
Designated surplus	$ 618,559

11. Accumulated surplus (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 consolidated financial statements.

Bus reserves	$ 1,605,283
Other reserves	6,070,615
Capital reserve	$ 7,675,898

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 student residents 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 2015 tax year and 60 percent from 2016 tax year. Below are the related revenue and receivable amounts:

	2016	2015
Revenue - Municipal Government - property tax	$ 62,617,639	$ 54,822,614
Receivable - due from Municipal Government- property tax	37,379,813	32,807,088

13. Interest received and paid:

The Division received interest during the year of $77,972 (2015 - $97,540); interest paid during the year was $1,508,903 (2015 - $1,346,970).

Interest paid during the year (included in "Fiscal" on pages 7, 11 and 22) is comprised of the following:

	2016	2015
Operating Fund:		
Interest and bank charges	$ 137,291	$ 138,196
Capital Fund:		
Debenture debt interest	1,363,592	1,204,330
Other interest	8,020	4,444
	$ 1,508,903	$ 1,346,970

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 in the last year of the lease is as follows:

	Principal	Interest	Total
2017	$ 88,305	$ 4,718	$ 93,023
2018	89,851	3,172	93,023
2019	91,423	1,600	93,023
	$ 269,579	$ 9,490	$ 279,069

MANAGEMENT REPORT

Management's Responsibility for the Financial Statements

The accompanying consolidated financial statements of Manitoba Institute of Trade and Technology are the responsibility of the Institute'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 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. Institutes 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 Governing Board of the Institute 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 Grant Thornton independent external auditors appointed by the Board. The accompanying Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Institute's consolidated financial statements.

Original Document Signed	Original Document Signed
Chairperson	Secretary-Treasurer

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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, 2016, 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, 2016, 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
Chartered Professional Accountants

Winnipeg, Manitoba
October 25, 2016

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

Oct. 25, 2016
Date

Manitoba Institute of Trades and Technology

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2016	2015
	Financial Assets		
	Cash and Bank	1,890,066	2,842,823
	Due from - Provincial Government	440,888	419,044
	- Federal Government	1,393,721	1,078,895
	- Municipal Government	-	-
	- Other School Divisions	27,118	158,310
	- First Nations	-	-
	Accounts Receivable	2,404,641	979,016
	Accrued Investment Income	-	-
*	Portfolio Investments	4,284,403	4,151,199
		10,440,837	9,629,287
	Liabilities		
	Overdraft	-	-
	Accounts Payable	1,457,442	1,083,335
	Accrued Liabilities	403,235	894,090
*	Employee Future Benefits	432,756	471,007
	Accrued Interest Payable	29,470	33,221
	Due to - Provincial Government	111	3,602
	- Federal Government	37,688	-
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
*	Deferred Revenue	7,041,524	4,958,632
*	Borrowings from the Provincial Government	3,712,093	3,968,517
*	Other Borrowings	190,099	136,850
	School Generated Funds Liability	-	-
		13,304,418	11,549,254
	Net Debt	(2,863,581)	(1,919,967)
	Non-Financial Assets		
*	Net Tangible Capital Assets (TCA Schedule)	11,696,527	10,757,252
	Inventories	-	-
	Prepaid Expenses	320,079	266,189
		12,016,606	11,023,441
*	**Accumulated Surplus**	9,153,025	9,103,474

See accompanying notes to the Financial Statements

Manitoba Institute of Trades and Technology

CONSOLIDATED STATEMENT
OF REVENUE, EXPENSES
AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes			2016	2015
	Revenue			
	Provincial Government		9,733,119	9,092,950
	Federal Government		4,646,934	5,021,559
	Municipal Government	- Property Tax	-	-
		- Other	-	-
	Other School Divisions		1,330,448	1,454,603
	First Nations		-	-
	Private Organizations and Individuals		12,068,377	9,642,791
	Other Sources		339,392	189,015
	School Generated Funds		-	-
	Other Special Purpose Funds		75,427	59,200
			28,193,697	25,460,118
	Expenses			
	Regular Instruction		5,454,291	5,182,885
	Student Support Services		542,955	532,308
	Adult Learning Centres		3,220,285	3,205,730
	Community Education and Services		9,586,263	7,648,807
	Divisional Administration		4,211,152	3,176,678
	Instructional and Other Support Services		374,934	250,937
	Transportation of Pupils		-	-
	Operations and Maintenance		3,053,699	2,448,477
*	Fiscal	- Interest	298,376	299,229
		- Other	350,489	179,106
	Amortization		1,012,451	812,789
	Other Capital Items		-	-
	School Generated Funds		-	-
	Other Special Purpose Funds		39,251	10,676
			28,144,146	23,747,622
	Current Year Surplus (Deficit) before Non-vested Sick Leave		49,551	1,712,496
	Less: Non-vested Sick Leave Expense (Recovery)		0	26,051
	Net Current Year Surplus (Deficit)		49,551	1,686,445
	Opening Accumulated Surplus		9,103,474	7,417,029
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	-
		Other than Tangible Cap. Assets	-	-
		Non-vested sick leave - prior years	-	-
	Opening Accumulated Surplus, as adjusted		9,103,474	7,417,029
	Closing Accumulated Surplus		9,153,025	9,103,474

See accompanying notes to the Financial Statements

* NOTE REQUIRED

Manitoba Institute of Trades and Technology

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2016

	2016	2015
Net Current Year Surplus (Deficit)	49,551	1,686,445
Amortization of Tangible Capital Assets	1,012,451	812,789
Acquisition of Tangible Capital Assets	(1,951,726)	(2,138,532)
(Gain) / Loss on Disposal of Tangible Capital Assets	-	-
Proceeds on Disposal of Tangible Capital Assets	-	-
	(939,275)	(1,325,743)
Inventories (Increase)/Decrease	-	-
Prepaid Expenses (Increase)/Decrease	(53,890)	(12,222)
	(53,890)	(12,222)
(Increase)/Decrease in Net Debt	(943,614)	348,480
Net Debt at Beginning of Year	(1,919,967)	(2,268,447)
Adjustments Other than Tangible Cap. Assets	-	-
	(1,919,967)	(2,268,447)
Net Debt at End of Year	(2,863,581)	(1,919,967)

Manitoba Institute of Trades and Technology

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2016

	2016	2015
Operating Transactions		
Net Current Year Surplus (Deficit)	49,551	1,686,445
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	1,012,451	812,789
(Gain)/Loss on Disposal of Tangible Capital Assets	-	-
Employee Future Benefits Increase/(Decrease)	(38,251)	(221,485)
Due from Other Organizations (Increase)/Decrease	(205,478)	24,337
Accounts Receivable & Accrued Income (Increase)/Decrease	(1,425,625)	(204,597)
Inventories and Prepaid Expenses - (Increase)/Decrease	(53,890)	(12,222)
Due to Other Organizations Increase/(Decrease)	34,197	(177,548)
Accounts Payable & Accrued Liabilities Increase/(Decrease)	(120,499)	(6,215)
Deferred Revenue Increase/(Decrease)	2,082,892	1,954,040
School Generated Funds Liability Increase/(Decrease)	-	-
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by (Applied to) Operating Transactions	1,335,348	3,855,544
Capital Transactions		
Acquisition of Tangible Capital Assets	(1,951,726)	(2,138,532)
Proceeds on Disposal of Tangible Capital Assets	-	-
Cash Provided by (Applied to) Capital Transactions	(1,951,726)	(2,138,532)
Investing Transactions		
Portfolio Investments (Increase)/Decrease	(133,204)	(82,199)
Cash Provided by (Applied to) Investing Transactions	(133,204)	(82,199)
Financing Transactions		
Borrowings from the Provincial Government Increase/(Decrease)	(256,424)	(244,078)
Other Borrowings Increase/(Decrease)	53,249	119,369
Cash Provided by (Applied to) Financing Transactions	(203,175)	(124,709)
Cash and Bank / Overdraft (Increase)/Decrease	(952,757)	1,510,104
Cash and Bank (Overdraft) at Beginning of Year	2,842,823	1,332,719
Cash and Bank (Overdraft) at End of Year	1,890,066	2,842,823

Manitoba Institute of Trades and Technology

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2016

	Buildings and Leasehold Improvements		School	Other	Furniture / Fixtures &	Computer Hardware &		Land	Assets Under	2016	2015
	School	Non-School	Buses	Vehicles	Equipment	Software *	Land	Improvements	Construction	TOTALS	TOTALS
Tangible Capital Asset Cost											
Opening Cost, as previously reported	13,870,305	-	-	16,356	1,548,006	1,401,296	899,310	-	815,004	18,550,277	16,411,745
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	13,870,305	-	-	16,356	1,548,006	1,401,296	899,310	-	815,004	18,550,277	16,411,745
Add: Additions during the year	1,418,796	-	-	-	56,382	141,286	-	-	335,262	1,951,726	2,138,532
Less: Disposals and write downs	-	-	-	-	-	-	-	-	-	-	-
Closing Cost	15,289,101	-	-	16,356	1,604,388	1,542,582	899,310	-	1,150,266	20,502,003	18,550,277
Accumulated Amortization											
Opening, as previously reported	6,799,418	-	-	16,356	466,534	510,717		-		7,793,025	6,980,236
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	6,799,418	-	-	16,356	466,534	510,717		-		7,793,025	6,980,236
Add: Current period Amortization	583,853	-	-	-	162,053	266,545		-		1,012,451	812,789
Less: Accumulated Amortization on Disposals and Writedowns	-	-	-	-	-	-		-		-	-
Closing Accumulated Amortization	7,383,271	-	-	16,356	628,587	777,262		-		8,805,476	7,793,025
Net Tangible Capital Asset	7,905,830	-	-	-	975,801	765,320	899,310	-	1,150,266	11,696,527	10,757,252
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 $987,193 (previous year $956,843) 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 Canadian Institute of Chartered Accountants (CICA).

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 WTC 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 9% to a high of 11.65% 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 2015-2016 is $9,756 (previous year $26,051). This is not material to the financial statements and has not been recorded.

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
2017	269,411	173,396	442,807
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
	$ 1,232,995	$ 770,127	$ 2,003,122

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	2016 Net Book Value	2015 Net Book Value
Owned-tangible capital assets	$ 20,178,811	$ 8,749,727	$ 11,429,084	$ 10,588,997
Capital lease	323,192	55,749	267,443	168,255
	$ 20,502,003	$ 8,805,476	$ 11,696,527	$ 10,757,252

8. Accumulated surplus

The consolidated accumulated surplus is comprised of the following:

	2016	2015
Operating Fund		
Designated Surplus	$ 2,142,633	$ 2,135,758
Non-vested Sick Leave	(34,093)	(34,093)
Undesignated Surplus	174,909	6,875
	2,283,449	2,108,540
Capital Fund		
Reserve Accounts	-	563,315
Equity in Tangible Capital Assets	6,735,818	6,376,612
	6,735,818	6,939,927
Special Purpose Fund		
School Generated Funds	-	-
Other Special Purpose Funds	91,183	55,007
	91,183	55,007
Total Accumulated Surplus	$ 9,110,450	$ 9,103,474

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.

	2016	2015
Board approved appropriation by motion	$ 2,142,633	$ 2,135,758
School budget carryovers by board policy	-	-
Designated surplus	$ 2,142,633	$ 2,135,758

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

	2016	2015
Foundation-Scholarship	$ 91,183	$ 55,007
Other Special Purpose Funds	$ 91,183	$ 55,007

9. Interest received and paid

The Institute received interest during the year of $104,256 (previous year $116,833); interest paid during the year was $298,376 (previous year $299,229).

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

	2016	2015
Operating Fund		
Fiscal-short term loan, interest and bank charges	$ 100,929	$ 90,226
Capital Fund		
Debenture debt interest	184,514	196,934
Other interest	12,933	12,069
	$ 298,376	$ 299,229

The accrual portion of debenture debt interest expense of $29,470 (previous year $33,221) 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 2016	Budget 2016	Actual 2015
Salaries	$ 15,556,778	$ 13,217,080	$ 13,258,908
Employees benefits & allowances	1,540058	1,463,321	1,324,758
Services	6,329,171	7,995,289	5,142,157
Supplies, materials & minor equipment	2,635,117	2,447,820	2,301,280
Interest	100,929	57,000	90,226
Bad debts	518	-	45,090
Payroll tax	349,971	149,612	134,016
Amortization	1,012,451	-	812,789
Other capital items	197,447	-	209,003
School generated funds	-	-	-
Other special purpose funds	39,251	-	10,676
Transfers	382,455	746,112	418,719
	$ 28,144,146	$ 26,076,234	$ 23,747,622

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:

2017	$ 1,487,621
2018	1,344,299
2019	1,258,612
2020	1,153,522
2021	1,141,248
	$ 6,385,302

12. 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.

13. Other borrowings

The Institute has a capital lease obligation for IT infrastructure bearing an interest rates ranging from 4.18 to 7.45% and with a lease term ending between August and September 2018. Under the term of the lease agreement, principal payments in each of the next three years are as follows:

2017	$ 82,837
2018	88,103
2019	19,157
	$ 190,097

12. Portfolio investments

Portfolio investments include guaranteed investment certificates, and a savings account bearing interest at 1.45%. The guaranteed investment certificates mature at various dates from April to November 2017. These investments bear interest that range from 1.95% to 2.10%.

	2016	2015
Steinbach Credit Union – Savings account	$ 1,304,547	$ 1,285,296
North Winnipeg Credit Union – GIC	2,924,597	2,865,903
	$ 4,229,144	$ 4,151,199

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 11, 2016

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, 2016, 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, 2016 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 11, 2016

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 11/16
Date

MNP

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2016	2015
	Financial Assets		
	Cash and Bank	-	-
	Due from - Provincial Government	1,435,473	1,364,363
	- Federal Government	104,210	59,150
	- Municipal Government	6,628,327	6,331,655
	- Other School Divisions	29,498	109,008
	- First Nations	188,093	40,696
	Accounts Receivable	69,033	150,018
	Accrued Investment Income	-	-
4	Portfolio Investments	25,194	39,567
		8,479,828	8,094,457
	Liabilities		
5	Overdraft	5,194,629	3,580,643
	Accounts Payable	1,904,632	2,502,718
	Accrued Liabilities	2,451,737	2,108,104
6	Employee Future Benefits	564,168	448,370
	Accrued Interest Payable	464,893	359,203
	Due to - Provincial Government	-	-
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
7	Deferred Revenue	701,603	139,059
9	Borrowings from the Provincial Government	23,353,561	16,799,903
10	Other Borrowings	3,546,134	3,957,472
	School Generated Funds Liability	20,001	30,165
		38,201,358	29,925,637
	Net Debt	(29,721,530)	(21,831,180)
	Non-Financial Assets		
11	Net Tangible Capital Assets (TCA Schedule)	32,628,601	24,518,752
	Inventories	381,532	415,314
	Prepaid Expenses	1,649,228	1,789,947
		34,659,361	26,724,013
12	**Accumulated Surplus**	4,937,831	4,892,833

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes			2016	2015
	Revenue			
	Provincial Government		29,376,830	28,769,998
	Federal Government		-	20,245
	Municipal Government	- Property Tax	11,037,624	10,431,053
		- Other	-	-
	Other School Divisions		534,653	433,820
	First Nations		985,853	867,615
	Private Organizations and Individuals		576,653	678,061
	Other Sources		102,974	269,311
	School Generated Funds		663,063	912,566
	Other Special Purpose Funds		-	-
			43,277,650	42,382,669
	Expenses			
	Regular Instruction		22,618,544	21,957,752
	Student Support Services		5,483,772	5,313,020
	Adult Learning Centres		-	-
	Community Education and Services		100,909	102,146
	Divisional Administration		1,453,809	1,362,464
	Instructional and Other Support Services		1,256,424	1,198,921
	Transportation of Pupils		3,002,080	3,258,166
	Operations and Maintenance		5,004,841	4,971,667
14	Fiscal	- Interest	1,059,825	979,184
		- Other	603,650	592,834
	Amortization		1,894,204	1,613,551
	Other Capital Items		-	-
	School Generated Funds		675,503	847,367
	Other Special Purpose Funds		-	-
			43,153,561	42,197,072
	Current Year Surplus (Deficit) before Non-vested Sick Leave		124,089	185,597
	Less: Non-vested Sick Leave Expense (Recovery)		79,091	28,591
	Net Current Year Surplus (Deficit)		44,998	157,006
	Opening Accumulated Surplus		4,892,833	4,735,827
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	-
		Other than Tangible Cap. Assets	-	-
		Non-vested sick leave - prior years	-	-
	Opening Accumulated Surplus, as adjusted		4,892,833	4,735,827
	Closing Accumulated Surplus		4,937,831	4,892,833

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2016

	2016	2015
Net Current Year Surplus (Deficit)	44,998	157,006
Amortization of Tangible Capital Assets	1,894,204	1,613,551
Acquisition of Tangible Capital Assets	(10,004,053)	(3,018,774)
(Gain) / Loss on Disposal of Tangible Capital Assets	(2,964)	(22,558)
Proceeds on Disposal of Tangible Capital Assets	2,964	33,505
	(8,109,849)	(1,394,276)
Inventories (Increase)/Decrease	33,782	126,358
Prepaid Expenses (Increase)/Decrease	140,719	333,402
	174,501	459,760
(Increase)/Decrease in Net Debt	(7,890,350)	(777,510)
Net Debt at Beginning of Year	(21,831,180)	(21,053,670)
Adjustments Other than Tangible Cap. Assets	-	-
	(21,831,180)	(21,053,670)
Net Debt at End of Year	(29,721,530)	(21,831,180)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2016

	2016	2015
Operating Transactions		
Net Current Year Surplus (Deficit)	44,998	157,006
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	1,894,204	1,613,551
(Gain)/Loss on Disposal of Tangible Capital Assets	(2,964)	(22,558)
Employee Future Benefits Increase/(Decrease)	115,798	35,890
Due from Other Organizations (Increase)/Decrease	(480,729)	1,937,937
Accounts Receivable & Accrued Income (Increase)/Decrease	80,985	(22,520)
Inventories and Prepaid Expenses - (Increase)/Decrease	174,501	459,760
Due to Other Organizations Increase/(Decrease)	-	-
Accounts Payable & Accrued Liabilities Increase/(Decrease)	(148,763)	1,087,787
Deferred Revenue Increase/(Decrease)	562,544	49,580
School Generated Funds Liability Increase/(Decrease)	(10,164)	24,387
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by (Applied to) Operating Transactions	2,230,410	5,320,820
Capital Transactions		
Acquisition of Tangible Capital Assets	(10,004,053)	(3,018,774)
Proceeds on Disposal of Tangible Capital Assets	2,964	33,505
Cash Provided by (Applied to) Capital Transactions	(10,001,089)	(2,985,269)
Investing Transactions		
Portfolio Investments (Increase)/Decrease	14,373	(18)
Cash Provided by (Applied to) Investing Transactions	14,373	(18)
Financing Transactions		
Borrowings from the Provincial Government Increase/(Decrease)	6,553,658	(136,650)
Other Borrowings Increase/(Decrease)	(411,338)	2,087,484
Cash Provided by (Applied to) Financing Transactions	6,142,320	1,950,834
Cash and Bank / Overdraft (Increase)/Decrease	(1,613,986)	4,286,367
Cash and Bank (Overdraft) at Beginning of Year	(3,580,643)	(7,867,010)
Cash and Bank (Overdraft) at End of Year	(5,194,629)	(3,580,643)

Mountain View School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2016

	Buildings and Leasehold Improvements		School	Other	Furniture / Fixtures &	Computer Hardware &		Land	Assets Under	2016	2015
	School	Non-School	Buses	Vehicles	Equipment	Software *	Land	Improvements	Construction	TOTALS	TOTALS
Tangible Capital Asset Cost											
Opening Cost, as previously reported	44,630,608	4,900,466	5,483,139	555,162	2,434,620	347,103	570,392	276,659	1,314,476	60,512,625	58,058,748
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	44,630,608	4,900,466	5,483,139	555,162	2,434,620	347,103	570,392	276,659	1,314,476	60,512,625	58,058,748
Add: Additions during the year	2,783,881	9,384	438,113	66,666	238,506	-	-	-	6,467,503	10,004,053	3,018,774
Less: Disposals and write downs	-	-	-	5,469	-	-	-	-	-	5,469	564,897
Closing Cost	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
Accumulated Amortization											
Opening, as previously reported	28,093,209	1,286,097	3,583,689	379,904	2,266,281	281,936		102,757		35,993,873	34,934,272
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	28,093,209	1,286,097	3,583,689	379,904	2,266,281	281,936		102,757		35,993,873	34,934,272
Add: Current period Amortization	1,036,326	320,296	376,343	65,002	45,004	26,067		25,166		1,894,204	1,613,551
Less: Accumulated Amortization on Disposals and Writedowns	-	-	-	5,469	-	-		-		5,469	553,950
Closing Accumulated Amortization	29,129,535	1,606,393	3,960,032	439,437	2,311,285	308,003		127,923		37,882,608	35,993,873
Net Tangible Capital Asset	18,284,954	3,303,457	1,961,220	176,922	361,841	39,100	570,392	148,736	7,781,979	32,628,601	24,518,752
Proceeds from Disposal of Capital Assets	-	-	-	2,964	-	-				2,964	33,505

* Includes network infrastructure.

MOUNTAIN VIEW SCHOOL DIVISION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2016

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 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.

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 2015-2016 is an increase of the liability in the amount of $79,091.

	Type of Plan		2016
Employee Future Benefit Liabilities (EFBL)			
Vacation accrual	defined contribution		$ 264,981
Non-vested sick leave	defined benefits		299,187
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			$ 564,168
Employee future benefit expense (EFB)			$ 115,798

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, 2015	Additions in the period	Revenue recognized in the period	Balance as at June 30, 2016
Property Tax Credit	30,790	477,920	30,790	477,920
International Education Revenue	12,270	57,532	12,270	57,532
Playground donations	95,999	84,925	14,773	166,151
	$ 139,059	$ 620,377	$ 57,833	$ 701,603

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 $20,001.

	2016
Parent council funds	$ -
Other parent group funds	-
Students council funds	20,001
Travel club funds	-
	$ 20,001

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, 2016 covers a period of twelve months from April 1, 2015 to March 31, 2016.

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 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 3.375% to 9.375%. The debenture principal and interest repayments in the next five years are:

	Principal	Interest	Total
2017	1,298,146	1,020,014	$ 2,318,160
2018	1,361,290	956,869	2,318,159
2019	1,410,530	890,470	2,301,000
2020	1,448,742	821,743	2,270,485
2021	1,421,547	751,366	2,172,913
	$ 6,940,255	$ 4,440,462	$ 11,380,717

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%.

		2015		2016
Connectivity Loan	$	1,649,980	$	1,429,972
Telecom/Fire alarm	$	2,307,492	$	2,116,162
	$	3,957,472	$	3,546,134

Future payments

		Principal
2017	$	415,528
2018	$	419,375
2019	$	423,298
2020	$	427,297
2021	$	431,376
Until Maturity	$	1,429,260
	$	3,546,134

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	2016 Net Book Value
Owned-tangible capital assets	$ 70,511,209	$ 37,882,608	$ 32,628,601
Capital lease		-	-
	$ 70,511,209	$ 37,882,608	$ 32,628,601

12. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2016
Operating Fund	
Designated Surplus	-
Undesignated Surplus	1,418,374
Non-vested sick leave	(299,187)
	1,119,187
Capital Fund	
Reserve Accounts	361,857
Equity in Tangible Capital Assets	3,031,189
	3,393,046
Special Purpose Fund	
School Generated Funds	425,598
Other Special Purpose Funds	-
	425,598
Total Accumulated Surplus	$ 4,937,831

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.

	2016
Bus reserves	126,857
Other reserves	235,000
Capital Reserve	$ 361,857

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 2015 tax year and 60% from 2016 tax year. Below are the related revenue and receivable amounts:

	2015	2016
Revenue-Municipal Government-Property Tax	$ 10,431,053	$ 11,037,624
Receivable-Due from Municipal-Property Tax	$ 6,331,655	$ 6,628,327

14. Interest Received and Paid

The Division received interest during the year of $876 (previous year $1,123); interest paid during the year was $1,059,825 (previous year $979,184).

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

	2016
Operating Fund	
Fiscal-short term loan, interest and bank charges	$ 82,270
Interest on long-term debt	30,182
Capital Fund	
Debenture debt interest	903,956
Other interest	43,417
	$ 1,059,825

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 2016	Budget 2016	Actual 2015
Salaries	$ 28,705,751	$ 28,713,578	$ 28,024,672
Employees benefits & allowances	2,852,791	3,010,626	2,716,597
Services	3,859,748	3,662,751	3,887,452
Supplies, materials & minor equipment	3,496,754	3,779,081	3,532,514
Interest	1,059,825	120,000	979,184
Bad debts		-	-
Payroll tax and transfers	608,985	608,535	595,735
Amortization	1,894,204	-	1,613,551
Other capital items		-	-
School generated funds	675,503	-	847,367
Other special purpose funds	-	-	-
	$ 43,153,561	$ 39,894,571	$ 42,197,072

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, 2015, 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)

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 generally accepted accounting standards 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 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 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	Original Document Signed
Chairperson	Secretary – Treasurer

November 22, 2016

KENDALL & PANDYA

Chartered Accountants

300-31 Main St., P.O. Box 175, Flin Flon, MB R8A 1M7 (204) 687-8211 Fax 687-2957
118 Cree Road, Thompson, MB R8N 0C1 (204) 778-7312 Fax 778-7919

Partners.... David Kendall, FCA *
Manisha Pandya, 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, 2016, 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 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 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 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, 2016, 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 22, 2016 — **DATE**

Kendall & Pandya — **CHARTERED 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. 22, 2016 — **DATE**

Original Document Signed — **CHAIRPERSON**

Mystery Lake School District

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2016	2015
	Financial Assets		
	Cash and Bank	211,767	4,512,409
	Due from - Provincial Government	2,192,377	2,164,990
	- Federal Government	145,024	52,409
	- Municipal Government	5,260,748	4,575,193
	- Other School Divisions	-	-
	- First Nations	40,487	20,108
	Accounts Receivable	71,761	67,229
	Accrued Investment Income	21,500	13,342
4	Portfolio Investments	4,076,082	2,050,451
		12,019,746	13,456,131
	Liabilities		
	Overdraft	-	-
	Accounts Payable	381,602	382,791
	Accrued Liabilities	6,225,085	6,294,412
5	Employee Future Benefits	4,561,249	2,539,461
	Accrued Interest Payable	71,463	82,523
	Due to - Provincial Government	2,730	2,735
	- Federal Government	244	192
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
6	Deferred Revenue	405,004	425,428
8	Borrowings from the Provincial Government	7,257,909	7,168,193
	Other Borrowings	-	-
7	School Generated Funds Liability	240,976	182,139
		19,146,262	17,077,874
	Net Debt	(7,126,516)	(3,621,743)
	Non-Financial Assets		
9	Net Tangible Capital Assets (TCA Schedule)	16,231,308	13,995,589
	Inventories	90,515	90,828
	Prepaid Expenses	69,506	59,312
		16,391,329	14,145,729
11	**Accumulated Surplus**	9,264,813	10,523,986

See accompanying notes to the Financial Statements

Mystery Lake School District

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes			2016	2015
	Revenue			
	Provincial Government		32,553,883	31,490,545
	Federal Government		28,296	8,067
	Municipal Government	- Property Tax	6,660,510	5,919,632
		- Other	1,704,337	1,709,154
	Other School Divisions		158,032	184,785
	First Nations		417,172	383,575
	Private Organizations and Individuals		176,896	214,563
	Other Sources		230,059	280,705
	School Generated Funds		294,853	341,889
	Other Special Purpose Funds		-	-
			42,224,038	40,532,915
	Expenses			
	Regular Instruction		24,077,613	21,695,312
	Student Support Services		8,491,077	8,014,466
	Adult Learning Centres		-	-
	Community Education and Services		-	45,416
	Divisional Administration		1,957,923	1,882,636
	Instructional and Other Support Services		1,860,933	1,720,044
	Transportation of Pupils		245,478	243,044
	Operations and Maintenance		4,700,861	4,794,510
13	Fiscal	- Interest	291,921	297,859
		- Other	678,303	652,299
	Amortization		868,972	850,560
	Other Capital Items		-	-
	School Generated Funds		287,727	339,209
	Other Special Purpose Funds		-	-
			43,460,808	40,535,355
	Current Year Surplus (Deficit) before Non-vested Sick Leave		(1,236,770)	(2,440)
	Less: Non-vested Sick Leave Expense (Recovery)		22,403	25,989
	Net Current Year Surplus (Deficit)		(1,259,173)	(28,429)
	Opening Accumulated Surplus		10,523,986	10,552,415
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	-
		Other than Tangible Cap. Assets	-	-
		Non-vested sick leave - prior years	-	-
	Opening Accumulated Surplus, as adjusted		10,523,986	10,552,415
	Closing Accumulated Surplus		9,264,813	10,523,986

See accompanying notes to the Financial Statements

Mystery Lake School District

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2016

	2016	2015
Net Current Year Surplus (Deficit)	(1,259,173)	(28,429)
Amortization of Tangible Capital Assets	868,972	850,560
Acquisition of Tangible Capital Assets	(3,104,691)	(1,433,357)
(Gain) / Loss on Disposal of Tangible Capital Assets	-	(19,000)
Proceeds on Disposal of Tangible Capital Assets	-	19,000
	(2,235,719)	(582,797)
Inventories (Increase)/Decrease	313	6,327
Prepaid Expenses (Increase)/Decrease	(10,194)	(14,762)
	(9,881)	(8,435)
(Increase)/Decrease in Net Debt	(3,504,773)	(619,661)
Net Debt at Beginning of Year	(3,621,743)	(3,002,082)
Adjustments Other than Tangible Cap. Assets	-	-
	(3,621,743)	(3,002,082)
Net Debt at End of Year	(7,126,516)	(3,621,743)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2016

	2016	2015
Operating Transactions		
Net Current Year Surplus (Deficit)	(1,259,173)	(28,429)
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	868,972	850,560
(Gain)/Loss on Disposal of Tangible Capital Assets	-	(19,000)
Employee Future Benefits Increase/(Decrease)	2,021,788	(25,200)
Due from Other Organizations (Increase)/Decrease	(825,936)	128,348
Accounts Receivable & Accrued Income (Increase)/Decrease	(12,690)	(33,193)
Inventories and Prepaid Expenses - (Increase)/Decrease	(9,881)	(8,435)
Due to Other Organizations Increase/(Decrease)	47	319
Accounts Payable & Accrued Liabilities Increase/(Decrease)	(81,576)	329,973
Deferred Revenue Increase/(Decrease)	(20,424)	(69,328)
School Generated Funds Liability Increase/(Decrease)	58,837	(30,092)
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by (Applied to) Operating Transactions	739,964	1,095,523
Capital Transactions		
Acquisition of Tangible Capital Assets	(3,104,691)	(1,433,357)
Proceeds on Disposal of Tangible Capital Assets	-	19,000
Cash Provided by (Applied to) Capital Transactions	(3,104,691)	(1,414,357)
Investing Transactions		
Portfolio Investments (Increase)/Decrease	(2,025,631)	1,974,549
Cash Provided by (Applied to) Investing Transactions	(2,025,631)	1,974,549
Financing Transactions		
Borrowings from the Provincial Government Increase/(Decrease)	89,716	(60,260)
Other Borrowings Increase/(Decrease)	-	-
Cash Provided by (Applied to) Financing Transactions	89,716	(60,260)
Cash and Bank / Overdraft (Increase)/Decrease	(4,300,642)	1,595,455
Cash and Bank (Overdraft) at Beginning of Year	4,512,409	2,916,954
Cash and Bank (Overdraft) at End of Year	211,767	4,512,409

Mystery Lake School District

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2016

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	2016 TOTALS	2015 TOTALS
	School	Non-School									
Tangible Capital Asset Cost											
Opening Cost, as previously reported	31,010,578	3,114,568	-	274,513	1,505,550	580,838	2,914,272	227,891	243,347	39,871,557	38,491,385
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	31,010,578	3,114,568	-	274,513	1,505,550	580,838	2,914,272	227,891	243,347	39,871,557	38,491,385
Add: Additions during the year	383,227	-	-	32,539	25,000	6,105	-	146,763	2,511,057	3,104,691	1,433,357
Less: Disposals and write downs	-	-	-	-	-	-	-	-	-	-	53,185
Closing Cost	31,393,805	3,114,568	-	307,052	1,530,550	586,943	2,914,272	374,654	2,754,404	42,976,248	39,871,557
Accumulated Amortization											
Opening, as previously reported	22,307,645	1,738,651	-	265,447	1,131,750	399,041		33,434		25,875,968	25,078,593
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	22,307,645	1,738,651	-	265,447	1,131,750	399,041		33,434		25,875,968	25,078,593
Add: Current period Amortization	613,844	71,318	-	5,465	96,320	51,898		30,127		868,972	850,560
Less: Accumulated Amortization on Disposals and Writedowns	-	-	-	-	-	-		-		-	53,185
Closing Accumulated Amortization	22,921,489	1,809,969	-	270,912	1,228,070	450,939		63,561		26,744,940	25,875,968
Net Tangible Capital Asset	8,472,316	1,304,599	-	36,140	302,480	136,004	2,914,272	311,093	2,754,404	16,231,308	13,995,589
Proceeds from Disposal of Capital Assets	-	-	-	-	-	-				-	19,000

* Includes network infrastructure.

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 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 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 2016 was $300,226 (2015 - $283,656). The District contributed $639,443 for 2016 (2015 - $623,195)

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, 2016. 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, 2016, 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 $1,302,742 as at June 30, 2016. The school district set up a provision for this amount in the 2015-2016 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 $783,984 set aside in Capital Reserves as at June 30, 2016.

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 $2,000,000. The line of credit is used as required when inflow of revenues do not match the outflow of expenses. It is 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 paid 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 in these months as during the rest of the year.

The District's 'Operating Fund' overdraft position at June 30, 2016 was $149,145 (2015-NIL).

4. PORTFOLIO INVESTMENTS

The District has invested in short term flexible GICs in the amount of $4,076,082; comprised of:

- $2,076,082; invest rate 0.9%; maturing December 21, 2016
- $2,000,000; invest rate 0.9%; maturing November 4, 2016

Note: Subsequent to year end, due to cash flow requirements, the GIC's were redeemed.

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	2016
Sick Leave Buyout Teachers & Support staff	Defined Contribution	$ 635,199
Early Leave Incentive Plan Teachers	Defined Contribution	3,758,844
Non-vested accumulated sick leave		167,206
		$ 4,561,249

6. DEFERRED REVENUE

Deferred revenue in the amount of $405,004, at June 30, 2016, consisted of the following:

a) Because of 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. It 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 $104,494 and $9,150, 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 $268,860.

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 $9,150.

d) The Power Mechanic program received donations of heavy duty equipment consisting of a Rock Truck and a Scooptram. 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 $25,000; $15,000 assigned to the Scooptram and $10,000 to the Rock Truck. The deferred revenue related to the Scooptram is $13,500 and Rock Truck $9,000.

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 $240,976. The breakdown is as follows:

	2016	2015
Parent Council Fund	$ 34,026	$ 25,024
Playground Committees	-	-
Other Parent Group Funds	85,801	82,218
Student Funds	121,149	74,897
	$ 240,976	$ 182,139

8. DEBENTURE DEBT

Debenture debt is comprised of the following:

Interest Rate %	Maturity Date	Balance (Dollars)
7.375	November 30, 2016	33,209
7.625	February 15, 2017	12,974
6.125	April 30, 2018	49,968
5.875	February 15, 2019	80,465
5.875	February 15, 2019	104,743
6.750	October 15, 2019	39,730
7.250	February 28, 2020	68,717
6.625	April 15, 2021	184,119
6.500	January 15, 2022	448,579
6.875	May 31, 2022	398,088
6.000	February 15, 2024	500,577
6.125	June 15, 2024	414,143
5.375	June 30, 2025	252,119
5.250	March 15, 2028	345,652
5.750	April 30, 2029	47,041
5.250	March 15, 2030	331,178
5.125	May 15, 2030	84,891
4.875	May 15, 2031	999,140
4.000	May 15, 2032	425,269
3.625	May 31, 2033	770,998
4.125	December 31, 2033	437,172
4.250	May 31, 2034	47,405
3.375	June 30, 2035	481,031
3.500	June 30, 2036	380,200
3.500	June 30, 2036	320,500
		$ 7,257,909

Debenture interest expense payable 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	594,066	356,033	950,100
2018	615,592	320,545	936,137
2019	620,679	288,156	908,835
2020	574,606	253,438	828,044
2021	586,094	221,548	807,642
	$2,991,037	$1,439,721	$4,430,758

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	2016 Net Book Value	2015 Net Book Value
Owned Tangible Capital Assets	$42,910,120	$26,725,102	**$16,185,018**	$13,936,074
Capital Leased Assets	66,128	19,838	**46,290**	59,515
	$42,976,248	$26,744,940	**$16,231,308**	$13,995,589

The District has a capital lease arrangement with GE Capital that began in April of 2015. The lease arrangement has a term of 36 months and includes monthly payments of $1,087 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:

2017	$ 51,264
2018	48,003
2019	38,535
2020	25,738
2021	21,682
	$ 185,222

11. ACCUMULATED SURPLUS

The consolidated accumulated surplus is comprised of the following:

	2016	2015
Operating Fund		
Designated Surplus	**$ -**	$ -
Undesignated Surplus	**1,518,234**	2,883,560
Less: adjustment on non-vested sick leave	**-**	-
	1,518,234	2,883,560
Capital Fund		
Reserve Accounts	**$ 783,984**	$ 1,047,173
Equity in Tangible Capital Assets	**6,843,359**	6,481,143
	7,627,343	7,528,316
Special Purpose Fund		
School Generated Funds	**$ 119,236**	$ 112,110
Other Special Purpose Funds	**-**	-
	119,236	112,100
Total Accumulated Surplus	**$ 9,264,813**	$10,523,986

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 $783,984 identified in capital reserve accounts at June 30, 2016.

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

	2016	2015
Other Student Activity	$ 119,236	$ 112,110
Other Special Purpose Funds	-	-
	$ 119,236	$ 112,110

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 2015 tax year and 60% from 2016 tax year. The Municipal receivable and revenue does not include the Vale Grant the district receives.

Below are the related revenue and receivable amounts:

		2016	2015
Revenue	Municipal Government Property Tax	$ 6,660,510	$5,919,632
Receivable	Due from Municipal Property Tax	$ 5,260,748	$4,575,193

13. INTEREST RECEIVED AND PAID

The District received interest during the year of $364,280 (2015-$383,372); interest paid during the year was $291,921 (2015-$297,859).

	2016	2015
Operating Fund		
Fiscal-short Term Loan, Interest and Bank Charges	$ 2,479	$ 1,912
Capital Fund		
Debenture Debt Interest	289,442	295,947
Other Interest	-	-
	$291,921	$297,859

The accrual portion of debenture debt interest expense of $71,463 (2015-$82,523) 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, 2016 was $13,392 (2015 - $26,151).

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 School 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. PSA 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 school 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 to Employee Future Benefits at July 1, 2015 was $144,808. The liability for employee future benefits recorded at June 30, 2016 was increased by $22,399 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. CONTINGENT LIABILITIES

The District has received notice from the City of Thompson of their intention to impose a local improvement tax for the Waste Water Treatment facility for all users having access to the City of Thompson sewage collection system.

The amount for the proposed local improvement tax is unknown at this time as the Public Utilities Board denied the City's method and rate for cost recovery. The amount for the District could be as high as $364,000.

The actual fair value of the liability is unknown at June 30, 2016 and therefore, has not been recorded in the financial statements.

The Letter of Understanding regarding the annual "Grant in Lieu of taxes" for Vale's Manitoba operations expires December 31, 2017.

The District currently receives 28.3% of the annual payment or $1,698,000 under Municipal revenue.

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 27, 2016

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, 2016 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 Park West School Division as at June 30, 2016 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 27, 2016

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 27, 2016

Date

MNP

Park West School Division

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2016	2015
	Financial Assets		
	Cash and Bank	-	-
	Due from - Provincial Government	1,411,000	1,872,987
	- Federal Government	89,146	117,575
	- Municipal Government	3,728,524	3,747,736
	- Other School Divisions	-	-
	- First Nations	1,975,970	325,596
	Accounts Receivable	36,111	34,960
	Accrued Investment Income	-	-
	Portfolio Investments	-	-
		7,240,751	6,098,854
	Liabilities		
4	Overdraft	4,431,817	4,139,888
	Accounts Payable	1,710,985	1,085,280
	Accrued Liabilities	-	-
	Employee Future Benefits	-	-
	Accrued Interest Payable	169,199	172,653
	Due to - Provincial Government	-	-
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
5	Deferred Revenue	460,418	38,410
6	Borrowings from the Provincial Government	9,272,687	9,334,879
	Other Borrowings	-	-
	School Generated Funds Liability	-	-
		16,045,106	14,771,110
	Net Debt	(8,804,355)	(8,672,256)
	Non-Financial Assets		
7	Net Tangible Capital Assets (TCA Schedule)	11,006,962	11,281,367
	Inventories	145,460	130,231
	Prepaid Expenses	48,119	37,122
		11,200,541	11,448,720
8	**Accumulated Surplus**	2,396,186	2,776,464

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			2016	2015
	Revenue			
	Provincial Government		14,985,123	14,851,426
	Federal Government		-	-
	Municipal Government	- Property Tax	6,637,354	6,758,534
		- Other	-	-
	Other School Divisions		63,598	47,478
	First Nations		7,177,718	7,201,080
	Private Organizations and Individuals		16,800	45,000
	Other Sources		18,071	77,741
	School Generated Funds		1,059,394	1,082,240
	Other Special Purpose Funds		-	-
			29,958,058	30,063,499
	Expenses			
	Regular Instruction		16,706,427	16,139,911
	Student Support Services		3,520,118	3,506,016
	Adult Learning Centres		141,132	166,675
	Community Education and Services		96,970	98,752
	Divisional Administration		1,201,094	1,139,909
	Instructional and Other Support Services		730,739	731,242
	Transportation of Pupils		2,048,737	2,130,028
	Operations and Maintenance		3,093,068	3,251,160
10	Fiscal	- Interest	490,068	482,618
		- Other	383,799	416,562
	Amortization		928,283	875,916
	Other Capital Items		-	-
	School Generated Funds		997,696	1,088,163
	Other Special Purpose Funds		-	-
			30,338,131	30,026,952
	Current Year Surplus (Deficit) before Non-vested Sick Leave		(380,073)	36,547
	Less: Non-vested Sick Leave Expense (Recovery)		205	(2,142)
	Net Current Year Surplus (Deficit)		(380,278)	38,689
	Opening Accumulated Surplus		2,776,464	2,737,775
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	-
		Other than Tangible Cap. Assets	-	-
		Non-vested sick leave - prior years	-	-
	Opening Accumulated Surplus, as adjusted		2,776,464	2,737,775
	Closing Accumulated Surplus		2,396,186	2,776,464

See accompanying notes to the Financial Statements

Park West School Division

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2016

	2016	2015
Net Current Year Surplus (Deficit)	(380,278)	38,689
Amortization of Tangible Capital Assets	928,283	875,916
Acquisition of Tangible Capital Assets	(653,878)	(3,088,180)
(Gain) / Loss on Disposal of Tangible Capital Assets	-	-
Proceeds on Disposal of Tangible Capital Assets	-	-
	274,405	(2,212,264)
Inventories (Increase)/Decrease	(15,229)	8,013
Prepaid Expenses (Increase)/Decrease	(10,997)	206,844
	(26,226)	214,857
(Increase)/Decrease in Net Debt	(132,099)	(1,958,718)
Net Debt at Beginning of Year	(8,672,256)	(6,713,538)
Adjustments Other than Tangible Cap. Assets	-	-
	(8,672,256)	(6,713,538)
Net Debt at End of Year	(8,804,355)	(8,672,256)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2016

	2016	2015
Operating Transactions		
Net Current Year Surplus (Deficit)	(380,278)	38,689
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	928,283	875,916
(Gain)/Loss on Disposal of Tangible Capital Assets	-	-
Employee Future Benefits Increase/(Decrease)	-	-
Due from Other Organizations (Increase)/Decrease	(1,140,746)	1,245,403
Accounts Receivable & Accrued Income (Increase)/Decrease	(1,151)	58,162
Inventories and Prepaid Expenses - (Increase)/Decrease	(26,226)	214,857
Due to Other Organizations Increase/(Decrease)	-	-
Accounts Payable & Accrued Liabilities Increase/(Decrease)	622,251	103,158
Deferred Revenue Increase/(Decrease)	422,008	38,410
School Generated Funds Liability Increase/(Decrease)	-	-
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by (Applied to) Operating Transactions	424,141	2,574,595
Capital Transactions		
Acquisition of Tangible Capital Assets	(653,878)	(3,088,180)
Proceeds on Disposal of Tangible Capital Assets	-	-
Cash Provided by (Applied to) Capital Transactions	(653,878)	(3,088,180)
Investing Transactions		
Portfolio Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
Financing Transactions		
Borrowings from the Provincial Government Increase/(Decrease)	(62,192)	2,136,620
Other Borrowings Increase/(Decrease)	-	-
Cash Provided by (Applied to) Financing Transactions	(62,192)	2,136,620
Cash and Bank / Overdraft (Increase)/Decrease	(291,929)	1,623,035
Cash and Bank (Overdraft) at Beginning of Year	(4,139,888)	(5,762,923)
Cash and Bank (Overdraft) at End of Year	(4,431,817)	(4,139,888)

Park West School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2016

	Buildings and Leasehold Improvements		School	Other	Furniture / Fixtures &	Computer Hardware &		Land	Assets Under	2016	2015
	School	Non-School	Buses	Vehicles	Equipment	Software *	Land	Improvements	Construction	TOTALS	TOTALS
Tangible Capital Asset Cost											
Opening Cost, as previously reported	25,770,697	172,594	3,050,537	130,905	495,014	189,411	372,988	-	191,414	30,373,560	27,285,380
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	25,770,697	172,594	3,050,537	130,905	495,014	189,411	372,988	-	191,414	30,373,560	27,285,380
Add: Additions during the year	557,900	-	118,795	19,177	26,790	-	-	-	(68,784)	653,878	3,088,180
Less: Disposals and write downs	-	-	-	-	-	-	-	-	-	-	-
Closing Cost	26,328,597	172,594	3,169,332	150,082	521,804	189,411	372,988	-	122,630	31,027,438	30,373,560
Accumulated Amortization											
Opening, as previously reported	16,318,935	70,669	2,214,277	105,308	238,907	144,097		-		19,092,193	18,216,277
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	16,318,935	70,669	2,214,277	105,308	238,907	144,097		-		19,092,193	18,216,277
Add: Current period Amortization	628,795	6,904	170,955	11,974	82,964	26,691		-		928,283	875,916
Less: Accumulated Amortization on Disposals and Writedowns	-	-	-	-	-	-		-		-	-
Closing Accumulated Amortization	16,947,730	77,573	2,385,232	117,282	321,871	170,788		-		20,020,476	19,092,193
Net Tangible Capital Asset	9,380,867	95,021	784,100	32,800	199,933	18,623	372,988	-	122,630	11,006,962	11,281,367
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.

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

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 $6,000,000 by way of overdrafts and is repayable on demand at prime less .5% paid monthly. Included in the overdraft are capital projects totaling approximately $122,630 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 as at June 30, 2015	Additions in the period	Revenue recognized in the period	Balance as at June 30, 2016
New School Grant from Province	-	15,000	-	15,000
Education Property Tax credit	38,410	2,050,912	1,643,903	445,419
	$ 38,410	$ 2,065,912	$ 1,643,903	$ 460,419

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 2036. Payment of principal and interest is funded entirely by grants from the Province of Manitoba. The debentures carry interest rates that range from 3.00% to 6.38 %. 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	473,943	278,408	752,351
2018	502,074	250,277	752,351
2019	511,729	220,457	732,186
2020	476,537	190,101	666,638
2021	472,993	161,833	634,826
	$2,437,276	$1,101,076	$3,538,352

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	2016 Net Book Value
Owned-tangible capital assets	$31,027,438	$20,020,476	$11,006,962
Capital lease	-	-	-
	$31,027,438	$20,020,476	$11,006,962

8. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2016
Operating Fund	
Designated Surplus	76,711
Undesignated Surplus	390,290
	467,001
Capital Fund	
Reserve Accounts	1
Equity in Tangible Capital Assets	1,611,644
	1,611,645
Special Purpose Fund	
School Generated Funds	317,540
Other Special Purpose Funds	
	317,540
	$2,396,186

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.

	2016
Bus reserves	-
Other reserves	
Capital Reserve	$-

School Generated Funds are externally restricted moneys for school use.

	2016
Foundation-Scholarship	-
Other – School Funds	317,540
Other Special Purpose Funds	317,540

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 2015 tax year and 55.6% from 2016 tax year. Below are the related revenue and receivable amounts:

	2016	2015
Revenue-Municipal Government-Property Tax	$6,637,354	$6,758,534
Receivable-Due from Municipal-Property Tax	$3,728,524	$3,747,736

10. Interest Received and Paid

The Division received interest during the year of $3,230 (previous year $1,855); interest paid during the year was $490,068 (previous year $482,618).

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

	2016
Operating Fund	
Fiscal-short term loan, interest and bank charges	$36,877
Capital Fund	
Debenture debt interest	453,191
Other interest	
	$490,068

The accrual portion of debenture debt interest expense of $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 2016	Budget 2016	Actual 2015
Salaries	$ 20,242,637	$ 20,126,086	$ 19,713,240
Employees benefits & allowances	1,441,251	1,495,194	1,365,325
Services	3,605,082	3,830,467	3,914,162
Supplies, materials & minor equipment	2,095,759	2,089,907	2,037,077
Interest	490,068	42,000	482,618
Bad debts	-	-	-
Payroll tax	383,799	425,000	416,562
Amortization	928,283	-	875,916
Other capital items	-	-	-
School generated funds	997,696	-	1,088,163
Transfers	153,556	140,000	133,889
	$ 30,338,131	**$ 28,148,654**	**$ 30,026,952**

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, 2016, the amount of this special levy was $252,977 (2015 - $216,813). 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, 2016)

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.

Park West School Division (“PWSD”) is one of four members of the Fibre Co-op, along with three local rural municipalities (“RMs”). PWSD appointed two of its Trustees as directors of the Fibre Co-op while each RM appointed one director.

In June 2016, PWSD guaranteed 71% of the Fibre Co-op’s four year term promissory note with a principal amount of $4,662,000.

In June 2016, PWSD began making monthly levy payments of $10,500 to the Fibre Co-op to support its operations. PWSD funds these monthly payments from its regular operating budget.

Pembina Trails School Division
181 Henlow Bay
Winnipeg, MB R3Y 1M7

November 10, 2016

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 Pembina Trails School Division as of June 30, 2016, 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 Pembina Trails School Division in accordance with Public Sector Accounting Standards.

We acknowledge that we have fulfilled our responsibilities for the preparation of the consolidated financial statements in accordance with 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 November 10, 2016, 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, 2016 and the results of its operations and its cash flows for the year then ended in accordance with 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.

10 You provided a non-audit service by assisting us with preparing the income tax accruals and related financial statement disclosures. In connection with this non-audit service, we confirm that we made all management decisions and performed all management functions, have the knowledge to evaluate the accuracy and completeness of the income tax accruals and related disclosures, and accept responsibility for such accruals and disclosures.

Fraud and error

11 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.

12 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.

13 We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

Recognition, measurement and disclosure

14 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.

15 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.

16 All related party transactions have been appropriately measured and disclosed in the consolidated financial statements.

17 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.

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) and Harmonized Sales Tax (HST) transactions recorded by the entity are in accordance with the federal and provincial regulations. The GST and HST 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 PS 3250 *Retirement Benefits* and PS 3255 *Post-employment benefits, compensated absences and termination benefits* of the Canadian Institute of Chartered Accountants (CICA) 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.

Yours very truly,

Original Document Signed

Secretary – Treasurer

Original Document Signed

Accounting Manager

Grant Thornton

An instinct for growth™

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Independent Auditors' Report

To The Board of Trustees of
Pembina Trails School Division

We have audited the accompanying consolidated financial statements of Pembina Trails School Division, which comprise the consolidated financial position as at June 30, 2016, and the consolidated statement of revenue, expenses and accumulated surplus, 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 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 Division'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 Division'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 consolidated financial statements present fairly, in all material respects, the consolidated financial position of Pembina Trails School Division as at June 30, 2016, and the consolidated statement of revenue, expenses and accumulated surplus, changes 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
November 10, 2016

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 Trustees of Pembina Trails School Division.

Original Document Signed

Chairperson of the Board

Nov 10, 2016

Date

Pembina Trails School Division

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2016	2015
	Financial Assets		
	Cash and Bank	10,968,031	3,273,777
	Due from - Provincial Government	5,711,688	5,480,809
	- Federal Government	226,829	264,428
11	- Municipal Government	42,146,940	36,985,764
	- Other School Divisions	30,032	24,166
	- First Nations	-	-
	Accounts Receivable	494,550	485,168
	Accrued Investment Income	-	-
	Portfolio Investments	-	-
		59,578,070	46,514,112
	Liabilities		
	Overdraft	-	-
	Accounts Payable	4,768,903	5,344,505
	Accrued Liabilities	13,535,181	944,682
4	Employee Future Benefits	1,921,865	1,963,801
	Accrued Interest Payable	1,136,444	872,913
	Due to - Provincial Government	535,426	488,748
	- Federal Government	2,379,853	6,897,222
	- Municipal Government	109,006	157,713
	- Other School Divisions	67,050	72,203
	- First Nations	-	-
5	Deferred Revenue	11,231,133	10,437,025
6	Borrowings from the Provincial Government	64,221,531	44,728,218
7	Other Borrowings	12,804,622	16,055,859
8	School Generated Funds Liability	1,041,484	971,757
		113,752,498	88,934,646
	Net Debt	(54,174,428)	(42,420,534)
	Non-Financial Assets		
9	Net Tangible Capital Assets (TCA Schedule)	89,514,967	70,099,296
	Inventories	-	-
	Prepaid Expenses	677,441	429,881
		90,192,408	70,529,177
10	**Accumulated Surplus**	36,017,980	28,108,643

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			2016	2015
	Revenue			
	Provincial Government		88,932,321	87,041,688
	Federal Government		97,045	74,588
11	Municipal Government	- Property Tax	70,688,052	62,317,128
		- Other	-	1,142
	Other School Divisions		588,723	710,374
	First Nations		39,600	14,000
	Private Organizations and Individuals		3,220,060	3,212,971
	Other Sources		3,020,125	898,249
	School Generated Funds		1,064,298	1,087,149
	Other Special Purpose Funds		-	-
			167,650,224	155,357,289
	Expenses			
	Regular Instruction		86,878,413	84,351,794
	Student Support Services		29,726,578	29,208,632
	Adult Learning Centres		-	-
	Community Education and Services		910,999	1,256,434
	Divisional Administration		4,814,803	4,599,908
	Instructional and Other Support Services		5,932,647	5,747,220
	Transportation of Pupils		2,824,658	2,750,768
	Operations and Maintenance		18,541,236	17,452,849
12	Fiscal	- Interest	2,346,095	1,766,467
		- Other	2,511,505	2,426,116
	Amortization		3,697,965	3,588,869
	Other Capital Items		521,885	1,477,696
	School Generated Funds		1,127,978	1,081,151
	Other Special Purpose Funds		-	-
			159,834,762	155,707,904
	Current Year Surplus (Deficit) before Non-vested Sick Leave		7,815,462	(350,615)
	Less: Non-vested Sick Leave Expense (Recovery)		(93,875)	58,627
	Net Current Year Surplus (Deficit)		7,909,337	(409,242)
	Opening Accumulated Surplus		28,108,643	28,517,885
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	-
		Other than Tangible Cap. Assets	-	-
		Non-vested sick leave - prior years	-	-
	Opening Accumulated Surplus, as adjusted		28,108,643	28,517,885
	Closing Accumulated Surplus		36,017,980	28,108,643

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2016

	2016	2015
Net Current Year Surplus (Deficit)	7,909,337	(409,242)
Amortization of Tangible Capital Assets	3,697,965	3,588,869
Acquisition of Tangible Capital Assets	(23,113,636)	(12,509,282)
(Gain) / Loss on Disposal of Tangible Capital Assets	(1,850,000)	7,659
Proceeds on Disposal of Tangible Capital Assets	1,850,000	-
	(19,415,671)	(8,912,754)
Inventories (Increase)/Decrease	-	-
Prepaid Expenses (Increase)/Decrease	(247,560)	63,032
	(247,560)	63,032
(Increase)/Decrease in Net Debt	(11,753,894)	(9,258,964)
Net Debt at Beginning of Year	(42,420,534)	(33,161,570)
Adjustments Other than Tangible Cap. Assets	-	-
	(42,420,534)	(33,161,570)
Net Debt at End of Year	(54,174,428)	(42,420,534)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2016

	2016	2015
Operating Transactions		
Net Current Year Surplus (Deficit)	7,909,337	(409,242)
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	3,697,965	3,588,869
(Gain)/Loss on Disposal of Tangible Capital Assets	(1,850,000)	7,659
Employee Future Benefits Increase/(Decrease)	(41,936)	41,194
Due from Other Organizations (Increase)/Decrease	(5,360,322)	11,004,603
Accounts Receivable & Accrued Income (Increase)/Decrease	(9,382)	(115,416)
Inventories and Prepaid Expenses - (Increase)/Decrease	(247,560)	63,032
Due to Other Organizations Increase/(Decrease)	(4,524,551)	298,508
Accounts Payable & Accrued Liabilities Increase/(Decrease)	12,278,428	775,809
Deferred Revenue Increase/(Decrease)	794,108	8,298,155
School Generated Funds Liability Increase/(Decrease)	69,727	107,390
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by (Applied to) Operating Transactions	12,715,814	23,660,561
Capital Transactions		
Acquisition of Tangible Capital Assets	(23,113,636)	(12,509,282)
Proceeds on Disposal of Tangible Capital Assets	1,850,000	-
Cash Provided by (Applied to) Capital Transactions	(21,263,636)	(12,509,282)
Investing Transactions		
Portfolio Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
Financing Transactions		
Borrowings from the Provincial Government Increase/(Decrease)	19,493,313	11,226,428
Other Borrowings Increase/(Decrease)	(3,251,237)	(1,924,881)
Cash Provided by (Applied to) Financing Transactions	16,242,076	9,301,547
Cash and Bank / Overdraft (Increase)/Decrease	7,694,254	20,452,826
Cash and Bank (Overdraft) at Beginning of Year	3,273,777	(17,179,049)
Cash and Bank (Overdraft) at End of Year	10,968,031	3,273,777

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2016

	Buildings and Leasehold Improvements		School	Other	Furniture / Fixtures &	Computer Hardware &		Land	Assets Under	2016	2015
	School	Non-School	Buses	Vehicles	Equipment	Software *	Land	Improvements	Construction	TOTALS	TOTALS
Tangible Capital Asset Cost											
Opening Cost, as previously reported	100,852,167	5,703,850	4,767,633	743,496	7,216,252	1,644,204	10,593,111	2,261,407	7,050,656	140,832,776	128,585,261
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	100,852,167	5,703,850	4,767,633	743,496	7,216,252	1,644,204	10,593,111	2,261,407	7,050,656	140,832,776	128,585,261
Add: Additions during the year	7,106,744	-	376,214	38,566	155,450	103,340	-	476,614	14,856,708	23,113,636	12,509,282
Less: Disposals and write downs	-	400,000	63,150	-	-	-	-	-	-	463,150	261,767
Closing Cost	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
Accumulated Amortization											
Opening, as previously reported	56,062,162	3,401,329	3,231,950	648,352	5,037,507	1,540,448		811,732		70,733,480	67,398,719
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	56,062,162	3,401,329	3,231,950	648,352	5,037,507	1,540,448		811,732		70,733,480	67,398,719
Add: Current period Amortization	2,233,756	133,309	368,356	41,812	614,050	64,428		242,254		3,697,965	3,588,869
Less: Accumulated Amortization on Disposals and Writedowns	-	400,000	63,150	-	-	-		-		463,150	254,108
Closing Accumulated Amortization	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
Net Tangible Capital Asset	49,662,993	2,169,212	1,543,541	91,898	1,720,145	142,668	10,593,111	1,684,035	21,907,364	89,514,967	70,099,296
Proceeds from Disposal of Capital Assets	-	1,850,000	-	-	-	-				1,850,000	-

* Includes network infrastructure.

PEMBINA TRAILS SCHOOL DIVISION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - JUNE 30, 2016

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) 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 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.

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	25,000	10
Buildings - brick, 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.

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) Defined contribution plan – MSBA Pension Plan

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.

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) Defined employee future benefit plans – 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) Defined employee future benefit plans – 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.

(iv) Defined employee future benefit plans – 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 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 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.

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

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. Overdraft

The Division has an authorized line of credit with The Toronto-Dominion Bank of $40,000,000 by way of overdrafts and is repayable on demand at the Bank's Prime Interest Rate minus 0.75%. Overdrafts are secured by a borrowing by-law document.

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.

	Type of Plan	2016	2015
MSBA Pension Plan	Defined Contribution	$ -	$ -
Maternity and Parental Leave	Defined Benefit - Event Driven	118,014	108,558
Accumulated Vacation Days	Defined Benefit - Vesting	993,706	946,363
Sick Leave Retirement Benefit	Defined Benefit - Vesting	57,901	62,761
Non-Vested Sick Leave	Defined Benefit - Non-Vesting	752,244	846,119
		$ 1,921,865	**$ 1,963,801**

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:

	June 30, 2015	Additions	Recognized	June 30, 2016
Education Property Tax Credit	$ 8,308,758	$ 8,486,609	$ 8,308,758	$ 8,486,609
International Student Program Fees	996,456	1,638,884	996,456	1,638,884
Fibre Access Agreements	68,512	-	8,049	60,463
Externally Funded Programs	211,959	265,824	211,959	265,824
Donated Capital Assets	851,340	72,688	144,675	779,353
	$ 10,437,025	**$ 10,464,005**	**$ 9,669,897**	**$ 11,231,133**

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 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 3.00% to 8.875%. 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
2016/17	$ 3,351,489	$ 2,590,140	$ 5,941,629
2017/18	3,452,546	2,434,817	5,887,363
2018/19	3,318,274	2,276,138	5,594,412
2019/20	3,171,291	2,127,743	5,299,034
2020/21	3,247,587	1,990,371	5,237,958
	$ 16,541,187	**$ 11,419,209**	**$ 27,960,396**

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 contractual obligations related to capital leases.

	2016	2015
Bankers Acceptances	$ 11,989,909	$ 14,987,341
Capital Lease - Photocopiers	$ 814,713	$ 1,068,518
	$ 12,804,622	**$ 16,055,859**

Capital loans on photocopiers has interest of 3.39% per annum and the loans are secured by lease agreements. Principal and interest repayments for the photocopiers in the remaining three years are:

Capital Lease Repayment	Principal	Interest	Total
2016/17	262,533	20,557	283,090
2017/18	271,458	11,628	283,086
2018/19	280,722	2,365	283,087
	$ 814,713	**$ 34,550**	**$ 849,263**

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 $1,041,484. The following is a breakdown of the account balance:

	2016	2015
Student Fees - Activities, Clubs, Trips	$ 437,647	$ 392,803
Student - Fees, Yearbooks, Agendas	240,525	266,602
Specific Purpose Fund Raising	70,528	64,607
Breakfast and Lunch Programs	225,328	193,603
Scholarship Funds	(705)	(4,659)
Parent/ Student Council Funds, Other	68,161	58,801
	$ 1,041,484	**$ 971,757**

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 is as follows:

	Gross Amount	Accumulated Amortization	2016 Net Book Value
Owned Tangible Capital Assets	$ 162,158,214	$ 73,570,781	$ 88,587,433
Leased Tangible Capital Assets	$ 1,325,048	$ 397,514	$ 927,534
	$ 163,483,262	**$ 73,968,295**	**$ 89,514,967**

10. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2016	2015
Operating Fund		
Designated Surplus	$ 2,843,553	$ 1,578,093
Undesignated Surplus	2,966,243	3,933,051
Non-Vested Sick Leave	(752,244)	(846,119)
	$ 5,057,552	**$ 4,665,025**
Related Entities		
Pembina Trails Education Support Fund	$ 182,273	$ 164,252
Pembina Trails Voices	70,442	48,041
InForm Net	8,716	6,866
	$ 261,431	**$ 219,159**
Capital Fund		
Reserve Accounts	$ 11,121,531	$ 5,218,925
Equity in Tangible Capital Assets	19,040,123	17,404,511
	$ 30,161,654	**$ 22,623,436**
Special Purpose Fund		
School Generated Funds	$ 537,343	$ 601,023
Other Special Purpose Funds	-	-
	$ 537,343	**$ 601,023**
Total Accumulated Surplus	**$ 36,017,980**	**$ 28,108,643**

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 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 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% from 2015 tax year and 60% from 2016 tax year. Below are the related revenue and receivable amounts:

	2016	2015
Revenue - Municipal Government Property Tax	**$ 70,688,052**	**$ 62,317,128**
Receivable - Due from Municipal Government Property Tax	$ 42,146,940	$ 36,790,661
Receivable - Due from Municipal Government Other	0	195,103
Total Receivable from Municipal Government	**$ 42,146,940**	**$ 36,985,764**

12. Interest Received and Paid

The Division received and paid interest during the year as follows:

	2016	2015
Interest Received		
Operating Fund - Interest Earned	**$ 77,098**	**$ 111,841**
Interest Paid		
Operating Fund - Interest and Bank Charges	$ 112,777	$ 12,556
Capital Fund - Debenture Debt Interest	2,204,037	1,727,356
Total Interest Paid	**$ 2,316,814**	**$ 1,739,912**

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 $1,139,000 for 2016/17.

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, 2016 is $253,300.

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 2016 was $1,117,874 (2015 - $971,368). These amounts are not included in the Division's consolidated financial statements.

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 25, 2016

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, 2016 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, 2016 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, 2015

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 25, 2016
Date

MNP

Pine Creek School Division

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2016	2015
	Financial Assets		
	Cash and Bank	68,229	31,107
	Due from - Provincial Government	365,069	351,874
	- Federal Government	30,067	34,479
	- Municipal Government	2,482,831	2,084,607
	- Other School Divisions	-	-
	- First Nations	-	-
	Accounts Receivable	33,607	82,951
	Accrued Investment Income	-	-
	Portfolio Investments	-	-
		2,979,803	2,585,018
	Liabilities		
	Overdraft	-	-
	Accounts Payable	40,404	59,305
	Accrued Liabilities	1,390,199	1,546,095
4	Employee Future Benefits	46,566	28,670
	Accrued Interest Payable	64,750	60,140
	Due to - Provincial Government	2,532	5,275
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	51,751	15,994
	- First Nations	-	-
5	Deferred Revenue	595,533	576,520
6	Borrowings from the Provincial Government	3,208,572	3,081,305
	Other Borrowings	-	-
	School Generated Funds Liability	-	-
		5,400,307	5,373,304
	Net Debt	(2,420,504)	(2,788,286)
	Non-Financial Assets		
7	Net Tangible Capital Assets (TCA Schedule)	4,525,860	4,805,622
	Inventories	32,195	35,042
	Prepaid Expenses	48,470	44,178
		4,606,525	4,884,842
8	**Accumulated Surplus**	2,186,021	2,096,556

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			2016	2015
	Revenue			
	Provincial Government		9,861,839	9,529,134
	Federal Government		-	-
	Municipal Government	- Property Tax	4,811,605	4,239,202
		- Other	-	-
	Other School Divisions		35,850	33,900
	First Nations		-	-
	Private Organizations and Individuals		1,548	-
	Other Sources		58,766	43,783
	School Generated Funds		268,015	297,093
	Other Special Purpose Funds		-	-
			15,037,623	14,143,112
	Expenses			
	Regular Instruction		8,574,969	8,230,345
	Student Support Services		1,543,598	1,459,579
	Adult Learning Centres		-	-
	Community Education and Services		13,421	13,615
	Divisional Administration		515,591	513,694
	Instructional and Other Support Services		518,286	519,208
	Transportation of Pupils		1,119,647	1,149,044
	Operations and Maintenance		1,405,295	1,532,131
10	Fiscal	- Interest	174,088	180,190
		- Other	235,948	213,843
	Amortization		563,558	560,897
	Other Capital Items		-	-
	School Generated Funds		265,861	314,754
	Other Special Purpose Funds		-	-
			14,930,262	14,687,300
	Current Year Surplus (Deficit) before Non-vested Sick Leave		107,361	(544,188)
	Less: Non-vested Sick Leave Expense (Recovery)		17,896	5,255
	Net Current Year Surplus (Deficit)		89,465	(549,443)
	Opening Accumulated Surplus		2,096,556	2,645,999
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	-
		Other than Tangible Cap. Assets	-	-
		Non-vested sick leave - prior years	-	-
	Opening Accumulated Surplus, as adjusted		2,096,556	2,645,999
	Closing Accumulated Surplus		2,186,021	2,096,556

See accompanying notes to the Financial Statements

Pine Creek School Division

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2016

	2016	2015
Net Current Year Surplus (Deficit)	89,465	(549,443)
Amortization of Tangible Capital Assets	563,558	560,897
Acquisition of Tangible Capital Assets	(283,796)	(455,767)
(Gain) / Loss on Disposal of Tangible Capital Assets	(7,695)	(5,000)
Proceeds on Disposal of Tangible Capital Assets	7,695	5,000
	279,762	105,130
Inventories (Increase)/Decrease	2,847	(35,042)
Prepaid Expenses (Increase)/Decrease	(4,292)	22,964
	(1,445)	(12,078)
(Increase)/Decrease in Net Debt	367,782	(456,391)
Net Debt at Beginning of Year	(2,788,286)	(2,331,895)
Adjustments Other than Tangible Cap. Assets	-	-
	(2,788,286)	(2,331,895)
Net Debt at End of Year	(2,420,504)	(2,788,286)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2016

	2016	2015
Operating Transactions		
Net Current Year Surplus (Deficit)	89,465	(549,443)
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	563,558	560,897
(Gain)/Loss on Disposal of Tangible Capital Assets	(7,695)	(5,000)
Employee Future Benefits Increase/(Decrease)	17,896	5,255
Due from Other Organizations (Increase)/Decrease	(407,007)	580,037
Accounts Receivable & Accrued Income (Increase)/Decrease	49,344	(27,681)
Inventories and Prepaid Expenses - (Increase)/Decrease	(1,445)	(12,078)
Due to Other Organizations Increase/(Decrease)	33,014	21,269
Accounts Payable & Accrued Liabilities Increase/(Decrease)	(170,187)	365,642
Deferred Revenue Increase/(Decrease)	19,013	503,813
School Generated Funds Liability Increase/(Decrease)	-	-
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by (Applied to) Operating Transactions	185,956	1,442,711
Capital Transactions		
Acquisition of Tangible Capital Assets	(283,796)	(455,767)
Proceeds on Disposal of Tangible Capital Assets	7,695	5,000
Cash Provided by (Applied to) Capital Transactions	(276,101)	(450,767)
Investing Transactions		
Portfolio Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
Financing Transactions		
Borrowings from the Provincial Government Increase/(Decrease)	127,267	(214,267)
Other Borrowings Increase/(Decrease)	-	-
Cash Provided by (Applied to) Financing Transactions	127,267	(214,267)
Cash and Bank / Overdraft (Increase)/Decrease	37,122	777,677
Cash and Bank (Overdraft) at Beginning of Year	31,107	(746,570)
Cash and Bank (Overdraft) at End of Year	68,229	31,107

Pine Creek School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2016

	Buildings and Leasehold Improvements		School	Other	Furniture / Fixtures &	Computer Hardware &		Land	Assets Under	2016	2015
	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	2,790,308	189,840	337,182	85,209	75,334	-	-	16,044,469	15,648,310
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	12,089,044	477,552	2,790,308	189,840	337,182	85,209	75,334	-	-	16,044,469	15,648,310
Add: Additions during the year	-	-	216,548	39,318	-	-	-	-	27,930	283,796	455,767
Less: Disposals and write downs	-	-	188,435	31,920	13,724	-	-	-	-	234,079	59,608
Closing Cost	12,089,044	477,552	2,818,421	197,238	323,458	85,209	75,334	-	27,930	16,094,186	16,044,469
Accumulated Amortization											
Opening, as previously reported	8,596,134	313,551	1,980,045	154,806	109,101	85,210		-		11,238,847	10,737,558
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	8,596,134	313,551	1,980,045	154,806	109,101	85,210		-		11,238,847	10,737,558
Add: Current period Amortization	319,305	11,994	173,454	23,487	35,318	-		-		563,558	560,897
Less: Accumulated Amortization on Disposals and Writedowns	-	-	188,435	31,920	13,724	-		-		234,079	59,608
Closing Accumulated Amortization	8,915,439	325,545	1,965,064	146,373	130,695	85,210		-		11,568,326	11,238,847
Net Tangible Capital Asset	3,173,605	152,007	853,357	50,865	192,763	(1)	75,334	-	27,930	4,525,860	4,805,622
Proceeds from Disposal of Capital Assets	-	-	1,195	6,500	-	-				7,695	5,000

* Includes network infrastructure.

PINE CREEK SCHOOL DIVISION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2016

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, 2015	Additions in the period	Revenue recognized in the period	Balance as at June 30, 2016
Manitoba Textbook Bureau	$ 0	$ 30,090	$ 30,090	$ 0
Education Property Tax Credit	$ 482,740	$ 512,429	$482,740	$512,429
International Tuition	$ 0	$ 0	$ 0	$ 0
Donated Capital Assets	$ 90,490	$ 0	$ 16,386	$ 74,104
Other special purpose funds	$ 3,290	$ 9,000	$ 3,290	$ 9,000
	$ 576,520	$ 551,519	$532,506	$595,533

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 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 3.375% to 7.75%.

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	$252,842	$161,775	$414,617
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
	$1,300,527	$660,510	$1,961,037

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	2016 Net Book Value
Owned-tangible capital assets	$16,094,186	$11,568,326	$4,525,860

8. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2016
Operating Fund	
Designated Surplus	$ 60,205
Undesignated Surplus	$ 468,842
Non Vested Sick Leave to date	($ 46,566)
	$ 482,481
Capital Fund	
Reserve Accounts	$ 429,871
Equity in Tangible Capital Assets	$1,225,762
	$1,655,633
Special Purpose Fund	
School Generated Funds	$ 47,907
Other Special Purpose Funds	$ 0
	$ 47,907
Total Accumulated Surplus	$ 2,186,021

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.

	2016
Board approved appropriation by motion	$ 0
School budget carryovers by board policy	$ 60,205
Designated surplus	$ 60,205

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.

	2016
Bus reserves	$104,871
Other reserves	$325,000
Capital Reserve	$429,871

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 2015 tax year and 50% from 2016 tax year. Below are the related revenue and receivable amounts:

	2016	2015
Revenue–Municipal Government-Property Tax	$4,811,605	$4,239,202
Receivable-Due from Municipal-Property Tax	$2,482,831	$2,084,607

10. Interest Received and Paid

The Division received interest during the year of $6,800 (previous year $4,213); interest paid during the year was $174,088 (previous year $180,190).

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

	2016
Operating Fund	
Fiscal-short term loan, interest and bank charges	$ 6,329
Capital fund	
Debenture debt interest	$167,759
Other interest	$ 0
	$174,088

The accrual portion of debenture debt interest expense of $64,750 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 2016	Budget 2016	Actual 2015
Salaries	$10,437,102	$10,253,184	$ 9,984,185
Employees benefits & allowances	$ 786,252	$ 866,450	$ 740,368
Services	$ 1,347,653	$ 1,440,548	$ 1,351,476
Supplies, materials & minor equipment	$ 1,076,018	$ 1,205,817	$ 1,297,000
Interest	$ 174,088	$ 6,000	$ 180,190
Bad debts	$ 0	$ 0	$ 0
Payroll tax – and transfers	$ 279,730	$ 267,742	$ 258,430
Amortization	$ 563,558	$ 0	$ 560,897
Other capital items	$ 0	$ 0	$ 0
School generated funds	$ 265,861	$ 0	$ 314,754
Other special purpose funds	$ 0	$ 0	$ 0
	$14,930,262	$14,039,741	$14,687,300

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 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 13, 2016

MNP LLP

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, 2016, 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 Portage la Prairie School Division as at June 30, 2016 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
The prior period figures were audited by another firm of public accountants who issued an unqualified Auditors' Report with an audit date of October 8, 2015.

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 13, 2016

MNP LLP
Chartered 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 Portage la Prairie School Division.

Original Document Signed
Chairperson of the Board

Oct 13/16
Date

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Portage La Prairie School Division

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2016	2015
	Financial Assets		
	Cash and Bank	976,343	-
	Due from - Provincial Government	824,662	1,301,598
	- Federal Government	152,551	141,821
	- Municipal Government	6,537,048	6,313,068
	- Other School Divisions	-	-
	- First Nations	634,096	297,217
	Accounts Receivable	46,014	56,725
	Accrued Investment Income	-	-
	Portfolio Investments	-	-
		9,170,714	8,110,429
	Liabilities		
	Overdraft	-	749,661
	Accounts Payable	451,633	129,895
	Accrued Liabilities	4,018,280	3,699,099
4	Employee Future Benefits	142,905	-
	Accrued Interest Payable	192,771	208,817
	Due to - Provincial Government	-	-
	- Federal Government	462,188	448,754
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
5	Deferred Revenue	1,603,291	1,117,108
6	Borrowings from the Provincial Government	8,216,095	8,862,701
	Other Borrowings	-	-
	School Generated Funds Liability	199,183	199,181
		15,286,346	15,415,216
	Net Debt	(6,115,632)	(7,304,787)
	Non-Financial Assets		
8	Net Tangible Capital Assets (TCA Schedule)	12,710,477	13,079,159
	Inventories	20,942	19,668
	Prepaid Expenses	59,407	52,784
		12,790,826	13,151,611
9	**Accumulated Surplus**	6,675,194	5,846,824

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			2016	2015
	Revenue			
	Provincial Government		24,527,378	23,775,130
	Federal Government		-	6,000
	Municipal Government	- Property Tax	12,497,113	11,938,114
		- Other	-	-
	Other School Divisions		160,355	176,859
	First Nations		1,308,917	1,242,468
	Private Organizations and Individuals		9,600	22,000
	Other Sources		154,026	384,794
	School Generated Funds		1,354,025	1,744,397
	Other Special Purpose Funds		-	-
			40,011,414	39,289,762
	Expenses			
	Regular Instruction		21,163,311	20,656,116
	Student Support Services		6,845,679	6,662,268
	Adult Learning Centres		-	-
	Community Education and Services		53,529	64,784
	Divisional Administration		1,162,073	1,174,315
	Instructional and Other Support Services		1,192,175	1,198,575
	Transportation of Pupils		1,041,657	1,079,280
	Operations and Maintenance		3,744,837	3,928,881
11	Fiscal	- Interest	469,374	511,619
		- Other	617,368	610,224
	Amortization		1,371,220	1,341,615
	Other Capital Items		-	-
	School Generated Funds		1,378,916	1,789,232
	Other Special Purpose Funds		-	-
			39,040,139	39,016,909
	Current Year Surplus (Deficit) before Non-vested Sick Leave		971,275	272,853
	Less: Non-vested Sick Leave Expense (Recovery)		27,967	0
	Net Current Year Surplus (Deficit)		943,308	272,853
	Opening Accumulated Surplus		5,846,824	5,573,971
	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		5,731,886	5,573,971
	Closing Accumulated Surplus		6,675,194	5,846,824

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, 2016

	2016	2015
Net Current Year Surplus (Deficit)	943,308	272,853
Amortization of Tangible Capital Assets	1,371,220	1,341,615
Acquisition of Tangible Capital Assets	(1,006,778)	(630,223)
(Gain) / Loss on Disposal of Tangible Capital Assets	1,889	-
Proceeds on Disposal of Tangible Capital Assets	2,351	-
	368,682	711,392
Inventories (Increase)/Decrease	(1,274)	8,780
Prepaid Expenses (Increase)/Decrease	(6,623)	(37,519)
	(7,897)	(28,739)
(Increase)/Decrease in Net Debt	1,304,093	955,506
Net Debt at Beginning of Year	(7,304,787)	(8,260,293)
Adjustments Other than Tangible Cap. Assets	(114,938)	-
	(7,419,725)	(8,260,293)
Net Debt at End of Year	(6,115,632)	(7,304,787)

Portage La Prairie School Division

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2016

	2016	2015
Operating Transactions		
Net Current Year Surplus (Deficit)	943,308	272,853
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	1,371,220	1,341,615
(Gain)/Loss on Disposal of Tangible Capital Assets	1,889	-
Employee Future Benefits Increase/(Decrease)	142,905	-
Due from Other Organizations (Increase)/Decrease	(94,653)	1,073,651
Accounts Receivable & Accrued Income (Increase)/Decrease	10,711	1,454
Inventories and Prepaid Expenses - (Increase)/Decrease	(7,897)	(28,739)
Due to Other Organizations Increase/(Decrease)	13,434	32,685
Accounts Payable & Accrued Liabilities Increase/(Decrease)	624,873	(278,387)
Deferred Revenue Increase/(Decrease)	486,183	1,092,375
School Generated Funds Liability Increase/(Decrease)	2	28,223
Adjustments Other than Tangible Cap. Assets	(114,938)	-
Cash Provided by (Applied to) Operating Transactions	3,377,037	3,535,730
Capital Transactions		
Acquisition of Tangible Capital Assets	(1,006,778)	(630,223)
Proceeds on Disposal of Tangible Capital Assets	2,351	-
Cash Provided by (Applied to) Capital Transactions	(1,004,427)	(630,223)
Investing Transactions		
Portfolio Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
Financing Transactions		
Borrowings from the Provincial Government Increase/(Decrease)	(646,606)	(651,232)
Other Borrowings Increase/(Decrease)	-	-
Cash Provided by (Applied to) Financing Transactions	(646,606)	(651,232)
Cash and Bank / Overdraft (Increase)/Decrease	1,726,004	2,254,275
Cash and Bank (Overdraft) at Beginning of Year	(749,661)	(3,003,936)
Cash and Bank (Overdraft) at End of Year	976,343	(749,661)

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2016

	Buildings and Leasehold Improvements		School	Other	Furniture / Fixtures &	Computer Hardware &		Land	Assets Under	2016	2015
	School	Non-School	Buses	Vehicles	Equipment	Software *	Land	Improvements	Construction	TOTALS	TOTALS
Tangible Capital Asset Cost											
Opening Cost, as previously reported	33,760,913	338,037	1,989,728	58,503	792,177	873,408	270,186	419,821	50,159	38,552,932	37,991,372
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	33,760,913	338,037	1,989,728	58,503	792,177	873,408	270,186	419,821	50,159	38,552,932	37,991,372
Add: Additions during the year	459,512	-	219,758	-	63,195	-	-	-	264,313	1,006,778	630,223
Less: Disposals and write downs	-	-	211,020	-	130,526	-	-	-	-	341,546	68,663
Closing Cost	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
Accumulated Amortization											
Opening, as previously reported	22,668,689	338,037	1,559,518	47,426	597,519	241,593		20,991		25,473,773	24,200,821
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	22,668,689	338,037	1,559,518	47,426	597,519	241,593		20,991		25,473,773	24,200,821
Add: Current period Amortization	1,078,897	-	78,708	5,734	69,262	96,637		41,982		1,371,220	1,341,615
Less: Accumulated Amortization on Disposals and Writedowns	-	-	211,020	-	126,286	-		-		337,306	68,663
Closing Accumulated Amortization	23,747,586	338,037	1,427,206	53,160	540,495	338,230		62,973		26,507,687	25,473,773
Net Tangible Capital Asset	10,472,839	-	571,260	5,343	184,351	535,178	270,186	356,848	314,472	12,710,477	13,079,159
Proceeds from Disposal of Capital Assets	-	-	2,177	-	174	-				2,351	-

* Includes network infrastructure.

Portage la Prairie School Division
Notes to Consolidated Financial Statements
For the Year Ended June 30th, 2016

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 fair 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% (2.60% at June 30, 2015); 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 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, 2015	Additions in year	Recognized in year	Balance as at June 30, 2016
Education Property Tax Credit (EPTC)	$ 1,089,506	$ 1,566,419	$ 1,089,506	$ 1,566,419
Manitoba Text Book Bureau	27,602	93,114	83,844	36,872
	$ 1,117,108	$ 1,659,533	$ 1,173,350	$ 1,603,291

6. Debenture Debt

	2016	2015
Supportable debenture	$ 5,341,223	$ 5,820,114
Non-supportable debenture	2,874,872	3,042,587
	$ 8,216,095	$ 8,862,701

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 2017 to 2034. 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 8.625%. 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 total debenture principal and interest repayments in the next five fiscal years ending are as follows:

2017	$ 743,794
2018	701,264
2019	664,300
2020	614,653
2021	572,964

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 repayments in the next five fiscal years ending are as follows:

2017	$ 331,255
2018	331,255
2019	331,255
2020	331,255
2021	331,255

7. School Generated Funds Liability

School Generated Funds Liability includes the non-controlled portion of school generated funds. At June 30, 2016, an amount equal to $199,183 (2015 - $199,181) 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).

9. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following.

	2016	2015
Operating Fund		
Designated Surplus	$ -	$ -
Undesignated Surplus	1,284,864	1,399,607
	1,284,864	1,399,607
Capital Fund		
Reserve Accounts	1,360,000	500,000
Equity in Tangible Capital Assets	3,765,682	3,657,678
	5,125,682	4,157,678
Special Purpose Fund		
School Generated Funds	264,648	289,539
Other Special Purpose Funds		-
	264,648	289,539
Total Accumulated Surplus	$ 6,675,194	$ 5,846,824

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 IT Equipment and Systems Upgrade, Video Surveillance Systems Upgrade, and Replacement of a Portable Classroom in École Crescentview School in the amount of $1,350,000. A schedule of Capital Reserve Accounts is provided on pages 24 and 24A of the consolidated financial statements.

	2016	2015
Wide Area Network Expansion Reserve	$ 350,000	$ 200,000
Power Distribution System Upgrade Reserve	200,000	200,000
Division Administration Office and Student Services Building Reserve	350,000	100,000
Information Technology Equipment and Systems Upgrade Reserve	30,000	-
Video Surveillance Systems Upgrade Reserve	80,000	-
Construction Cost Replacement of Portable at ECVS Reserve	350,000	-
	$ 1,360,000	$ 500,000

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 is raised over the two calendar (tax) years; 48% from 2015 tax year and 52% from 2016 tax year. Below are the related revenue and receivable amounts.

	2016	2015
Revenue – Municipal Government – Property Tax	$ 12,497,113	$ 11,938,114
Receivable – Due from Municipal – Property Tax	6,537,048	6,313,068

11. Interest Received and Paid

The Division received interest during the year of $13,575 (2015 - $13,463) and interest paid during the year was $469,374 (2015 - $511,619).

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

	2016	2015
Operating Fund		
Fiscal-short term loan, interest and bank charges	$ 13,750	$ 18,972
Capital Fund		
Debenture interest	455,624	492,647
	$ 469,374	$ 511,619

The accrual portion of debenture debt interest expense of $102,597 (2015 – $113,830) 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 2016	Actual 2015
Amortization	$ 1,371,220	$ 1,341,615
Employees benefits and allowances	2,064,529	2,007,984
Interest	469,374	511,619
Payroll tax	617,368	610,224
Salaries	28,501,774	28,059,194
School generated funds	1,378,916	1,789,232
Services	2,368,461	2,403,097
Supplies, materials and minor equipment	2,226,897	2,251,044
Transfers	41,600	42,900
	$ 39,040,139	$ 39,016,909

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, 2016, the amount of this levy was $57,648 (2015 - $75,033). 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

November 7, 2016

CRAIG & ROSS

CHARTERED PROFESSIONAL ACCOUNTANTS

November 7, 2016

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, 2016 and June 30, 2015, 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, 2016 and June 30, 2015 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.

November 7, 2016 — Original Document Signed

Date — Chairperson

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Prairie Rose School Division

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2016	2015
	Financial Assets		
	Cash and Bank	-	-
	Due from - Provincial Government	1,083,129	1,122,266
	- Federal Government	46,387	58,874
	- Municipal Government	7,156,245	5,815,333
	- Other School Divisions	-	-
	- First Nations	-	-
	Accounts Receivable	74,802	158,481
	Accrued Investment Income	-	-
	Portfolio Investments	-	-
		8,360,563	7,154,954
	Liabilities		
3	Overdraft	4,291,629	3,964,988
	Accounts Payable	1,873,320	846,003
	Accrued Liabilities	344,780	663,825
4	Employee Future Benefits	159,251	162,907
	Accrued Interest Payable	125,230	-
	Due to - Provincial Government	125,635	211,163
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
5	Deferred Revenue	655,536	213,470
6	Borrowings from the Provincial Government	8,600,209	6,552,489
7	Other Borrowings	404,807	446,899
	School Generated Funds Liability	28,673	28,846
		16,609,070	13,090,590
	Net Debt	(8,248,507)	(5,935,636)
	Non-Financial Assets		
8	Net Tangible Capital Assets (TCA Schedule)	15,085,134	11,641,854
	Inventories	-	-
	Prepaid Expenses	16,008	11,657
		15,101,142	11,653,511
9	**Accumulated Surplus**	6,852,635	5,717,875

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			2016	2015
	Revenue			
	Provincial Government		18,420,337	18,016,348
	Federal Government		-	-
10	Municipal Government	- Property Tax	12,052,995	10,072,728
		- Other	-	-
	Other School Divisions		91,700	72,075
	First Nations		5,500	-
	Private Organizations and Individuals		3,394	16,118
	Other Sources		344,300	162,684
	School Generated Funds		510,507	510,082
	Other Special Purpose Funds		148,996	128,833
			31,577,729	28,978,868
	Expenses			
	Regular Instruction		16,521,440	16,191,949
	Student Support Services		3,627,427	3,376,516
	Adult Learning Centres		267,738	254,233
	Community Education and Services		32,349	35,028
	Divisional Administration		1,116,912	1,069,718
	Instructional and Other Support Services		799,843	537,265
	Transportation of Pupils		2,067,720	2,046,271
	Operations and Maintenance		3,251,005	2,655,831
11	Fiscal	- Interest	511,302	389,160
		- Other	435,174	433,927
	Amortization		1,083,686	995,656
	Other Capital Items		-	-
	School Generated Funds		496,848	506,432
	Other Special Purpose Funds		235,181	40,105
			30,446,625	28,532,091
	Current Year Surplus (Deficit) before Non-vested Sick Leave		1,131,104	446,777
	Less: Non-vested Sick Leave Expense (Recovery)		(3,656)	25,175
	Net Current Year Surplus (Deficit)		1,134,760	421,602
	Opening Accumulated Surplus		5,717,875	5,296,273
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	-
		Other than Tangible Cap. Assets	-	-
		Non-vested sick leave - prior years	-	-
	Opening Accumulated Surplus, as adjusted		5,717,875	5,296,273
	Closing Accumulated Surplus		6,852,635	5,717,875

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2016

	2016	2015
Net Current Year Surplus (Deficit)	1,134,760	421,602
Amortization of Tangible Capital Assets	1,083,686	995,656
Acquisition of Tangible Capital Assets	(4,526,966)	(1,175,645)
(Gain) / Loss on Disposal of Tangible Capital Assets	(1,589)	(3,696)
Proceeds on Disposal of Tangible Capital Assets	1,589	3,696
	(3,443,280)	(179,989)
Inventories (Increase)/Decrease	-	-
Prepaid Expenses (Increase)/Decrease	(4,351)	2,783
	(4,351)	2,783
(Increase)/Decrease in Net Debt	(2,312,871)	244,396
Net Debt at Beginning of Year	(5,935,636)	(6,180,032)
Adjustments Other than Tangible Cap. Assets	-	-
	(5,935,636)	(6,180,032)
Net Debt at End of Year	(8,248,507)	(5,935,636)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2016

	2016	2015
Operating Transactions		
Net Current Year Surplus (Deficit)	1,134,760	421,602
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	1,083,686	995,656
(Gain)/Loss on Disposal of Tangible Capital Assets	(1,589)	(3,696)
Employee Future Benefits Increase/(Decrease)	(3,656)	25,175
Due from Other Organizations (Increase)/Decrease	(1,289,288)	876,069
Accounts Receivable & Accrued Income (Increase)/Decrease	83,679	16,170
Inventories and Prepaid Expenses - (Increase)/Decrease	(4,351)	2,783
Due to Other Organizations Increase/(Decrease)	(85,528)	71,508
Accounts Payable & Accrued Liabilities Increase/(Decrease)	833,502	236,750
Deferred Revenue Increase/(Decrease)	442,066	199,950
School Generated Funds Liability Increase/(Decrease)	(173)	3,170
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by (Applied to) Operating Transactions	2,193,108	2,845,137
Capital Transactions		
Acquisition of Tangible Capital Assets	(4,526,966)	(1,175,645)
Proceeds on Disposal of Tangible Capital Assets	1,589	3,696
Cash Provided by (Applied to) Capital Transactions	(4,525,377)	(1,171,949)
Investing Transactions		
Portfolio Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
Financing Transactions		
Borrowings from the Provincial Government Increase/(Decrease)	2,047,720	236,710
Other Borrowings Increase/(Decrease)	(42,092)	(40,111)
Cash Provided by (Applied to) Financing Transactions	2,005,628	196,599
Cash and Bank / Overdraft (Increase)/Decrease	(326,641)	1,869,787
Cash and Bank (Overdraft) at Beginning of Year	(3,964,988)	(5,834,775)
Cash and Bank (Overdraft) at End of Year	(4,291,629)	(3,964,988)

Prairie Rose School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2016

	Buildings and Leasehold Improvements		School	Other	Furniture / Fixtures &	Computer Hardware &		Land	Assets Under	2016	2015
	School	Non-School	Buses	Vehicles	Equipment	Software *	Land	Improvements	Construction	TOTALS	TOTALS
Tangible Capital Asset Cost											
Opening Cost, as previously reported	21,905,084	801,964	4,131,516	124,743	256,319	1,537,137	106,884	151,993	1,106,355	30,121,995	29,207,672
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	21,905,084	801,964	4,131,516	124,743	256,319	1,537,137	106,884	151,993	1,106,355	30,121,995	29,207,672
Add:											
Additions during the year	3,484,606	-	325,170	-	354,403		-	-	362,787	4,526,966	1,175,645
Less:											
Disposals and write downs	-	-	171,652	-	-	-	-	-	-	171,652	261,322
Closing Cost	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
Accumulated Amortization											
Opening, as previously reported	14,194,420	301,607	2,943,441	88,634	71,136	835,304		45,599		18,480,141	17,745,807
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	14,194,420	301,607	2,943,441	88,634	71,136	835,304		45,599		18,480,141	17,745,807
Add:											
Current period Amortization	595,518	19,406	248,991	10,317	47,392	155,982		6,080		1,083,686	995,656
Less:											
Accumulated Amortization on Disposals and Writedowns	-	-	171,652	-	-	-		-		171,652	261,322
Closing Accumulated Amortization	14,789,938	321,013	3,020,780	98,951	118,528	991,286		51,679		19,392,175	18,480,141
Net Tangible Capital Asset	10,599,752	480,951	1,264,254	25,792	492,194	545,851	106,884	100,314	1,469,142	15,085,134	11,641,854
Proceeds from Disposal of Capital Assets	-	-	1,589	-	-	-				1,589	3,696

* 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 $6,500,000 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 $2,739,523 at June 30, 2016 (2015 - $1,703,905). 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 2015 / 2016 is $3,656 recovery (2014 / 2015 - $25,175 expense).

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 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 3.375% to 8.375%. Debenture interest expense payable as at June 30, 2016 and 2015, 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:

2017	$ 1,066,819
2018	1,038,377
2019	917,340
2020	839,911
2021	695,533
	$ 4,557,980

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.	$ 404,807

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	2016 Net Book Value	2015 Net Book Value
Tangible capital assets	**$34,477,309**	**$19,362,175**	**$15,085,134**	$11,641,854

9. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2016	2015
Operating Fund		
Undesignated Surplus	**$1,803,181**	$ 901,082
Capital Fund		
Reserve Accounts	**198,188**	221,769
Equity in Tangible Capital Assets	**4,662,518**	4,333,750
	4,860,706	4,555,519
Special Purpose Fund		
School Generated Funds	**137,023**	123,364
Other Special Purpose Funds	**51,725**	137,910
	188,748	261,274
Total Accumulated Surplus	**$6,852,635**	$5,717,875

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 2015 tax year and 58% from the 2016 tax year. Below are the related revenue and receivable amounts:

	2016	2015
Revenue-Municipal Government-Property Tax	**$12,052,995**	$10,072,728
Receivable-Due from Municipal-Property Tax	**$ 7,156,245**	$ 5,815,333

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, 2016 the amount of this special levy was $454,216 (2015 - $398,287). These amounts are not included in the Division's financial statements.

11. Interest Expense

	2016	2015
Operating Fund		
Fiscal-short term loan, interest and bank charges	$ 35,231	$ 40,230
Capital Fund		
Debenture debt interest	466,563	337,442
Other borrowings – Access Credit Union	9,508	11,488
	$ 511,302	$ 389,160

The accrual portion of debenture debt interest expense of $125,230 (2015 - $111,688) 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 2016 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

MNP

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, 2016, 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, 2016 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
September 29,2016

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

September 29, 2016
Date

MNP LLP

Prairie Spirit School Division

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2016	2015
	Financial Assets		
	Cash and Bank	-	-
	Due from - Provincial Government	1,075,070	1,020,131
	- Federal Government	88,130	107,410
	- Municipal Government	5,870,825	5,693,758
	- Other School Divisions	7,400	52,414
	- First Nations	61,962	42,540
	Accounts Receivable	146,792	60,689
	Accrued Investment Income	-	-
	Portfolio Investments	-	-
		7,250,179	6,976,942
	Liabilities		
3	Overdraft	1,779,531	851,823
	Accounts Payable	2,822,063	2,662,794
	Accrued Liabilities	193,655	512,418
4	Employee Future Benefits	554,381	551,853
	Accrued Interest Payable	133,754	148,471
	Due to - Provincial Government	-	-
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
5	Deferred Revenue	10,550	1,500
6	Borrowings from the Provincial Government	6,274,871	6,333,276
7	Other Borrowings	266,667	1,566,667
	School Generated Funds Liability	52,812	57,287
		12,088,284	12,686,089
	Net Debt	(4,838,105)	(5,709,147)
	Non-Financial Assets		
9	Net Tangible Capital Assets (TCA Schedule)	13,736,290	13,609,740
	Inventories	-	-
	Prepaid Expenses	65,100	57,288
		13,801,390	13,667,028
10	**Accumulated Surplus**	8,963,285	7,957,881

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			2016	2015
	Revenue			
	Provincial Government		18,570,404	18,645,930
	Federal Government		16,735	20,050
	Municipal Government	- Property Tax	10,253,543	10,012,405
		- Other	-	-
	Other School Divisions		35,750	22,100
	First Nations		258,792	268,171
	Private Organizations and Individuals		130,307	57,029
	Other Sources		15,155	114,973
	School Generated Funds		577,074	601,040
	Other Special Purpose Funds		-	-
			29,857,760	29,741,698
	Expenses			
	Regular Instruction		15,728,104	15,346,681
	Student Support Services		3,410,421	3,360,312
	Adult Learning Centres		-	-
	Community Education and Services		34,125	34,918
	Divisional Administration		897,197	923,091
	Instructional and Other Support Services		719,068	777,231
	Transportation of Pupils		2,179,763	2,386,941
	Operations and Maintenance		3,151,594	3,188,067
12	Fiscal	- Interest	391,011	427,531
		- Other	423,418	402,939
	Amortization		1,398,644	1,370,728
	Other Capital Items		-	15,059
	School Generated Funds		561,314	582,364
	Other Special Purpose Funds		-	-
			28,894,659	28,815,862
	Current Year Surplus (Deficit) before Non-vested Sick Leave		963,101	925,836
	Less: Non-vested Sick Leave Expense (Recovery)		(42,303)	3,443
	Net Current Year Surplus (Deficit)		1,005,404	922,393
	Opening Accumulated Surplus		7,957,881	7,035,488
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	-
		Other than Tangible Cap. Assets	-	-
		Non-vested sick leave - prior years	-	-
	Opening Accumulated Surplus, as adjusted		7,957,881	7,035,488
	Closing Accumulated Surplus		8,963,285	7,957,881

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2016

	2016	2015
Net Current Year Surplus (Deficit)	1,005,404	922,393
Amortization of Tangible Capital Assets	1,398,644	1,370,728
Acquisition of Tangible Capital Assets	(1,597,320)	(2,184,903)
(Gain) / Loss on Disposal of Tangible Capital Assets	29,816	(12,667)
Proceeds on Disposal of Tangible Capital Assets	42,310	13,250
	(126,550)	(813,592)
Inventories (Increase)/Decrease	-	-
Prepaid Expenses (Increase)/Decrease	(7,812)	(8,592)
	(7,812)	(8,592)
(Increase)/Decrease in Net Debt	871,042	100,209
Net Debt at Beginning of Year	(5,709,147)	(5,809,356)
Adjustments Other than Tangible Cap. Assets	-	-
	(5,709,147)	(5,809,356)
Net Debt at End of Year	(4,838,105)	(5,709,147)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2016

	2016	2015
Operating Transactions		
Net Current Year Surplus (Deficit)	1,005,404	922,393
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	1,398,644	1,370,728
(Gain)/Loss on Disposal of Tangible Capital Assets	29,816	(12,667)
Employee Future Benefits Increase/(Decrease)	2,528	93,598
Due from Other Organizations (Increase)/Decrease	(187,134)	639,374
Accounts Receivable & Accrued Income (Increase)/Decrease	(86,103)	(2,936)
Inventories and Prepaid Expenses - (Increase)/Decrease	(7,812)	(8,592)
Due to Other Organizations Increase/(Decrease)	-	-
Accounts Payable & Accrued Liabilities Increase/(Decrease)	(174,211)	1,056,801
Deferred Revenue Increase/(Decrease)	9,050	(206)
School Generated Funds Liability Increase/(Decrease)	(4,475)	(13,127)
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by (Applied to) Operating Transactions	1,985,707	4,045,366
Capital Transactions		
Acquisition of Tangible Capital Assets	(1,597,320)	(2,184,903)
Proceeds on Disposal of Tangible Capital Assets	42,310	13,250
Cash Provided by (Applied to) Capital Transactions	(1,555,010)	(2,171,653)
Investing Transactions		
Portfolio Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
Financing Transactions		
Borrowings from the Provincial Government Increase/(Decrease)	(58,405)	(529,523)
Other Borrowings Increase/(Decrease)	(1,300,000)	266,667
Cash Provided by (Applied to) Financing Transactions	(1,358,405)	(262,856)
Cash and Bank / Overdraft (Increase)/Decrease	(927,708)	1,610,857
Cash and Bank (Overdraft) at Beginning of Year	(851,823)	(2,462,680)
Cash and Bank (Overdraft) at End of Year	(1,779,531)	(851,823)

Prairie Spirit School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2016

	Buildings and Leasehold Improvements		School	Other	Furniture / Fixtures &	Computer Hardware &		Land	Assets Under	2016	2015
	School	Non-School	Buses	Vehicles	Equipment	Software *	Land	Improvements	Construction	TOTALS	TOTALS
Tangible Capital Asset Cost											
Opening Cost, as previously reported	25,387,457	2,437,090	6,260,646	245,962	782,934	4,182,254	56,091	-	5,876	39,358,310	37,319,709
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	25,387,457	2,437,090	6,260,646	245,962	782,934	4,182,254	56,091	-	5,876	39,358,310	37,319,709
Add: Additions during the year	465,842	-	414,485	29,482	142,209	548,000	-	-	(2,698)	1,597,320	2,184,903
Less: Disposals and write downs	-	-	455,852	-	19,794	25,610	-	-	-	501,256	146,302
Closing Cost	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
Accumulated Amortization											
Opening, as previously reported	17,957,501	609,083	4,481,394	141,563	428,139	2,130,890		-		25,748,570	24,523,561
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	17,957,501	609,083	4,481,394	141,563	428,139	2,130,890		-		25,748,570	24,523,561
Add: Current period Amortization	559,857	58,523	322,787	29,543	84,939	342,995		-		1,398,644	1,370,728
Less: Accumulated Amortization on Disposals and Writedowns	-	-	383,726	-	19,794	25,610		-		429,130	145,719
Closing Accumulated Amortization	18,517,358	667,606	4,420,455	171,106	493,284	2,448,275		-		26,718,084	25,748,570
Net Tangible Capital Asset	7,335,941	1,769,484	1,798,824	104,338	412,065	2,256,369	56,091	-	3,178	13,736,290	13,609,740
Proceeds from Disposal of Capital Assets	-	-	42,310	-	-	-				42,310	13,250

* 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. 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 2016 to 2035. 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, 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 as follows:

2017	$ 640,564
2018	625,835
2019	619,310
2020	575,448
2021	589,397
	$ 3,050,554

7. Capital Borrowing

The Division has the following self funded debentures (capital loans at Access Credit Union):

a) for constructing towers for the purpose of transmission of distance learning courses and distribution of high speed internet throughout the Division.
b) for constructing a bus garage facility.

Amount of Loan	Balance	Payment Schedule	Interest rate
a) 3,000,000	50,000	25,000 / month	Prime less .65%
b) 800,000	216,667	8,333 / month	Prime less .65%

Repayment of the loans is as stipulated plus any lump sum payment as determined by the Board of Trustees.

8. 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 $52,812 ($57,287 in 2015).

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	2016 Net Book Value	2015 Net Book Value
Owned-tangible capital assets	$ 40,454,374	$26,718,084	$ 13,736,290	$ 13,609,740
Capital lease	-	-	-	-
	$ 40,454,374	$26,718,084	$ 13,736,290	$ 13,609,740

10. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2016	2015
Operating Fund		
Designated Surplus	$ 0	$ 548,000
Undesignated Surplus	1,127,236	1,149,076
Non vested sick leave to date	(88,972)	(131,275)
	1,038,264	1,565,801
Capital Fund		
Reserve Accounts	544,104	560,840
Equity in Tangible Capital Assets	7,191,668	5,657,751
	7,735,772	6,218,591
Special Purpose Fund		
School Generated Funds	189,249	173,489
Other Special Purpose Funds	-	-
	189,249	173,489
Total Accumulated Surplus	$ 8,963,285	$ 7,957,881

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.

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; 43% from 2015 tax year and 57% from 2016 tax year. Below are the related revenue and receivable amounts:

	2016	2015
Revenue-Municipal Government-Property Tax	$10,253,543	$10,012,405
Receivable-Due from Municipal-Property Tax	$5,870,825	$5,693,758

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, 2016, the amount of this special levy was $759,339 (2015: $749,563). These amounts are not included in the Division's financial statements in 2016.

12. Interest Received and Paid

The Division received interest during the year of $7,854 (2015: $13,687); interest paid during the year was $391,011 (2015: $427,531).

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

	2016	2015
Operating Fund		
Fiscal-short term loan, interest and bank charges	$ 24,186	$ 21,917
Capital Fund		
Tower infrastructure capital loan	29,296	31,773
Debenture debt interest	337,529	373,841
	$ 391,011	$ 427,531

The accrual portion of debenture debt interest expense of $133,754 (2015: $148,471) 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 2016	Budget 2016	Actual 2015
Salaries	$ 19,256,236	$ 20,089,200	$ 19,349,660
Employees benefits and allowances	1,866,761	1,619,200	1,664,268
Services	2,574,102	2,986,800	2,758,959
Supplies, materials and minor equipment	2,317,295	2,158,600	2,155,137
Interest	391,011	20,000	427,531
Bad debts	-	-	-
Payroll tax	423,418	400,000	402,939
Transfers	105,878	911,533	89,217
Amortization	1,398,644		1,370,728
Other capital services, supplies, and materials	-		15,059
School generated funds	561,314		582,364
Other special purpose funds	-	-	-
	$ 28,894,659	$ 28,185,333	$ 28,815,862

14. Budget Figures and Non Financial Information

The 2016 budget figures, transportation statistics, full time equivalent personnel, and senior staff allocations are unaudited and have been presented for information purposes only.

15. 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 $250,341.

RED RIVER VALLEY SCHOOL DIVISION
DIVISION SCOLAIRE VALLÉE de la RIVIÈRE-ROUGE

233 Main Street, P.O. Box 400, Morris, MB R0G 1K0
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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 17, 2016

BDO

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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, 2016, 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, 2016, 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, 2016

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 19/16
Date

Red River Valley School Division

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2016	2015
	Financial Assets		
	Cash and Bank	-	-
	Due from - Provincial Government	1,933,514	1,744,672
	- Federal Government	96,842	78,562
10	- Municipal Government	6,810,714	6,051,291
	- Other School Divisions	186,347	188,060
	- First Nations	-	-
	Accounts Receivable	81,218	51,603
	Accrued Investment Income	-	-
	Portfolio Investments	-	-
		9,108,635	8,114,188
	Liabilities		
3	Overdraft	4,133,858	4,840,026
	Accounts Payable	868,110	1,028,584
	Accrued Liabilities	270,709	242,325
4	Employee Future Benefits	153,973	157,886
6	Accrued Interest Payable	212,639	218,687
	Due to - Provincial Government	94,874	14,818
	- Federal Government	1,344,288	12,464
	- Municipal Government	17,240	18,294
	- Other School Divisions	327,927	319,493
	- First Nations	-	-
5	Deferred Revenue	1,287,977	1,204,200
6	Borrowings from the Provincial Government	12,079,400	11,727,040
	Other Borrowings	-	-
7	School Generated Funds Liability	29,376	21,114
		20,820,371	19,804,931
	Net Debt	(11,711,736)	(11,690,743)
	Non-Financial Assets		
8	Net Tangible Capital Assets (TCA Schedule)	18,640,313	18,570,538
	Inventories	161,960	133,414
	Prepaid Expenses	133,781	77,461
		18,936,054	18,781,413
9	**Accumulated Surplus**	7,224,318	7,090,670

See accompanying notes to the Financial Statements

Red River Valley School Division

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes			2016	2015
	Revenue			
	Provincial Government		17,811,898	17,712,568
	Federal Government		21,030	21,182
10	Municipal Government	- Property Tax	11,374,289	10,113,494
		- Other	-	-
	Other School Divisions		865,991	865,959
	First Nations		-	-
	Private Organizations and Individuals		154,167	180,696
	Other Sources		186,969	118,712
	School Generated Funds		495,464	630,946
	Other Special Purpose Funds		-	-
			30,909,808	29,643,557
12	**Expenses**			
	Regular Instruction		16,046,116	15,474,035
	Student Support Services		4,361,928	4,012,025
	Adult Learning Centres		-	-
	Community Education and Services		54,281	48,608
	Divisional Administration		1,094,482	1,041,383
	Instructional and Other Support Services		883,530	738,348
	Transportation of Pupils		2,586,736	2,471,277
	Operations and Maintenance		2,789,500	2,702,147
11	Fiscal	- Interest	643,252	676,493
		- Other	441,770	420,067
	Amortization		1,384,847	1,321,150
	Other Capital Items		-	-
	School Generated Funds		493,631	638,376
	Other Special Purpose Funds		-	-
			30,780,073	29,543,909
	Current Year Surplus (Deficit) before Non-vested Sick Leave		129,735	99,648
4	Less: Non-vested Sick Leave Expense (Recovery)		(3,913)	11,197
	Net Current Year Surplus (Deficit)		133,648	88,451
9	Opening Accumulated Surplus		7,090,670	7,002,219
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	-
		Other than Tangible Cap. Assets	-	-
		Non-vested sick leave - prior years	-	-
	Opening Accumulated Surplus, as adjusted		7,090,670	7,002,219
9	**Closing Accumulated Surplus**		7,224,318	7,090,670

See accompanying notes to the Financial Statements

Red River Valley School Division

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2016

	2016	2015
Net Current Year Surplus (Deficit)	133,648	88,451
Amortization of Tangible Capital Assets	1,384,847	1,321,150
Acquisition of Tangible Capital Assets	(1,461,953)	(948,768)
(Gain) / Loss on Disposal of Tangible Capital Assets	(8,725)	(15,363)
Proceeds on Disposal of Tangible Capital Assets	16,056	7,461
	(69,775)	364,480
Inventories (Increase)/Decrease	(28,546)	(5,466)
Prepaid Expenses (Increase)/Decrease	(56,320)	7,941
	(84,866)	2,475
(Increase)/Decrease in Net Debt	(20,993)	455,406
Net Debt at Beginning of Year	(11,690,743)	(12,146,149)
Adjustments Other than Tangible Cap. Assets	-	-
	(11,690,743)	(12,146,149)
Net Debt at End of Year	(11,711,736)	(11,690,743)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2016

	2016	2015
Operating Transactions		
Net Current Year Surplus (Deficit)	133,648	88,451
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	1,384,847	1,321,150
(Gain)/Loss on Disposal of Tangible Capital Assets	(8,725)	(15,363)
Employee Future Benefits Increase/(Decrease)	(3,913)	11,196
Due from Other Organizations (Increase)/Decrease	(964,832)	1,207,198
Accounts Receivable & Accrued Income (Increase)/Decrease	(29,615)	17,085
Inventories and Prepaid Expenses - (Increase)/Decrease	(84,866)	2,475
Due to Other Organizations Increase/(Decrease)	1,419,260	42,525
Accounts Payable & Accrued Liabilities Increase/(Decrease)	(138,138)	570,162
Deferred Revenue Increase/(Decrease)	83,777	67,134
School Generated Funds Liability Increase/(Decrease)	8,262	5,866
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by (Applied to) Operating Transactions	1,799,705	3,317,879
Capital Transactions		
Acquisition of Tangible Capital Assets	(1,461,953)	(948,768)
Proceeds on Disposal of Tangible Capital Assets	16,056	7,461
Cash Provided by (Applied to) Capital Transactions	(1,445,897)	(941,307)
Investing Transactions		
Portfolio Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
Financing Transactions		
Borrowings from the Provincial Government Increase/(Decrease)	352,360	(1,011,643)
Other Borrowings Increase/(Decrease)	-	(9,782)
Cash Provided by (Applied to) Financing Transactions	352,360	(1,021,425)
Cash and Bank / Overdraft (Increase)/Decrease	706,168	1,355,147
Cash and Bank (Overdraft) at Beginning of Year	(4,840,026)	(6,195,173)
Cash and Bank (Overdraft) at End of Year	(4,133,858)	(4,840,026)

Red River Valley School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2016

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	2016 TOTALS	2015 TOTALS
	School	Non-School									
Tangible Capital Asset Cost											
Opening Cost, as previously reported	28,081,937	1,236,802	4,872,375	218,862	1,322,852	409,711	563,070	138,563	967,454	37,811,626	37,121,466
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	28,081,937	1,236,802	4,872,375	218,862	1,322,852	409,711	563,070	138,563	967,454	37,811,626	37,121,466
Add: Additions during the year	723,000	-	333,182	52,334	245,076	-	-	-	108,361	1,461,953	948,768
Less: Disposals and write downs	-	-	-	18,328	16,331	-	-	-	-	34,659	258,608
Closing Cost	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
Accumulated Amortization											
Opening, as previously reported	14,235,266	678,881	2,983,784	178,068	775,852	342,738		46,499		19,241,088	18,186,448
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	14,235,266	678,881	2,983,784	178,068	775,852	342,738		46,499		19,241,088	18,186,448
Add: Current period Amortization	740,936	33,680	355,543	18,971	177,643	44,218		13,856		1,384,847	1,321,150
Less: Accumulated Amortization on Disposals and Writedowns	-	-	-	10,997	16,331	-		-		27,328	266,510
Closing Accumulated Amortization	14,976,202	712,561	3,339,327	186,042	937,164	386,956		60,355		20,598,607	19,241,088
Net Tangible Capital Asset	13,828,735	524,241	1,866,230	66,826	614,433	22,755	563,070	78,208	1,075,815	18,640,313	18,570,538
Proceeds from Disposal of Capital Assets	-	-	-	14,056	2,000	-				16,056	7,461

* 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 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 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 $10,000,000 by way of overdrafts and is repayable on demand at prime less 0.65% (2.05% at June 30, 2016); interest is paid monthly. Overdrafts are secured by borrowing by-laws. As at June 30, 2016, 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 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 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 $407,788 ($316,739 in 2015).

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 $3,913 (expense of $11,197 in 2015).

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, 2015	Additions in year	Revenue recognized in year	Balance as at June 30, 2016
Education Property Tax Credit (EPTC)	$ 849,333	2,186,593	2,161,289	874,637
Manitoba Text Book Bureau	1,942	119,724	99,821	21,845
Tax Incentive Grant	278,208	698,822	697,501	279,529
Other	74,717	111,966	74,717	111,966
	$ 1,204,200	3,117,105	3,033,328	1,287,977

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 2017 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 3.625% to 8.625%. 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 total debenture principal and interest repayments in the next five fiscal years ending are as follows:

2017	$ 1,613,066
2018	1,411,250
2019	1,376,358
2020	1,343,498
2021	1,154,211

7. School Generated Funds Liability

School Generated Funds Liability represents the non-controlled portion of school generated funds. At June 30, 2016, an amount equal to the liability or $29,376 ($21,114 at June 30, 2015) 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:

	2016	2015
Operating Fund		
Designated Surplus	$ 616,238	529,749
Undesignated Surplus	255,940	508,413
Non-vested Sick Leave	(153,974)	(157,887)
	$ 718,204	880,275
Capital Fund		
Reserve Accounts	$ 219,423	217,150
Equity in Tangible Capital Assets	6,121,842	5,830,229
	$ 6,341,265	6,047,379
Special Purpose Fund		
School Generated Funds	$ 164,849	163,016
Other Special Purpose Funds	-	-
	$ 164,849	163,016
Total Accumulated Surplus	$ 7,224,318	7,090,670

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.

	2016	2015
Bus Reserve	$ 59,423	57,150
New Building Reserve	160,000	160,000
Capital Reserve	$ 219,423	217,150

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 2015 tax year and 60% from 2016 tax year. Below are the related revenue and receivable amounts:

	2016	2015
Revenue – Municipal Government – Property Tax	$11,374,289	10,113,494
Receivable – Due from Municipal – Property Tax	$ 6,810,714	6,051,281

11. Interest Received and Paid

The Division received interest during the year of $2,198 ($7,051 in 2015); interest paid during the year was $643,252 ($676,493 in 2015).

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

	2016	2015
Operating Fund		
Fiscal-short term loan, interest and bank charges	$ 67,576	56,434
Capital Fund		
Debenture interest	575,676	620,017
Other Interest	-	42
	$ 643,252	676,493

The accrual portion of debenture debt interest expense of $212,639 ($218,687 in 2015) 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:

	2016	2015
Salaries	$20,778,336	19,579,886
Employees benefits and allowances	1,661,716	1,638,160
Services	2,762,102	2,634,649
Supplies, materials and minor equipment	2,183,522	2,178,119
Interest	643,252	676,493
Payroll tax	441,647	418,591
Bad debt	123	1,476
Transfers	430,897	457,009
Amortization	1,384,847	1,321,150
Other Capital Items	-	-
School generated funds	493,631	638,376
	$30,780,073	29,543,909

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.

15. Subsequent Event

Subsequent to year end, a section of J.A. Cuddy School was damaged due to fire during roof repairs performed by a third party. The matter has been referred to the Division's insurer. The Division expects to recover all costs associated with this claim through insurance.

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.

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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, 2016, 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, 2016 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 18, 2016

I hereby certify that the preceding report has been presented to members of the Board of the River East Transcona School Division

Original Document Signed

October 18, 2016

Chairperson of the Board

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2016	2015
	Financial Assets		
	Cash and Bank	4,848,897	5,577,786
	Due from - Provincial Government	3,720,747	4,378,025
	- Federal Government	394,440	371,202
	- Municipal Government	35,323,360	30,953,635
	- Other School Divisions	95	3,547
	- First Nations	14,200	7,000
	Accounts Receivable	126,285	121,752
	Accrued Investment Income	-	-
	Portfolio Investments	-	-
		44,428,024	41,412,947
	Liabilities		
	Overdraft	-	-
	Accounts Payable	2,184,226	1,701,431
	Accrued Liabilities	22,834,726	17,921,123
3	Employee Future Benefits	1,899,980	1,354,283
	Accrued Interest Payable	937,914	908,084
	Due to - Provincial Government	17,010	8,047
	- Federal Government	16,217	15,783
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
4	Deferred Revenue	10,354,642	10,215,142
6	Borrowings from the Provincial Government	41,137,908	36,714,647
7	Other Borrowings	4,000,845	3,293,842
5	School Generated Funds Liability	1,529,475	1,487,013
		84,912,943	73,619,395
	Net Debt	(40,484,919)	(32,206,448)
	Non-Financial Assets		
8	Net Tangible Capital Assets (TCA Schedule)	71,862,036	65,005,179
	Inventories	-	-
	Prepaid Expenses	295,780	326,477
		72,157,816	65,331,656
9	**Accumulated Surplus**	31,672,897	33,125,208

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes			2016	2015
	Revenue			
	Provincial Government		126,470,998	126,102,045
	Federal Government		473,352	466,671
10	Municipal Government	- Property Tax	58,412,740	51,698,881
		- Other	-	-
	Other School Divisions		807,812	849,432
	First Nations		112,500	112,000
	Private Organizations and Individuals		1,877,252	2,005,561
	Other Sources		361,484	455,307
	School Generated Funds		762,548	761,885
	Other Special Purpose Funds		-	-
			189,278,686	182,451,782
	Expenses			
	Regular Instruction		103,482,500	99,935,656
	Student Support Services		34,348,245	33,121,988
	Adult Learning Centres		1,007,529	980,149
	Community Education and Services		1,468,126	1,455,300
	Divisional Administration		5,402,428	5,207,313
	Instructional and Other Support Services		7,623,615	7,313,026
	Transportation of Pupils		4,091,112	3,990,614
	Operations and Maintenance		20,584,073	20,325,067
11	Fiscal	- Interest	2,117,248	2,077,405
		- Other	3,066,170	2,973,546
	Amortization		6,124,962	6,100,925
	Other Capital Items		475,367	1,229,776
	School Generated Funds		804,518	768,450
	Other Special Purpose Funds		-	-
			190,595,893	185,479,215
	Current Year Surplus (Deficit) before Non-vested Sick Leave		(1,317,207)	(3,027,433)
	Less: Non-vested Sick Leave Expense (Recovery)		135,104	196,183
	Net Current Year Surplus (Deficit)		(1,452,311)	(3,223,616)
	Opening Accumulated Surplus		33,125,208	36,348,824
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	-
		Other than Tangible Cap. Assets	-	-
		Non-vested sick leave - prior years	-	-
	Opening Accumulated Surplus, as adjusted		33,125,208	36,348,824
	Closing Accumulated Surplus		31,672,897	33,125,208

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2016

	2016	2015
Net Current Year Surplus (Deficit)	(1,452,311)	(3,223,616)
Amortization of Tangible Capital Assets	6,124,962	6,100,925
Acquisition of Tangible Capital Assets	(12,981,819)	(8,430,805)
(Gain) / Loss on Disposal of Tangible Capital Assets	(2,880)	(5,662)
Proceeds on Disposal of Tangible Capital Assets	2,880	5,662
	(6,856,857)	(2,329,880)
Inventories (Increase)/Decrease	-	-
Prepaid Expenses (Increase)/Decrease	30,697	94,771
	30,697	94,771
(Increase)/Decrease in Net Debt	(8,278,471)	(5,458,725)
Net Debt at Beginning of Year	(32,206,448)	(26,747,723)
Adjustments Other than Tangible Cap. Assets	-	-
	(32,206,448)	(26,747,723)
Net Debt at End of Year	(40,484,919)	(32,206,448)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2016

	2016	2015
Operating Transactions		
Net Current Year Surplus (Deficit)	(1,452,311)	(3,223,616)
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	6,124,962	6,100,925
(Gain)/Loss on Disposal of Tangible Capital Assets	(2,880)	(5,662)
Employee Future Benefits Increase/(Decrease)	545,697	25,362
Due from Other Organizations (Increase)/Decrease	(3,739,433)	13,513,389
Accounts Receivable & Accrued Income (Increase)/Decrease	(4,533)	41,789
Inventories and Prepaid Expenses - (Increase)/Decrease	30,697	94,771
Due to Other Organizations Increase/(Decrease)	9,397	(5,231)
Accounts Payable & Accrued Liabilities Increase/(Decrease)	5,426,228	2,800,887
Deferred Revenue Increase/(Decrease)	139,500	8,663,506
School Generated Funds Liability Increase/(Decrease)	42,462	176,976
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by (Applied to) Operating Transactions	7,119,786	28,183,096
Capital Transactions		
Acquisition of Tangible Capital Assets	(12,981,819)	(8,430,805)
Proceeds on Disposal of Tangible Capital Assets	2,880	5,662
Cash Provided by (Applied to) Capital Transactions	(12,978,939)	(8,425,143)
Investing Transactions		
Portfolio Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
Financing Transactions		
Borrowings from the Provincial Government Increase/(Decrease)	4,423,261	731,242
Other Borrowings Increase/(Decrease)	707,003	(345,937)
Cash Provided by (Applied to) Financing Transactions	5,130,264	385,305
Cash and Bank / Overdraft (Increase)/Decrease	(728,889)	20,143,258
Cash and Bank (Overdraft) at Beginning of Year	5,577,786	(14,565,472)
Cash and Bank (Overdraft) at End of Year	4,848,897	5,577,786

River East Transcona School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2016

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	2016 TOTALS	2015 TOTALS
	School	Non-School									
Tangible Capital Asset Cost											
Opening Cost, as previously reported	118,088,256	6,537,137	6,966,297	400,457	3,506,762	14,418,232	1,878,287	3,016,292	7,855,156	162,666,876	155,195,640
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	118,088,256	6,537,137	6,966,297	400,457	3,506,762	14,418,232	1,878,287	3,016,292	7,855,156	162,666,876	155,195,640
Add: Additions during the year	10,772,492	-	357,090	-	444,817	2,236,051	-	-	(828,631)	12,981,819	8,430,805
Less: Disposals and write downs	-	-	371,522	13,979	392,570	-	-	-	-	778,071	959,569
Closing Cost	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
Accumulated Amortization											
Opening, as previously reported	76,353,186	3,648,980	4,614,927	293,229	2,440,814	8,276,986		2,033,575		97,661,697	92,520,341
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	76,353,186	3,648,980	4,614,927	293,229	2,440,814	8,276,986		2,033,575		97,661,697	92,520,341
Add: Current period Amortization	2,820,767	219,093	477,930	40,728	347,000	1,917,815		301,629		6,124,962	6,100,925
Less: Accumulated Amortization on Disposals and Writedowns	-	-	371,522	13,979	392,570	-		-		778,071	959,569
Closing Accumulated Amortization	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
Net Tangible Capital Asset	49,686,795	2,669,064	2,230,530	66,500	1,163,765	6,459,482	1,878,287	681,088	7,026,525	71,862,036	65,005,179
Proceeds from Disposal of Capital Assets	-	-	2,880	-	-	-				2,880	5,662

* 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 $579,868 (2015 - $169,275) has been accrued as at June 30, 2016 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 1,320,112 (2015 - $1,185,008).

During the year ended June 30, 2016, the employer contributions to the Pension Plan for Non-Teaching Employees of Public School Boards in Manitoba amounted to $2,249,361 (2015 - $1,855,439). This amount has been expensed in the Division's financial statements for the year ended June 30, 2016.

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, 2015	**Additions in the period**	**Revenue recognized in the period**	**Balance at June 30, 2016**
Province of MB – EPTC*	$ 8,708,171	$ 8,591,979	$ 8,708,172	**$ 8,591,978**
Province of MB – Other	143,864	373,130	339,854	**177,140**
Tuition Fees	660,955	810,264	660,955	**810,264**
Donated Capital Asset	590,047	85,000	84,579	**590,468**
Miscellaneous	112,105	273,368	200,681	**184,792**
	$10,215,142	$10,133,741	$ 9,994,241	**$10,354,642**

*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 $1,529,475 (2015 - $1,487,013).

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 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 3.0% to 8.875%. 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	$ 3,033,541	$ 1,973,028	$ 5,006,569
2018	3,104,131	1,806,185	4,910,316
2019	3,165,545	1,637,397	4,802,942
2020	2,895,421	1,465,767	4,361,188
2021	2,772,298	1,310,781	4,083,079
	$ 14,970,936	$ 8,193,158	$ 23,164,094

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 2017 to 2021. 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
2017	$ 1,101,524	$ 89,316	$ 1,190,840
2018	673,997	55,771	729,768
2019	615,684	34,510	650,194
2020	456,644	14,904	471,548
2021	34,770	870	35,640
	$ 2,882,619	$ 195,371	$ 3,077,990

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
2017	$ 156,816	$ 76,879	$ 233,695
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
	$ 899,565	$ 268,910	$ 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 $21,697 (2015 - $5,865). 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, 2016 are $10,545,643, $7,131,066 and $3,414,577 respectively.

9. ACCUMULATED SURPLUS

The consolidated accumulated surplus is comprised of the following:

	2016	2015
Operating Fund		
Designated Surplus	**$ 2,062,906**	$ 2,334,449
Undesignated Surplus	**2,938,012**	4,037,284
Non-Vested Sick Leave	**(1,320,112)**	(1,185,008)
	$ 3,680,806	$ 5,186,725
Capital Fund		
Reserve Accounts	**$ 4,397,080**	$ 4,852,675
Equity in Tangible Capital Assets	**23,304,513**	22,753,340
	$ 27,701,593	$ 27,606,015
Special Purpose Fund		
School Generated Funds	**$ 290,498**	$ 332,468
Total Accumulated Surplus	**$ 31,672,897**	$ 33,125,208

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)

	2016	2015
Board approved appropriation by motion	**$ 951,168**	$ 1,193,248
School budget carryovers by board policy	**1,111,738**	1,141,201
Designated surplus	**$ 2,062,906**	$ 2,334,449

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 2015 tax year and 60% from 2016 tax year. Below are the related revenue and receivable amounts:

	2016	2015
Revenue-Municipal Government-Property Tax	**$ 58,412,740**	$ 51,698,881
Receivable-Due from Municipal Government-Property Tax	**$ 35,323,360**	$ 30,953,635

11. INTEREST RECEIVED AND PAID

The Division received interest during the year of $76,258 (2015 - $147,164).

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

	2016	2015
Operating Fund		
Fiscal-Short Term Loan, Interest and Bank Charges	$ 52,343	$ 27,211
Capital Fund		
Debenture Debt Interest	$ 1,938,791	$ 1,987,227
Interest on Obligation under Capital Lease	124,804	61,933
Other Interest	1,310	1,034
	$ 2,064,905	$ 2,050,194
Total Fiscal – Interest	$ 2,117,248	$ 2,077,405

The accrued portion of debenture debt interest expense at June 30, 2016 of $937,914 (2015-$908,084) 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 2016	Budget 2016	Actual 2015
Salaries	$ 144,677,123	141,923,886	$ 139,583,385
Employees benefits & allowances	11,034,234	10,525,000	10,376,000
Services	13,648,361	13,612,047	13,665,279
Supplies, materials, minor equipment	8,061,391	7,044,341	8,127,545
Interest	2,117,248	33,700	2,077,405
School Divisions	548,339	-	527,296
Other operating expenses	38,180	47,300	49,608
Payroll tax	3,066,170	3,050,000	2,973,546
Amortization	6,124,962	-	6,100,925
Other capital items	475,367	-	1,229,776
School generated funds	804,518	-	768,450
	$ 190,595,893	176,236,274	$ 185,479,215

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, 2016, the amount of this special levy was $1,146,629 (2015 - $1,114,510). 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:

	2016	2015
Scholarship Funds		
Balance, beginning of year	$ **284,782**	$ 289,929
Cash contributions received during the year	**26,311**	16,004
Interest income	**2,080**	2,817
Scholarships awarded	**(28,119)**	(23,968)
Balance, end of year	$ **285,054**	$ 284,782
Assets		
Cash and investments	$ **293,140**	$ 284,782
Accounts Payable	**(8,086)**	-
Balance end of year	$ **285,054**	$ 284,782

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:

	2016	2015
Cash	$ **4,848,897**	$ 5,577,786
Due from – Provincial Government	**3,720,747**	4,378,025
– Federal Government	**394,440**	371,202
– Municipal Government	**35,323,360**	30,953,635
– Other School Divisions	**95**	3,547
– First Nations	**14,200**	7,000
Accounts Receivable	**126,285**	121,752

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	$ 2,184,226	$ -	$ -	$ -	$ -	$ -
Accrued Liabilities	22,834,726	-	-	-	-	-
Due to Governments	33,227	-	-	-	-	-
Debenture Debt	3,033,541	3,104,131	3,165,545	2,895,421	2,772,298	26,166,972
Other Borrowings	1,258,340	841,595	794,804	648,079	239,366	218,661

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
Chairperson

Original Document Signed
Secretary-Treasurer

November 1, 2016

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, 2016 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, 2016 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, 2016

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, 2016
Date

MNP LLP

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2016	2015
	Financial Assets		
	Cash and Bank	-	-
	Due from - Provincial Government	833,655	1,051,910
	- Federal Government	177,233	64,082
	- Municipal Government	4,687,523	4,360,260
	- Other School Divisions	-	-
	- First Nations	831,606	376,565
	Accounts Receivable	213,309	125,856
	Accrued Investment Income	-	-
	Portfolio Investments	-	-
		6,743,326	5,978,673
	Liabilities		
3	Overdraft	2,928,003	2,776,385
	Accounts Payable	651,434	391,415
	Accrued Liabilities	342,304	315,476
4	Employee Future Benefits	83,622	112,328
	Accrued Interest Payable	108,295	123,100
	Due to - Provincial Government	3,242	8,250
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
5	Deferred Revenue	295,534	-
6	Borrowings from the Provincial Government	5,894,758	6,215,085
	Other Borrowings	-	-
	School Generated Funds Liability	-	-
		10,307,192	9,942,039
	Net Debt	(3,563,866)	(3,963,366)
	Non-Financial Assets		
7	Net Tangible Capital Assets (TCA Schedule)	11,117,474	10,560,527
	Inventories	-	-
	Prepaid Expenses	732,938	923,299
		11,850,412	11,483,826
8	**Accumulated Surplus**	8,286,546	7,520,460

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes			2016	2015
	Revenue			
	Provincial Government		14,840,518	14,948,182
	Federal Government		94,373	78,583
	Municipal Government	- Property Tax	8,135,742	7,573,002
		- Other	-	-
	Other School Divisions		113,009	93,038
	First Nations		1,360,665	1,278,713
	Private Organizations and Individuals		63,176	32,007
	Other Sources		239,803	110,022
	School Generated Funds		563,246	588,037
	Other Special Purpose Funds		-	-
			25,410,532	24,701,584
	Expenses			
	Regular Instruction		13,462,990	13,086,582
	Student Support Services		2,820,091	2,761,106
	Adult Learning Centres		120,012	117,092
	Community Education and Services		53,652	35,539
	Divisional Administration		898,910	923,112
	Instructional and Other Support Services		768,710	753,335
	Transportation of Pupils		1,531,106	1,509,700
	Operations and Maintenance		2,686,855	2,467,493
10	Fiscal	- Interest	344,874	369,742
		- Other	361,421	352,869
	Amortization		1,060,425	969,573
	Other Capital Items		-	-
	School Generated Funds		564,106	585,470
	Other Special Purpose Funds		-	-
			24,673,152	23,931,613
	Current Year Surplus (Deficit) before Non-vested Sick Leave		737,380	769,971
	Less: Non-vested Sick Leave Expense (Recovery)		(28,706)	50,307
	Net Current Year Surplus (Deficit)		766,086	719,664
	Opening Accumulated Surplus		7,520,460	6,800,796
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	-
		Other than Tangible Cap. Assets	-	-
		Non-vested sick leave - prior years	-	-
	Opening Accumulated Surplus, as adjusted		7,520,460	6,800,796
	Closing Accumulated Surplus		8,286,546	7,520,460

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2016

	2016	2015
Net Current Year Surplus (Deficit)	766,086	719,664
Amortization of Tangible Capital Assets	1,060,425	969,573
Acquisition of Tangible Capital Assets	(1,617,372)	(1,275,685)
(Gain) / Loss on Disposal of Tangible Capital Assets	-	-
Proceeds on Disposal of Tangible Capital Assets	-	-
	(556,947)	(306,112)
Inventories (Increase)/Decrease	-	-
Prepaid Expenses (Increase)/Decrease	190,361	(227,483)
	190,361	(227,483)
(Increase)/Decrease in Net Debt	399,500	186,069
Net Debt at Beginning of Year	(3,963,366)	(4,149,435)
Adjustments Other than Tangible Cap. Assets	-	-
	(3,963,366)	(4,149,435)
Net Debt at End of Year	(3,563,866)	(3,963,366)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2016

	2016	2015
Operating Transactions		
Net Current Year Surplus (Deficit)	766,086	719,664
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	1,060,425	969,573
(Gain)/Loss on Disposal of Tangible Capital Assets	-	-
Employee Future Benefits Increase/(Decrease)	(28,706)	50,307
Due from Other Organizations (Increase)/Decrease	(677,200)	1,012,464
Accounts Receivable & Accrued Income (Increase)/Decrease	(87,453)	(34,052)
Inventories and Prepaid Expenses - (Increase)/Decrease	190,361	(227,483)
Due to Other Organizations Increase/(Decrease)	(5,008)	6,473
Accounts Payable & Accrued Liabilities Increase/(Decrease)	272,042	(414,829)
Deferred Revenue Increase/(Decrease)	295,534	-
School Generated Funds Liability Increase/(Decrease)	-	-
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by (Applied to) Operating Transactions	1,786,081	2,082,117
Capital Transactions		
Acquisition of Tangible Capital Assets	(1,617,372)	(1,275,685)
Proceeds on Disposal of Tangible Capital Assets	-	-
Cash Provided by (Applied to) Capital Transactions	(1,617,372)	(1,275,685)
Investing Transactions		
Portfolio Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
Financing Transactions		
Borrowings from the Provincial Government Increase/(Decrease)	(320,327)	(191,015)
Other Borrowings Increase/(Decrease)	-	-
Cash Provided by (Applied to) Financing Transactions	(320,327)	(191,015)
Cash and Bank / Overdraft (Increase)/Decrease	(151,618)	615,417
Cash and Bank (Overdraft) at Beginning of Year	(2,776,385)	(3,391,802)
Cash and Bank (Overdraft) at End of Year	(2,928,003)	(2,776,385)

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2016

	Buildings and Leasehold Improvements		School	Other	Furniture / Fixtures &	Computer Hardware &		Land	Assets Under	2016	2015
	School	Non-School	Buses	Vehicles	Equipment	Software *	Land	Improvements	Construction	TOTALS	TOTALS
Tangible Capital Asset Cost											
Opening Cost, as previously reported	20,707,971	1,022,730	3,858,173	471,843	627,786	407,676	153,468	-	46,601	27,296,248	26,020,563
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	20,707,971	1,022,730	3,858,173	471,843	627,786	407,676	153,468	-	46,601	27,296,248	26,020,563
Add: Additions during the year	203,753	-	233,108	51,719	105,653	52,216	-	-	970,923	1,617,372	1,275,685
Less: Disposals and write downs	-	-	-	-	-	-	-	-	-	-	-
Closing Cost	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
Accumulated Amortization											
Opening, as previously reported	13,408,249	124,028	2,475,227	370,099	256,508	101,610		-		16,735,721	15,766,148
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	13,408,249	124,028	2,475,227	370,099	256,508	101,610		-		16,735,721	15,766,148
Add: Current period Amortization	544,753	25,568	253,722	35,190	100,573	100,619		-		1,060,425	969,573
Less: Accumulated Amortization on Disposals and Writedowns	-	-	-	-	-	-		-		-	-
Closing Accumulated Amortization	13,953,002	149,596	2,728,949	405,289	357,081	202,229		-		17,796,146	16,735,721
Net Tangible Capital Asset	6,958,722	873,134	1,362,332	118,273	376,358	257,663	153,468	-	1,017,524	11,117,474	10,560,527
Proceeds from Disposal of Capital Assets	-	-	-	-	-	-				-	-

* Includes network infrastructure.

ROLLING RIVER SCHOOL DIVISION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2016

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 2015/16 is a decrease of the liability in the amount of $28,706.

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, 2015	Additions in the period	Recognized in the period	Balance as at June 30, 2016
Manitoba Textbook Bureau	$ -	$ -	$ -	$ -
General Support Grant	-		-	-
Education Property Tax Credit	-	921,659	626,125	295,534
	$ -	$ 921,659	$ 626,125	$ 295,534

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 2017 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 3.38 % to 8.38 %. 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
2016/17	578,073	292,285
2017/18	558,216	258,060
2018/19	564,714	226,116
2019/20	494,236	193,984
2020/2021	408,423	166,147
	$ 2,603,662	$ 1,136,592

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	2016 Net Book Value
Owned-tangible capital assets	$ 28,913,620	$ 17,796,146	$ 11,117,474
Capital lease	-	-	-
	$ 28,913,620	$ 17,796,146	$ 11,117,474

8. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2016
Operating Fund	
Designated Surplus	-
Undesignated Surplus	753,951
Non-vested sick leave	(83,622)
	670,329
Capital Fund	
Reserve Accounts	3,217,665
Equity in Tangible Capital Assets	4,205,192
	7,422,857
Special Purpose Fund	
School Generated Funds	193,360
Other Special Purpose Funds	
	193,360
Total Accumulated Surplus	$ 8,286,546

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.

	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 pages 24 and 24A of the audited financial statements.

	2016
Bus reserves	809,572
Other reserves	2,408,093
Division Office Development and Renvovations $1,514,270	
High School Water and Sewer Replacement 450,000	
Gym Floor Replacment $93,823	
School Security-Serveillance System $350,000	
Capital Reserve	$ 3,217,665

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

	2016
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 2015 tax year and 57.7% from 2016 tax year. Below are the related revenue and receivable amounts:

		2016		2015
Revenue-Municipal Government-Property Tax	$	8,135,742	$	7,573,002
Receivable-Due from Municipal-Property Tax	$	4,687,523	$	4,360,260

10. Interest Received and Paid

The Division received interest during the year of $5,761 (previous year $4,216); interest paid during the year was $344,874 (previous year $369,742).

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

		2016
Operating Fund		
Fiscal-short term loan, interest and bank charges	$	35,148
Capital Fund		
Interest on Borrowings from the Provinicial Government		309,726
Other interest		-
	$	344,874

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 $108,295 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, 2016:

	2016
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:

	Actual 2016	Budget 2016	Actual 2015
Salaries	$ 17,037,126	$ 17,541,545	$ 16,663,625
Employees benefits & allowances	1,316,449	1,348,170	1,230,861
Services	1,907,431	2,057,265	1,766,950
Supplies, materials & minor equipment	1,780,859	1,630,600	1,783,254
Interest	344,874	50,000	369,742
Transfers	300,461	608,000	209,269
Payroll tax	361,421	375,000	352,869
Amortization	1,060,425		969,573
Other capital items			
School generated funds	564,106		585,470
Other special purpose funds			
	$ 24,673,152	$ 23,610,580	$ 23,931,613

13. Non Financial Information

The 2016 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, 2016, the amount of this special levy was $21,759 (previous year $34,624). 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. Hutterite Colony Schools and Oak River Elementary schools are not included in the agreement. 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

No. 979187

B.J. Lough
Chief Superintendent

M.J. Friesen
Secretary-Treasurer/ Chief Financial Officer

October 11, 2016

PricewaterhouseCoopers LLP
Richardson Building
1 Lombard Place, Suite 2300
Winnipeg, Manitoba R3B 0X6

Dear Sir / Madam:

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, 2016 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 May 13, 2016. 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.

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 September 13, 2016; 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, 2015, 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, 2015 and their extrapolation to June 30, 2016.

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

No. 984081

pwc

October 11, 2016

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, 2016 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, 2016 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.

Date: OCT 25/16

Signed: Original Document Signed
Chairperson of the Board

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2016	2015
	Financial Assets		
	Cash and Bank	2,322,719	4,847,057
	Due from - Provincial Government	3,243,563	3,211,543
	- Federal Government	70,313	91,482
	- Municipal Government	22,234,818	20,822,302
	- Other School Divisions	22,164	-
	- First Nations	32,960	36,770
	Accounts Receivable	170,712	85,520
	Accrued Investment Income	-	-
	Portfolio Investments	-	-
		28,097,249	29,094,674
	Liabilities		
	Overdraft	-	-
	Accounts Payable	6,173,968	7,248,114
	Accrued Liabilities	5,653,892	4,694,642
*	Employee Future Benefits	1,815,697	1,808,689
	Accrued Interest Payable	335,979	305,409
	Due to - Provincial Government	-	-
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
*	Deferred Revenue	7,128,128	6,943,121
*	Borrowings from the Provincial Government	21,719,277	20,212,918
	Other Borrowings	-	-
	School Generated Funds Liability	187,395	157,795
		43,014,336	41,370,688
	Net Debt	(14,917,087)	(12,276,014)
	Non-Financial Assets		
*	Net Tangible Capital Assets (TCA Schedule)	49,337,399	47,476,879
	Inventories	-	-
	Prepaid Expenses	444,734	359,589
		49,782,133	47,836,468
*	**Accumulated Surplus**	34,865,046	35,560,454

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes			2016	2015
	Revenue			
	Provincial Government		60,570,590	59,960,073
	Federal Government		-	-
	Municipal Government	- Property Tax	40,899,886	38,285,489
		- Other	-	-
	Other School Divisions		704,460	722,612
	First Nations		179,632	200,087
	Private Organizations and Individuals		2,800,183	2,573,850
	Other Sources		819,747	983,270
	School Generated Funds		737,122	815,775
	Other Special Purpose Funds		-	-
			106,711,620	103,541,156
	Expenses			
	Regular Instruction		57,575,098	55,706,675
	Student Support Services		21,859,826	20,264,480
	Adult Learning Centres		-	-
	Community Education and Services		1,030,396	1,074,065
	Divisional Administration		3,645,579	3,769,210
	Instructional and Other Support Services		3,525,141	3,558,897
	Transportation of Pupils		2,108,214	1,991,278
	Operations and Maintenance		10,848,005	10,195,050
*	Fiscal	- Interest	1,048,742	940,750
		- Other	1,686,587	1,633,300
	Amortization		3,297,462	3,131,621
	Other Capital Items		38,083	-
	School Generated Funds		802,901	762,135
	Other Special Purpose Funds		-	-
			107,466,034	103,027,461
	Current Year Surplus (Deficit) before Non-vested Sick Leave		(754,414)	513,695
	Less: Non-vested Sick Leave Expense (Recovery)		(59,006)	(62,890)
	Net Current Year Surplus (Deficit)		(695,408)	576,585
	Opening Accumulated Surplus		35,560,454	34,983,869
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	-
		Other than Tangible Cap. Assets	-	-
		Non-vested sick leave - prior years	-	-
	Opening Accumulated Surplus, as adjusted		35,560,454	34,983,869
	Closing Accumulated Surplus		34,865,046	35,560,454

See accompanying notes to the Financial Statements

* NOTE REQUIRED

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2016

	2016	2015
Net Current Year Surplus (Deficit)	(695,408)	576,585
Amortization of Tangible Capital Assets	3,297,462	3,131,621
Acquisition of Tangible Capital Assets	(5,192,362)	(7,403,374)
(Gain) / Loss on Disposal of Tangible Capital Assets	34,380	(2,444)
Proceeds on Disposal of Tangible Capital Assets	-	4,392
	(1,860,520)	(4,269,805)
Inventories (Increase)/Decrease	-	-
Prepaid Expenses (Increase)/Decrease	(85,145)	86,355
	(85,145)	86,355
(Increase)/Decrease in Net Debt	(2,641,073)	(3,606,865)
Net Debt at Beginning of Year	(12,276,014)	(8,669,149)
Adjustments Other than Tangible Cap. Assets	-	-
	(12,276,014)	(8,669,149)
Net Debt at End of Year	(14,917,087)	(12,276,014)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2016

	2016	2015
Operating Transactions		
Net Current Year Surplus (Deficit)	(695,408)	576,585
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	3,297,462	3,131,621
(Gain)/Loss on Disposal of Tangible Capital Assets	34,380	(2,444)
Employee Future Benefits Increase/(Decrease)	7,008	(102,549)
Due from Other Organizations (Increase)/Decrease	(1,441,721)	6,316,295
Accounts Receivable & Accrued Income (Increase)/Decrease	(85,192)	(8,735)
Inventories and Prepaid Expenses - (Increase)/Decrease	(85,145)	86,355
Due to Other Organizations Increase/(Decrease)	-	-
Accounts Payable & Accrued Liabilities Increase/(Decrease)	(84,326)	(874,083)
Deferred Revenue Increase/(Decrease)	185,007	6,031,362
School Generated Funds Liability Increase/(Decrease)	29,600	(32,130)
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by (Applied to) Operating Transactions	1,161,665	15,122,277
Capital Transactions		
Acquisition of Tangible Capital Assets	(5,192,362)	(7,403,374)
Proceeds on Disposal of Tangible Capital Assets	-	4,392
Cash Provided by (Applied to) Capital Transactions	(5,192,362)	(7,398,982)
Investing Transactions		
Portfolio Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
Financing Transactions		
Borrowings from the Provincial Government Increase/(Decrease)	1,506,359	3,939,464
Other Borrowings Increase/(Decrease)	-	-
Cash Provided by (Applied to) Financing Transactions	1,506,359	3,939,464
Cash and Bank / Overdraft (Increase)/Decrease	(2,524,338)	11,662,759
Cash and Bank (Overdraft) at Beginning of Year	4,847,057	(6,815,702)
Cash and Bank (Overdraft) at End of Year	2,322,719	4,847,057

St. James - Assiniboia School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2016

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	2016 TOTALS	2015 TOTALS
	School	Non-School									
Tangible Capital Asset Cost											
Opening Cost, as previously reported	71,098,726	4,324,198	838,588	721,711	3,852,607	3,784,780	7,025,776	5,812,794	2,943,918	100,403,098	93,109,509
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	71,098,726	4,324,198	838,588	721,711	3,852,607	3,784,780	7,025,776	5,812,794	2,943,918	100,403,098	93,109,509
Add: Additions during the year	5,198,019	-	110,092	-	74,282	29,419	-	1,145,981	(1,365,431)	5,192,362	7,403,374
Less: Disposals and write downs	-	-	-	-	260,046	377,512	-	209,176	-	846,734	109,785
Closing Cost	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
Accumulated Amortization											
Opening, as previously reported	40,944,148	2,868,265	548,762	598,079	3,178,455	2,096,728		2,691,782		52,926,219	49,902,435
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	40,944,148	2,868,265	548,762	598,079	3,178,455	2,096,728		2,691,782		52,926,219	49,902,435
Add: Current period Amortization	1,906,375	87,174	59,709	41,463	239,967	392,615		570,159		3,297,462	3,131,621
Less: Accumulated Amortization on Disposals and Writedowns	-	-	-	-	260,046	377,512		174,796		812,354	107,837
Closing Accumulated Amortization	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
Net Tangible Capital Asset	33,446,222	1,368,759	340,209	82,169	508,467	1,324,856	7,025,776	3,662,454	1,578,487	49,337,399	47,476,879
Proceeds from Disposal of Capital Assets	-	-	-	-	-	-				-	4,392

* 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 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 work stations.

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 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.

	2016 $	2015 $
Employee future benefit liabilities		
Defined benefit pension plan - accrued benefit asset	-	-
Maternity leave earned	455,970	422,846
Vacation payable	724,430	691,540
Non-vested accumulated sick leave (note 9)	635,297	694,303
Total employee future benefit liability	1,815,697	1,808,689

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 5.5%.

As at June 30, 2016, there were 489 active members, 187 deferred benefit members and 272 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 2016 is a recovery of $59,006 (2015 - a recovery of $62,890).

	2016 $	2015 $
Change in accrued benefit obligation		
Balance - beginning of year	49,727,523	46,219,697
Current service cost		
Division	815,695	915,749
Employees	1,427,622	1,594,298
Interest cost	2,727,445	2,544,451
Benefits paid	(2,414,028)	(2,273,249)
Non-investment expenses paid	(104,531)	(150,698)
Actual experience loss	538,275	877,275
Balance - end of year	52,718,001	49,727,523
Change in plan assets		
Market related value - beginning of year	48,689,015	44,177,652
Contributions		
Division	1,398,929	1,589,977
Employees	1,427,622	1,594,298
Expected return on plan assets	2,686,366	2,450,680
Experience gain	1,231,846	1,300,355
Benefits paid	(2,414,028)	(2,273,249)
Non-investment expenses paid	(104,531)	(150,698)
Market related value - end of year	52,915,219	48,689,015
Funded status		
Benefit obligation less than (greater than) plan assets	197,218	(1,038,508)
Unamortized net actuarial gain	(693,571)	(423,080)
Valuation allowance	496,353	1,461,588
Accrued benefit asset	-	-
Net benefit plan cost		
Current service cost - Division	815,695	915,749
Interest cost	2,727,445	2,544,451
Expected return on plan assets	(2,686,366)	(2,450,680)
Amortization of actuarial gains	270,491	1,015,879
Valuation allowance	271,664	(435,422)
Net benefit plan expense for the year	1,398,929	1,589,977

As at June 30, 2016, total additional contributions to the plan are $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.

	2016 %	2015 %
Plan assets in equities (includes real estate)	54.40	58.10
Plan assets in fixed income	45.60	41.90

	2016 %	2015 %
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, 2015 $	Additions in the year $	Revenue recognized in the year $	Balance as at June 30, 2016 $
Donated capital assets	256,909	25,000	35,221	246,688
Continuing Education	9,195	-	9,195	-
International student program fees	773,145	972,679	773,145	972,679
Province of MB Green Team Grant	7,826	7,177	7,826	7,177
Property tax	5,873,537	5,899,584	5,873,537	5,899,584
Lease revenue	12,459	-	12,459	-
iPad Caution fees	9,550	-	9,550	-
MB Scientist Classroom Grant	500	-	500	-
Grant - Stevenson Britannia	-	2,000	-	2,000
	6,943,121	6,906,440	6,721,433	7,128,128

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 $187,395.

	2016 $	2015 $
Parent council funds	529	605
Student funds (including travel)	167,487	134,501
Other	19,379	22,689
	187,395	157,795

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 2035 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, 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 as follows:

	Principal $	Interest $	Total $
2016 - 2017	1,323,923	1,000,465	2,324,388
2017 - 2018	1,374,697	931,155	2,305,852
2018 - 2019	1,412,635	859,500	2,272,135
2019 - 2020	1,453,280	786,005	2,239,285
2020 - 2021	1,410,436	710,479	2,120,916

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:

			2016	2015
	Gross amount $	Accumulated amortization $	Net book value $	Net book value $
Tangible capital assets	104,748,726	55,411,327	49,337,399	47,476,879

9 Accumulated surplus

The accumulated surplus is comprised of the following:

	2016 $	2015 $
Operating Fund		
Designated surplus	843,290	94,395
Undesignated surplus	2,900,807	2,847,411
Non-vested sick leave	(635,297)	(694,303)
	3,108,800	2,247,503
Capital Fund		
Reserve accounts	6,537,809	7,826,072
Equity in tangible capital assets	24,895,861	25,098,524
	31,433,670	32,924,596
Special Purpose Fund		
School generated funds	322,576	388,355
Total accumulated surplus	34,865,046	35,560,454

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.

	2016 $	2015 $
Middle years reorganization	764,000	-
School budget carryovers by board policy	79,290	94,395
Designated surplus	843,290	94,395

Reserve accounts under the Capital Fund represent internally restricted reserves for specific projects approved by the Board of Trustees and the PSFB.

	2016 $	2015 $
Undesignated	115,094	1,379,487
Information technology	1,200,000	1,200,000
Equipment/vehicle	500,000	500,000
School building reserve	3,376,130	3,400,000
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	7,826,072

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 taxes or special levies are raised as the Division's contributions 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; 45.6% from the 2015 tax year and 54.4% from the 2016 tax year. Below are the related revenue and receivable amounts:

	2016 $	2015 $
Municipal Government revenue earned in the current tax year	31,148,713	29,703,915
Less: Education property tax credit	(7,038,101)	(7,007,027)
Less: Tax Incentive Grant	(1,875,794)	(1,874,586)
Receivable due from Municipal Government - property tax	22,234,818	20,822,302

11 Interest received and paid

The Division received interest during the year of $89,501 (2015 - $124,464); interest paid during the year was $1,048,742 (2015 - $940,750).

Interest expense is included in fiscal on the statement of revenue, expenses and accumulated surplus and is comprised of the following:

	2016 $	2015 $
Operating Fund		
Fiscal short-term loan, interest and bank charges	47,098	33,097
Capital Fund		
Debenture debt interest	1,001,644	907,653
	1,048,742	940,750

The accrued portion of debenture debt interest expense of $335,979 (2015 - $305,409) is offset by an accrual of the debt servicing grant from the Province.

12 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:

	Actual 2016 $	Actual 2015 $
Salaries	77,469,189	74,837,055
Employees' benefits and allowances	6,286,665	6,003,489
Services	10,623,990	9,804,489
Supplies, materials and minor equipment	5,734,775	5,462,127
Interest and bank charges	47,098	33,097
Interest - debenture	1,001,644	907,653
Payroll tax	1,686,587	1,633,300
Transfers	477,640	452,495
Amortization	3,297,462	3,131,621
School generated funds	802,901	762,135
Other capital items	38,083	-
	107,466,034	103,027,461

13 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 $1,397,119 for 2016 - 2017. As costs are based on student enrolment and transportation requirements, the service agreements do not contain predetermined costs for subsequent years.

14 Lease revenue

The Division recorded lease revenue of $452,892 from other sources relating to various unoccupied building space. Minimum payments under the lease terms over the next three years are as follows:

	$
2016 - 2017	101,664
2017 - 2018	103,580
2018 - 2019	105,545

15 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, 2016, the amount of this special levy was $563,965 (2015 - $560,292). These amounts are not included in the Division's financial statements.

16 Liability for contaminated sites

The Division recognized a liability $65,404 in 2015 for remediation of one of the Division's schools. The nature of the liability is removal of contaminated liquid from an underground tank, removal of tank and backfill tank excavation site. The amount of estimated recoveries is $nil.

St. James-Assiniboia School Division

Schedule of Tangible Capital Assets

For the year ended June 30, 2016

	Buildings and leasehold improvements									2016	2015
	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	71,098,726	4,324,198	838,588	721,711	3,852,607	3,784,782	7,025,772	5,812,796	2,943,918	100,403,098	93,109,5[illegible]
Add: Additions during the year	5,198,019	-	110,092	-	74,282	29,419	-	1,145,981	(1,365,431)	5,192,362	7,403,374
Less: Disposals and writedowns	-	-	-	-	(260,046)	(377,512)	-	(209,176)	-	(846,734)	(109,785)
Closing 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
Accumulated amortization											
Opening balance	40,944,586	2,868,264	548,762	598,079	3,178,453	2,096,729	-	2,691,346	-	52,926,219	49,902,435
Add: Current period amortization	1,905,936	87,174	59,709	41,463	239,967	392,615	-	570,598	-	3,297,462	3,131,621
Less: Accumulated amortization on disposals and writedowns	-	-	-	-	(260,046)	(377,512)	-	(174,796)	-	(812,354)	(107,837)
Closing accumulated amortization	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
Net tangible capital assets	33,446,223	1,368,760	340,209	82,169	508,469	1,324,857	7,025,772	3,662,453	1,578,487	49,337,399	47,476,879
Proceeds from disposal of capital assets	-	-	-	-	-	-	-	-	-	-	4,3[illegible]

* Includes network infrastructure

Rivière Seine River

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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 25, 2016

BDO

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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, 2016, 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, 2016, 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 25, 2016

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 25, 2016 — Date

Original Document Signed — Chairperson

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2016	2015
	Financial Assets		
	Cash and Bank	-	-
	Due from - Provincial Government	1,104,511	1,171,338
	- Federal Government	164,566	139,514
10	- Municipal Government	8,858,388	8,399,761
	- Other School Divisions	-	281
	- First Nations	-	-
	Accounts Receivable	39,283	54,859
	Accrued Investment Income	-	-
	Portfolio Investments	-	-
		10,166,748	9,765,753
	Liabilities		
3	Overdraft	3,617,951	3,067,392
	Accounts Payable	1,522,379	1,481,581
	Accrued Liabilities	687,754	625,606
4	Employee Future Benefits	176,903	182,334
11	Accrued Interest Payable	550,550	570,118
	Due to - Provincial Government	161,360	149,570
	- Federal Government	2,097,763	1,858,697
	- Municipal Government	67,288	69,575
	- Other School Divisions	-	-
	- First Nations	-	-
5	Deferred Revenue	751,508	1,463,080
6	Borrowings from the Provincial Government	27,237,866	27,524,152
	Other Borrowings	-	-
7	School Generated Funds Liability	42,280	45,977
		36,913,602	37,038,082
	Net Debt	(26,746,854)	(27,272,329)
	Non-Financial Assets		
8	Net Tangible Capital Assets (TCA Schedule)	37,919,027	37,072,051
	Inventories	-	-
	Prepaid Expenses	508	43,868
		37,919,535	37,115,919
9	**Accumulated Surplus**	11,172,681	9,843,590

See accompanying notes to the Financial Statements

Seine River School Division

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes			2016	2015
	Revenue			
	Provincial Government		39,320,407	37,044,569
	Federal Government		15,748	20,711
10	Municipal Government	- Property Tax	13,243,525	12,510,069
		- Other	-	-
	Other School Divisions		300,736	263,994
	First Nations		32,956	41,964
	Private Organizations and Individuals		51,917	45,098
	Other Sources		100,080	138,523
	School Generated Funds		733,127	780,634
	Other Special Purpose Funds		-	-
			53,798,496	50,845,562
12	**Expenses**			
	Regular Instruction		27,588,757	26,027,136
	Student Support Services		8,151,758	7,572,025
	Adult Learning Centres		311,899	296,541
	Community Education and Services		354,871	197,053
	Divisional Administration		1,617,939	1,622,228
	Instructional and Other Support Services		1,600,650	1,531,610
	Transportation of Pupils		3,108,546	3,002,112
	Operations and Maintenance		4,719,866	4,618,770
11	Fiscal	- Interest	1,290,987	1,377,545
		- Other	792,859	737,279
	Amortization		2,151,267	2,020,019
	Other Capital Items		-	-
	School Generated Funds		785,437	740,923
	Other Special Purpose Funds		-	-
			52,474,836	49,743,241
	Current Year Surplus (Deficit) before Non-vested Sick Leave		1,323,660	1,102,321
4	Less: Non-vested Sick Leave Expense (Recovery)		(5,431)	(26,492)
	Net Current Year Surplus (Deficit)		1,329,091	1,128,813
	Opening Accumulated Surplus		9,843,590	8,714,777
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	-
		Other than Tangible Cap. Assets	-	-
		Non-vested sick leave - prior years	-	-
	Opening Accumulated Surplus, as adjusted		9,843,590	8,714,777
9	**Closing Accumulated Surplus**		11,172,681	9,843,590

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2016

	2016	2015
Net Current Year Surplus (Deficit)	1,329,091	1,128,813
Amortization of Tangible Capital Assets	2,151,267	2,020,019
Acquisition of Tangible Capital Assets	(2,998,243)	(2,730,617)
(Gain) / Loss on Disposal of Tangible Capital Assets	(2,500)	7,771
Proceeds on Disposal of Tangible Capital Assets	2,500	4,500
	(846,976)	(698,327)
Inventories (Increase)/Decrease	-	-
Prepaid Expenses (Increase)/Decrease	43,360	669,038
	43,360	669,038
(Increase)/Decrease in Net Debt	525,475	1,099,524
Net Debt at Beginning of Year	(27,272,329)	(28,371,853)
Adjustments Other than Tangible Cap. Assets	-	-
	(27,272,329)	(28,371,853)
Net Debt at End of Year	(26,746,854)	(27,272,329)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2016

	2016	2015
Operating Transactions		
Net Current Year Surplus (Deficit)	1,329,091	1,128,813
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	2,151,267	2,020,019
(Gain)/Loss on Disposal of Tangible Capital Assets	(2,500)	7,771
Employee Future Benefits Increase/(Decrease)	(5,431)	(26,492)
Due from Other Organizations (Increase)/Decrease	(416,571)	1,675,728
Accounts Receivable & Accrued Income (Increase)/Decrease	15,576	30,606
Inventories and Prepaid Expenses - (Increase)/Decrease	43,360	669,038
Due to Other Organizations Increase/(Decrease)	248,569	(202,908)
Accounts Payable & Accrued Liabilities Increase/(Decrease)	83,378	(147,993)
Deferred Revenue Increase/(Decrease)	(711,572)	1,458,682
School Generated Funds Liability Increase/(Decrease)	(3,697)	17,176
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by (Applied to) Operating Transactions	2,731,470	6,630,440
Capital Transactions		
Acquisition of Tangible Capital Assets	(2,998,243)	(2,730,617)
Proceeds on Disposal of Tangible Capital Assets	2,500	4,500
Cash Provided by (Applied to) Capital Transactions	(2,995,743)	(2,726,117)
Investing Transactions		
Portfolio Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
Financing Transactions		
Borrowings from the Provincial Government Increase/(Decrease)	(286,286)	(383,709)
Other Borrowings Increase/(Decrease)	-	-
Cash Provided by (Applied to) Financing Transactions	(286,286)	(383,709)
Cash and Bank / Overdraft (Increase)/Decrease	(550,559)	3,520,614
Cash and Bank (Overdraft) at Beginning of Year	(3,067,392)	(6,588,006)
Cash and Bank (Overdraft) at End of Year	(3,617,951)	(3,067,392)

Seine River School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2016

	Buildings and Leasehold Improvements										
	School	Non-School	School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	2016 TOTALS	2015 TOTALS
Tangible Capital Asset Cost											
Opening Cost, as previously reported	52,396,540	3,062,701	6,241,652	168,424	817,076	1,466,859	451,886	148,707	138,510	64,892,355	62,186,281
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	52,396,540	3,062,701	6,241,652	168,424	817,076	1,466,859	451,886	148,707	138,510	64,892,355	62,186,281
Add:											
Additions during the year	838,713	135,874	436,994	35,291	198,877	15,373	-	179,708	1,157,413	2,998,243	2,730,617
Less:											
Disposals and write downs	-	-	60,081	-	-	-	-	-	-	60,081	24,543
Closing Cost	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
Accumulated Amortization											
Opening, as previously reported	21,637,114	1,002,245	3,914,509	120,910	653,952	480,085		11,489		27,820,304	25,812,557
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	21,637,114	1,002,245	3,914,509	120,910	653,952	480,085		11,489		27,820,304	25,812,557
Add:											
Current period Amortization	1,402,779	99,227	414,455	16,200	70,341	124,409		23,856		2,151,267	2,020,019
Less:											
Accumulated Amortization on Disposals and Writedowns	-	-	60,081	-	-	-		-		60,081	12,272
Closing Accumulated Amortization	23,039,893	1,101,472	4,268,883	137,110	724,293	604,494		35,345		29,911,490	27,820,304
Net Tangible Capital Asset	30,195,360	2,097,103	2,349,682	66,605	291,660	877,738	451,886	293,070	1,295,923	37,919,027	37,072,051
Proceeds from Disposal of Capital Assets	-	-	2,500	-	-	-				2,500	4,500

* 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:

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 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 $10,000,000 by way of overdrafts and is repayable on demand at prime less 0.75% (effective rate of 1.95% 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. 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 $456,677 ($395,459 in 2015).

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 $5,431 ($26,492 in 2015).

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, 2015	Additions in year	Revenue recognized in year	Balance as at June 30, 2016
Education Property Tax Credit (EPTC)	$ 1,455,147	4,006,543	4,718,654	743,036
Other	7,933	8,472	7,933	8,472
	$ 1,463,080	4,015,015	4,726,587	751,508

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 2017 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 8.375%. 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 total debenture principal and interest repayments in the next five fiscal years ending are as follows:

2017	$ 3,316,800
2018	3,123,100
2019	2,964,300
2020	2,726,613
2021	2,389,700

7. School Generated Funds Liability

School Generated Funds Liability includes the non-controlled portion of school generated funds. At June 30, 2016, an amount equal to the liability or $42,280 ($45,977 at June 30, 2015) 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 2015).

9. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2016	2015
Operating Fund		
Designated Surplus	$ 316,783	317,181
Undesignated	1,515,659	1,419,147
Non-vested Sick Leave	(176,903)	(182,334)
	1,655,539	1,553,994
Capital Fund		
Reserve Accounts	29,992	82,045
Equity in Tangible Capital Assets	9,210,088	7,878,179
	9,240,080	7,960,224
Special Purpose Fund		
School Generated Funds	277,062	329,372
Other School Generated Funds	-	-
	277,062	329,372
Total Accumulated Surplus	$11,172,681	9,843,590

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:

	2016	2015
School budget carryovers	$ 138,110	157,911
Grounds improvement	178,673	159,270
Designated Surplus	$ 316,783	317,181

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.

	2016	2015
Bus Reserve	$ 29,992	28,992
Board Office Roof Replacement Reserve	-	53,053
Capital Reserve	$ 29,992	82,045

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 2015 tax year and 58% from 2016 tax year. Below are the related revenue and receivable amounts:

	2016	2015
Revenue – Municipal Government – Property Tax	$ 13,243,525	12,510,069
Receivable – Due from Municipal – Property Tax	$ 8,858,388	8,399,761

11. Interest Received and Paid

The Division received interest during the year of $1,112 ($1,657 in 2015); interest paid during the year was $1,290,987 ($1,377,545 in 2015).

Interest expense for the year ended June 30, 2016 is comprised of the following:

	2016	2015
Operating Fund		
Fiscal-short term loan, interest and bank charges	$ 22,696	53,532
Capital Fund		
Debenture interest	1,268,291	1,324,013
	$ 1,290,987	1,377,545

The accrual portion of debenture debt interest expense of $550,550 ($570,118 in 2015) included under the Capital Fund - Debenture debt interest is offset by an accrual of the debt servicing grant from the Province of Manitoba of $550,550 as at June 30, 2016 ($570,118 in 2015).

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:

	2016	2015
Salaries	$ 36,950,731	34,700,030
Employees benefits and allowances	2,797,658	2,594,027
Services	3,937,009	3,926,458
Supplies, materials and minor equipment	3,260,333	3,062,278
Interest	1,290,987	1,377,545
Payroll tax	792,859	737,279
Amortization	2,151,267	2,020,019
Transfers	508,555	584,682
School generated funds	785,437	740,923
Non-vested sick leave recovery	(5,431)	(26,492)
	$ 52,469,405	49,716,749

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:

2017	$ 384,600
2018	349,500
2019	199,900
2020	153,400

The overdraft balance presented on the consolidated statement of financial position includes an amount of $371,473 relating to the purchase and establishment of the Bus/Maintenance Facility, an amount of $193,610 relating to the Energy Savings Retrofit project and $420,807 relating to the LAN upgrade project that were completed in prior years. These amounts will be recovered from future operating budget appropriations by transfers from the Operating Fund to the Capital Fund. The planned annual appropriation is $75,000 for the Bus/Maintenance Facility, $39,000 for the Energy Savings Retrofit project, and $138,000 for the LAN upgrade project until the entire balance has been recovered. The annual appropriations may change in the future based on available funding.

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.

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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

Original Document Signed
Secretary-Treasurer

October 24, 2016

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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, 2016, 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 Seven Oaks School Division as at June 30, 2016, 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 24, 2016

Winnipeg, Canada

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

Original Document Signed

Chairperson of the Board

Oct 24/16

Date

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2016	2015
	Financial Assets		
	Cash and Bank	-	-
	Due from - Provincial Government	6,645,272	6,186,735
	- Federal Government	747,956	425,585
	- Municipal Government	22,072,589	20,078,619
	- Other School Divisions	103	5,401
	- First Nations	493,969	482,400
	Accounts Receivable	491,996	485,823
	Accrued Investment Income	-	-
	Portfolio Investments	497,290	461,250
		30,949,175	28,125,813
	Liabilities		
3	Overdraft	11,989,919	16,710,637
	Accounts Payable	6,259,524	4,776,321
	Accrued Liabilities	974,246	1,669,944
4	Employee Future Benefits	537,127	480,708
	Accrued Interest Payable	1,480,811	1,299,112
	Due to - Provincial Government	470,599	402,880
	- Federal Government	5,188,221	4,593,069
	- Municipal Government	128,869	86,963
	- Other School Divisions	3,743	13,497
	- First Nations	-	-
7	Deferred Revenue	5,129,634	5,101,184
9	Borrowings from the Provincial Government	83,105,644	68,000,158
10	Other Borrowings	13,833,037	9,105,939
	School Generated Funds Liability	353,624	412,927
		129,454,998	112,653,339
	Net Debt	(98,505,823)	(84,527,526)
	Non-Financial Assets		
11	Net Tangible Capital Assets (TCA Schedule)	143,758,949	126,827,968
	Inventories	-	766
	Prepaid Expenses	436,577	270,640
		144,195,526	127,099,374
	Accumulated Surplus	45,689,703	42,571,848

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT
OF REVENUE, EXPENSES
AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes			2016	2015
	Revenue			
	Provincial Government		98,832,790	94,690,804
	Federal Government		912,500	837,583
	Municipal Government	- Property Tax	36,841,266	33,516,763
		- Other	714	494
	Other School Divisions		1,162,223	1,080,548
	First Nations		776,800	648,800
	Private Organizations and Individuals		1,108,201	1,121,809
	Other Sources		871,786	187,097
	School Generated Funds		29,077	70,791
	Other Special Purpose Funds		-	-
			140,535,357	132,154,689
	Expenses			
	Regular Instruction		75,481,237	72,904,555
	Student Support Services		23,247,977	22,188,756
	Adult Learning Centres		839,674	748,478
	Community Education and Services		1,890,604	1,776,701
	Divisional Administration		3,613,678	3,615,834
	Instructional and Other Support Services		4,822,493	4,602,622
	Transportation of Pupils		3,890,292	3,791,253
	Operations and Maintenance		12,078,151	11,551,194
14	Fiscal	- Interest	3,882,466	3,526,129
		- Other	2,133,607	2,005,481
	Amortization		5,313,578	4,721,537
	Other Capital Items		126,868	284,680
	School Generated Funds		40,459	32,503
	Other Special Purpose Funds		-	-
			137,361,084	131,749,723
	Current Year Surplus (Deficit) before Non-vested Sick Leave		3,174,273	404,966
	Less: Non-vested Sick Leave Expense (Recovery)		56,418	57,813
	Net Current Year Surplus (Deficit)		3,117,855	347,153
	Opening Accumulated Surplus		42,571,848	42,224,695
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	-
		Other than Tangible Cap. Assets	-	-
		Non-vested sick leave - prior years	-	-
	Opening Accumulated Surplus, as adjusted		42,571,848	42,224,695
	Closing Accumulated Surplus		45,689,703	42,571,848

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2016

	2016	2015
Net Current Year Surplus (Deficit)	3,117,855	347,153
Amortization of Tangible Capital Assets	5,313,578	4,721,537
Acquisition of Tangible Capital Assets	(22,250,184)	(23,011,299)
(Gain) / Loss on Disposal of Tangible Capital Assets	(304,388)	(6,000)
Proceeds on Disposal of Tangible Capital Assets	310,013	6,000
	(16,930,981)	(18,289,762)
Inventories (Increase)/Decrease	766	(766)
Prepaid Expenses (Increase)/Decrease	(165,937)	(88,471)
	(165,171)	(89,237)
(Increase)/Decrease in Net Debt	(13,978,297)	(18,031,846)
Net Debt at Beginning of Year	(84,527,526)	(66,495,680)
Adjustments Other than Tangible Cap. Assets	-	-
	(84,527,526)	(66,495,680)
Net Debt at End of Year	(98,505,823)	(84,527,526)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2016

	2016	2015
Operating Transactions		
Net Current Year Surplus (Deficit)	3,117,855	347,153
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	5,313,578	4,721,537
(Gain)/Loss on Disposal of Tangible Capital Assets	(304,388)	(6,000)
Employee Future Benefits Increase/(Decrease)	56,419	57,813
Due from Other Organizations (Increase)/Decrease	(2,781,149)	5,823,960
Accounts Receivable & Accrued Income (Increase)/Decrease	(6,173)	144,655
Inventories and Prepaid Expenses - (Increase)/Decrease	(165,171)	(89,237)
Due to Other Organizations Increase/(Decrease)	695,023	4,281,631
Accounts Payable & Accrued Liabilities Increase/(Decrease)	969,204	(1,642,013)
Deferred Revenue Increase/(Decrease)	28,450	4,963,144
School Generated Funds Liability Increase/(Decrease)	(59,303)	(48,772)
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by (Applied to) Operating Transactions	6,864,345	18,553,871
Capital Transactions		
Acquisition of Tangible Capital Assets	(22,250,184)	(23,011,299)
Proceeds on Disposal of Tangible Capital Assets	310,013	6,000
Cash Provided by (Applied to) Capital Transactions	(21,940,171)	(23,005,299)
Investing Transactions		
Portfolio Investments (Increase)/Decrease	(36,040)	(461,250)
Cash Provided by (Applied to) Investing Transactions	(36,040)	(461,250)
Financing Transactions		
Borrowings from the Provincial Government Increase/(Decrease)	15,105,486	10,698,670
Other Borrowings Increase/(Decrease)	4,727,098	(497,874)
Cash Provided by (Applied to) Financing Transactions	19,832,584	10,200,796
Cash and Bank / Overdraft (Increase)/Decrease	4,720,718	5,288,118
Cash and Bank (Overdraft) at Beginning of Year	(16,710,637)	(21,998,755)
Cash and Bank (Overdraft) at End of Year	(11,989,919)	(16,710,637)

Seven Oaks School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2016

	Buildings and Leasehold Improvements		School	Other	Furniture / Fixtures &	Computer Hardware &		Land	Assets Under	2016	2015
	School	Non-School	Buses	Vehicles	Equipment	Software *	Land	Improvements	Construction	TOTALS	TOTALS
Tangible Capital Asset Cost											
Opening Cost, as previously reported	145,331,121	2,177,320	4,647,345	415,622	1,887,370	3,596,592	16,116,305	917,635	5,774,127	180,863,437	158,349,981
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	145,331,121	2,177,320	4,647,345	415,622	1,887,370	3,596,592	16,116,305	917,635	5,774,127	180,863,437	158,349,981
Add:											
Additions during the year	4,789,262	-	423,538	34,956	392,367	67,224	309,913	-	16,232,924	22,250,184	23,011,299
Less:											
Disposals and write downs	-	-	154,227	12,283	88,690	179,429	5,625	-	-	440,254	497,843
Closing Cost	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
Accumulated Amortization											
Opening, as previously reported	46,560,355	1,659,418	2,727,529	323,659	1,321,799	1,216,156		226,553		54,035,469	49,811,775
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	46,560,355	1,659,418	2,727,529	323,659	1,321,799	1,216,156		226,553		54,035,469	49,811,775
Add:											
Current period Amortization	4,135,117	48,487	375,156	44,487	170,610	447,957		91,764		5,313,578	4,721,537
Less:											
Accumulated Amortization on Disposals and Writedowns	-	-	154,227	12,283	88,690	179,429		-		434,629	497,843
Closing Accumulated Amortization	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
Net Tangible Capital Asset	99,424,911	469,415	1,968,198	82,432	787,328	1,999,703	16,420,593	599,318	22,007,051	143,758,949	126,827,968
Proceeds from Disposal of Capital Assets		-	8,600	-	-	-	301,413			310,013	6,000

* 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 Public Sector Accounting Board of the Canadian Institute of Chartered Accountants (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	$	11,271
Kildonan Youth Activity Centre		13,689
	$	24,960

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 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.

2. Significant accounting policies (continued):

(m) Future accounting pronouncements:

In March 2011, PSAB approved two new standards, Section PS 3450, Financial Instruments and Section PS 2601, Foreign Currency Translation, and related financial statement presentation changes to Financial Statement Presentation, Sections PS 1200 and 1201. Both standards must be adopted in the same fiscal period. The new standards are effective for the fiscal years beginning on or after April 1, 2016.

The Division intends to adopt PS 3450 and PS 2601 in its financial statements for the annual period beginning July 1, 2016. The impact of the adoption of these standards are being evaluated and is not known or reasonably estimable at this time.

3. Overdraft:

The Division has authorized revolving lines of credit with the Royal Bank of Canada (RBC) of $20,000,000 by way of overdrafts and letters of guarantee. The Division also has a $225,000 non-revolving term facility, by way of fixed rate loans; a $2,000,000 revolving lease line of credit, by way of leases; and a $1,650,000 non-revolving term facility by way of BA's. 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, 2016 is an increase of $56,418 (2015 - increase of $57,813). At June 30, 2016, the Division has recorded an estimated liability of $537,127 (2015 - $480,708) 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 (2015 - 4 percent) and a rate of salary increase of 2 percent (2015 - 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 $1,734,487 for fiscal 2016 (2015 - $1,443,301).

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 May 15, 2014 the Division received approval from the Province of Manitoba for the construction of a new French Immersion School to be named École Rivière-Rouge School. The projected completion date of construction is September, 2016, and is projected to cost $19,000,000.

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, 2015	Additions in the period	Revenue recognized in the period	Balance, June 30, 2016
Education property tax credit	$ 4,985,996	$ 12,601,165	$ 12,546,695	$ 5,040,466
Bus pass fees	27,852	363,731	368,134	23,449
Other special purpose funds:				
Wayfinders - grants	22,562	30,000	46,062	6,500
My Camp	24,150	22,937	24,437	22,650
Summer school fees	18,120	4,289	17,579	4,830
LIFT Grant	170	–	170	–
School Grants	8,000	53,038	34,337	26,701
CVE Fees	900	17,400	14,400	3,900
Employment Grant	5,434	6,952	12,386	–
Non-resident Fee	8,000	16,000	24,000	–
Rent	–	1,138	–	1,138
	$ 5,101,184	$ 13,116,650	$ 13,088,200	$ 5,129,634

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, 2016, school funds held in the Special Purpose Fund totaled $551,762 (2015 - $622,447).

The school generated funds liability of $353,624 at June 30, 2016 (2015 - $412,927) 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 2017 to fiscal 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 percent to 8.88 percent. The debenture principal and interest repayments in the next five years and thereafter are:

	Principal	Interest	Total
2017	$ 4,144,911	$ 3,605,029	$ 7,749,940
2018	4,199,613	3,407,599	7,607,212
2019	4,343,471	3,210,814	7,554,285
2020	4,481,781	3,007,886	7,489,667
2021	4,602,809	2,798,837	7,401,646
Thereafter	61,333,059	17,489,616	78,822,675
	$ 83,105,644	$ 33,519,781	$ 116,625,425

During 2016, the Division had submitted claims for capital projects to the Public Schools Finance Board totaling $18,656,300 (2015 - $13,838,000) and received debenture proceeds of this amount in 2016.

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 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 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 purpose of the loan was to purchase servers and phone equipment for a VOIP system.

The Land loans are 1.47% and 2.47% Interest Rate Swap loans repayable over 20 years. The purpose of the loans are 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
2017	$ 780,790	$ 522,264	$ 1,303,054
2018	787,218	489,209	1,276,427
2019	820,772	459,158	1,279,930
2020	854,517	426,290	1,280,807
2021	2,176,679	390,140	2,566,819
Thereafter	8,413,061	1,776,093	10,189,154
	$ 13,833,037	$ 4,063,154	$ 17,896,191

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	$ 202,673,367	$ 58,914,418	$ 143,758,949

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 2016, the Division provided a grant to the Foundation in the amount of $16,000 (2015 - $31,000).

14. Interest paid:

Interest paid during the fiscal year is comprised of the following:

	2016	2015
Operating Fund:		
Overdraft interest	$ 91,237	$ 80,749
Capital Fund:		
Debenture debt interest - PSFB funded	3,308,034	2,990,463
Loan interest	483,195	454,917
	$ 3,882,466	$ 3,526,129

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 12, 2016

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, 2016, 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, 2016 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 12, 2016

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 12/16
Date

MNP

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2016	2015
	Financial Assets		
	Cash and Bank	-	-
	Due from - Provincial Government	1,507,248	1,661,558
	- Federal Government	228,086	141,817
	- Municipal Government	5,498,887	4,869,760
	- Other School Divisions	-	-
	- First Nations	-	-
	Accounts Receivable	195,487	66,297
	Accrued Investment Income	-	-
	Portfolio Investments	-	-
		7,429,708	6,739,432
	Liabilities		
4	Overdraft	3,772,949	3,666,234
	Accounts Payable	585,258	774,930
	Accrued Liabilities	307,636	574,479
	Employee Future Benefits	-	-
	Accrued Interest Payable	362,388	336,774
	Due to - Provincial Government	-	-
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
5	Deferred Revenue	396,698	136,005
6	Borrowings from the Provincial Government	17,143,398	15,413,420
7	Other Borrowings	687,485	1,257,082
	School Generated Funds Liability	-	-
		23,255,812	22,158,924
	Net Debt	(15,826,104)	(15,419,492)
	Non-Financial Assets		
8	Net Tangible Capital Assets (TCA Schedule)	20,989,329	18,955,125
	Inventories	162,480	162,240
	Prepaid Expenses	746,755	848,549
		21,898,564	19,965,914
9	**Accumulated Surplus**	6,072,460	4,546,422

See accompanying notes to the Financial Statements

Southwest Horizon School Division

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes			2016	2015
	Revenue			
	Provincial Government		14,230,544	13,958,845
	Federal Government		-	-
	Municipal Government	- Property Tax	10,242,920	9,022,933
		- Other	-	-
	Other School Divisions		97,850	105,370
	First Nations		-	-
	Private Organizations and Individuals		-	-
	Other Sources		52,717	85,051
	School Generated Funds		513,766	513,579
	Other Special Purpose Funds		-	-
			25,137,797	23,685,778
	Expenses			
	Regular Instruction		11,941,285	11,758,289
	Student Support Services		2,959,609	2,606,863
	Adult Learning Centres		-	-
	Community Education and Services		155,943	148,637
	Divisional Administration		877,549	831,823
	Instructional and Other Support Services		461,371	539,039
	Transportation of Pupils		1,792,058	1,935,216
	Operations and Maintenance		2,259,684	2,103,424
11	Fiscal	- Interest	879,738	884,779
		- Other	340,395	314,385
	Amortization		1,404,811	1,317,030
	Other Capital Items		-	-
	School Generated Funds		512,608	476,928
	Other Special Purpose Funds		-	-
			23,585,051	22,916,413
	Current Year Surplus (Deficit) before Non-vested Sick Leave		1,552,746	769,365
	Less: Non-vested Sick Leave Expense (Recovery)		26,708	(13,499)
	Net Current Year Surplus (Deficit)		1,526,038	782,864
	Opening Accumulated Surplus		4,546,422	3,763,558
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	-
		Other than Tangible Cap. Assets	-	-
		Non-vested sick leave - prior years	-	-
	Opening Accumulated Surplus, as adjusted		4,546,422	3,763,558
	Closing Accumulated Surplus		6,072,460	4,546,422

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2016

	2016	2015
Net Current Year Surplus (Deficit)	1,526,038	782,864
Amortization of Tangible Capital Assets	1,404,811	1,317,030
Acquisition of Tangible Capital Assets	(3,439,015)	(1,406,281)
(Gain) / Loss on Disposal of Tangible Capital Assets	-	-
Proceeds on Disposal of Tangible Capital Assets	-	-
	(2,034,204)	(89,251)
Inventories (Increase)/Decrease	(240)	(6,232)
Prepaid Expenses (Increase)/Decrease	101,794	345,756
	101,554	339,524
(Increase)/Decrease in Net Debt	(406,612)	1,033,137
Net Debt at Beginning of Year	(15,419,492)	(16,452,629)
Adjustments Other than Tangible Cap. Assets	-	-
	(15,419,492)	(16,452,629)
Net Debt at End of Year	(15,826,104)	(15,419,492)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2016

	2016	2015
Operating Transactions		
Net Current Year Surplus (Deficit)	1,526,038	782,864
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	1,404,811	1,317,030
(Gain)/Loss on Disposal of Tangible Capital Assets	-	-
Employee Future Benefits Increase/(Decrease)	-	-
Due from Other Organizations (Increase)/Decrease	(561,086)	100,690
Accounts Receivable & Accrued Income (Increase)/Decrease	(129,190)	15,286
Inventories and Prepaid Expenses - (Increase)/Decrease	101,554	339,524
Due to Other Organizations Increase/(Decrease)	-	-
Accounts Payable & Accrued Liabilities Increase/(Decrease)	(430,901)	169,312
Deferred Revenue Increase/(Decrease)	260,693	126,309
School Generated Funds Liability Increase/(Decrease)	-	-
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by (Applied to) Operating Transactions	2,171,919	2,851,015
Capital Transactions		
Acquisition of Tangible Capital Assets	(3,439,015)	(1,406,281)
Proceeds on Disposal of Tangible Capital Assets	-	-
Cash Provided by (Applied to) Capital Transactions	(3,439,015)	(1,406,281)
Investing Transactions		
Portfolio Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
Financing Transactions		
Borrowings from the Provincial Government Increase/(Decrease)	1,729,978	180,015
Other Borrowings Increase/(Decrease)	(569,597)	(162,188)
Cash Provided by (Applied to) Financing Transactions	1,160,381	17,827
Cash and Bank / Overdraft (Increase)/Decrease	(106,715)	1,462,561
Cash and Bank (Overdraft) at Beginning of Year	(3,666,234)	(5,128,795)
Cash and Bank (Overdraft) at End of Year	(3,772,949)	(3,666,234)

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2016

	Buildings and Leasehold Improvements		School	Other	Furniture / Fixtures &	Computer Hardware &		Land	Assets Under	2016	2015
	School	Non-School	Buses	Vehicles	Equipment	Software *	Land	Improvements	Construction	TOTALS	TOTALS
Tangible Capital Asset Cost											
Opening Cost, as previously reported	28,631,785	2,265,057	4,443,307	172,929	1,233,692	198,274	308,940	-	317,023	37,571,007	36,164,726
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	28,631,785	2,265,057	4,443,307	172,929	1,233,692	198,274	308,940	-	317,023	37,571,007	36,164,726
Add: Additions during the year	3,260,914	5,348	299,814	60,134	80,184	48,720	-	-	(316,099)	3,439,015	1,406,281
Less: Disposals and write downs	-	-	-	-	-	-	-	-		-	-
Closing Cost	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
Accumulated Amortization											
Opening, as previously reported	13,525,765	751,151	3,258,029	130,927	840,197	109,813		-		18,615,882	17,298,852
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	13,525,765	751,151	3,258,029	130,927	840,197	109,813		-		18,615,882	17,298,852
Add: Current period Amortization	880,057	62,869	247,507	24,187	158,766	31,425		-		1,404,811	1,317,030
Less: Accumulated Amortization on Disposals and Writedowns	-	-	-	-	-	-		-		-	-
Closing Accumulated Amortization	14,405,822	814,020	3,505,536	155,114	998,963	141,238		-		20,020,693	18,615,882
Net Tangible Capital Asset	17,486,877	1,456,385	1,237,585	77,949	314,913	105,756	308,940	-	924	20,989,329	18,955,125
Proceeds from Disposal of Capital Assets	-	-	-	-	-	-				-	-

* 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 2015-2016 is an expense of $26,708.

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 $285,717 which will be submitted to PSFB for debenture 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, 2015	Additions in the period	Revenue recognized in the period	Balance as at June 30, 2016
Summer Literacy	$13,401	$11,461	$13,401	$11,461
Waskada Fitness Centre Rent	400	0	400	0
Study Manitoba Tuition Fees	0	21,725	0	21,725
Provincial Education Property Tax Credit	122,204	363,512	122,204	363,512
	$136,005	**$396,698**	**$136,005**	**$396,698**

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 2016 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 3.0% to 8.38%. 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:

Year	Principal	Interest	Total
2017	$1,307,122	$737,387	$2,044,509
2018	1,371,195	667,203	2,038,398
2019	1,445,332	593,066	2,038,398
2020	1,461,198	518,680	1,979,878
2021	1,400,230	449,110	1,849,340
	$6,985,077	**$2,965,446**	**$9,950,523**

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 .75%, and has annual principal payments of $110,004. The payments to the end of the term are:

	Principal Payments	Estimated Interest	Total
2017	110,004	15,468	125,472
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
	$687,485	**$56,302**	**$743,787**

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	2016 Net Book Value
Owned Tangible Capital Assets	$41,010,022	$20,020,693	$20,989,329
Capital Lease	-	-	-
	$41,010,022	**$20,020,693**	**$20,989,329**

9. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2016
Operating Fund	
Designated Surplus	-
Undesignated Surplus	$771,470
	$771,470
Capital Fund	
Reserve Accounts	$1,503,815
Equity in Tangible Capital Assets	3,576,830
	$5,080,645
Special Purpose Fund	
School Generated Funds	$220,345
Other Special Purpose Funds	-
	$220,345
Total Accumulated Surplus	**$6,072,460**

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	2016
Buses	$653,815
School Building	150,000
Non-School Building	75,000
Computer	75,000
Automotive Technician Program	200,000
Technical Vocational Trailers	150,000
Technical Vocational Equipment Replacement	25,000
Wawanesa Wall Upgrade/Window Replacement (2nd Wing)	125,000
Waskada School Site Grading	50,000
Capital Reserve	**$1,503,815**

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 $220,345.

	2016
Foundation - Scholarship	$0
Other – School Funds	220,345
Other Special Purpose Funds	**$220,345**

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 2015 tax year and 54% from 2016 tax year. Below are the related revenue and receivable amounts:

	2016	2015
Revenue-Municipal Government-Property Tax	$ 10,242,920	$ 9,022,933
Receivable-Due from Municipal-Property Tax	$ 5,498,887	$ 4,869,760

11. Interest Received and Paid

The Division received interest during the year of $63, (previous year $83); interest paid during the year was $879,738, (previous year $884,779).

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

	2016
Operating Fund	
Fiscal-short term loan, interest and bank charges	$65,190
Capital Fund	
Long-term borrowing interest	814,548
Other interest	
	$879,738

The accrual portion of long-term borrowing interest expense of $362,388 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 2016	**Budget 2016**	**Actual 2015**
Salaries	$15,364,649	$15,664,000	$14,788,937
Employees benefits & allowances	1,206,513	1,253,700	1,196,770
Services	2,114,776	2,584,700	2,012,161
Supplies, materials & minor equipment	1,584,957	1,988,430	1,784,197
Interest	879,738	125,000	884,779
Transfers	176,604	175,000	141,226
Payroll tax	340,395	315,000	314,385
Amortization	1,404,811	-	1,317,030
Other capital items	-	-	
School generated funds	512,608	-	476,928
Other special purpose funds	-	-	
	$23,585,051	**$22,105,830**	**$22,916,413**

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
Chairperson

Original Document Signed
Secretary-Treasurer

December 13, 2016

BDO

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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, 2016, 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, 2016 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
December 13, 2016

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.

Dec. 13, 2016
Date

Original Document Signed
Chairperson

Sunrise School Division

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2016	2015
	Financial Assets		
	Cash and Bank	-	-
	Due from - Provincial Government	3,259,023	5,577,930
	- Federal Government	225,606	210,046
	- Municipal Government	14,584,459	13,216,090
	- Other School Divisions	15,764	187,366
	- First Nations	256,981	414,177
	Accounts Receivable	51,036	1,116,160
	Accrued Investment Income	-	-
	Portfolio Investments	-	-
		18,392,869	20,721,769
	Liabilities		
*	Overdraft	11,956,354	14,661,091
	Accounts Payable	2,129,335	1,265,870
	Accrued Liabilities	887,785	1,379,875
*	Employee Future Benefits	717,623	627,371
	Accrued Interest Payable	309,689	339,365
	Due to - Provincial Government	5,852	4,359
	- Federal Government	1,273	1,292
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
*	Deferred Revenue	2,729,434	965,762
*	Borrowings from the Provincial Government	18,543,526	20,002,632
*	Other Borrowings	3,267,214	3,523,937
	School Generated Funds Liability	52,103	60,159
		40,600,188	42,831,713
	Net Debt	(22,207,319)	(22,109,944)
	Non-Financial Assets		
*	Net Tangible Capital Assets (TCA Schedule)	36,477,800	36,251,604
	Inventories	517,716	377,300
	Prepaid Expenses	216,382	128,416
		37,211,898	36,757,320
*	**Accumulated Surplus**	15,004,579	14,647,376

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			2016	2015
	Revenue			
	Provincial Government		40,827,616	40,609,756
	Federal Government		-	-
	Municipal Government	- Property Tax	25,415,373	23,058,492
		- Other	-	-
	Other School Divisions		154,203	196,978
	First Nations		337,376	300,876
	Private Organizations and Individuals		45,930	37,741
	Other Sources		192,837	207,450
	School Generated Funds		966,448	1,052,683
	Other Special Purpose Funds		5,950	15,121
			67,945,733	65,479,097
	Expenses			
	Regular Instruction		33,102,235	32,290,570
	Student Support Services		11,939,408	11,187,743
	Adult Learning Centres		970,970	969,452
	Community Education and Services		301,622	294,284
	Divisional Administration		2,193,751	2,006,143
	Instructional and Other Support Services		1,484,052	1,314,759
	Transportation of Pupils		4,974,014	4,852,730
	Operations and Maintenance		6,565,973	6,532,240
*	Fiscal	- Interest	1,206,739	1,219,841
		- Other	999,013	936,436
	Amortization		2,989,716	2,824,211
	Other Capital Items		17,495	3,171
	School Generated Funds		858,771	971,553
	Other Special Purpose Funds		(405)	18,724
			67,603,354	65,421,857
	Current Year Surplus (Deficit) before Non-vested Sick Leave		342,379	57,240
	Less: Non-vested Sick Leave Expense (Recovery)		(14,824)	5,559
	Net Current Year Surplus (Deficit)		357,203	51,681
	Opening Accumulated Surplus		14,647,376	14,595,695
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	-
		Other than Tangible Cap. Assets	-	-
		Non-vested sick leave - prior years	-	-
	Opening Accumulated Surplus, as adjusted		14,647,376	14,595,695
	Closing Accumulated Surplus		15,004,579	14,647,376

See accompanying notes to the Financial Statements

* NOTE REQUIRED

Sunrise School Division

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2016

	2016	2015
Net Current Year Surplus (Deficit)	357,203	51,681
Amortization of Tangible Capital Assets	2,989,716	2,824,211
Acquisition of Tangible Capital Assets	(3,199,660)	(5,633,290)
(Gain) / Loss on Disposal of Tangible Capital Assets	(16,252)	(19,188)
Proceeds on Disposal of Tangible Capital Assets	-	35,909
	(226,196)	(2,792,358)
Inventories (Increase)/Decrease	(140,416)	(66,683)
Prepaid Expenses (Increase)/Decrease	(87,966)	(26,890)
	(228,382)	(93,573)
(Increase)/Decrease in Net Debt	(97,375)	(2,834,250)
Net Debt at Beginning of Year	(22,109,944)	(19,275,694)
Adjustments Other than Tangible Cap. Assets	-	-
	(22,109,944)	(19,275,694)
Net Debt at End of Year	(22,207,319)	(22,109,944)

Sunrise School Division

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2016

	2016	2015
Operating Transactions		
Net Current Year Surplus (Deficit)	357,203	51,681
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	2,989,716	2,824,211
(Gain)/Loss on Disposal of Tangible Capital Assets	(16,252)	(19,188)
Employee Future Benefits Increase/(Decrease)	90,252	(62,804)
Due from Other Organizations (Increase)/Decrease	1,263,776	25,387
Accounts Receivable & Accrued Income (Increase)/Decrease	1,065,124	(1,003,811)
Inventories and Prepaid Expenses - (Increase)/Decrease	(228,382)	(93,573)
Due to Other Organizations Increase/(Decrease)	1,474	(34,397)
Accounts Payable & Accrued Liabilities Increase/(Decrease)	341,699	1,350,767
Deferred Revenue Increase/(Decrease)	1,763,672	914,118
School Generated Funds Liability Increase/(Decrease)	(8,056)	11,940
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by (Applied to) Operating Transactions	7,620,226	3,964,331
Capital Transactions		
Acquisition of Tangible Capital Assets	(3,199,660)	(5,633,290)
Proceeds on Disposal of Tangible Capital Assets	-	35,909
Cash Provided by (Applied to) Capital Transactions	(3,199,660)	(5,597,381)
Investing Transactions		
Portfolio Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
Financing Transactions		
Borrowings from the Provincial Government Increase/(Decrease)	(1,459,106)	(499,509)
Other Borrowings Increase/(Decrease)	(256,723)	3,523,937
Cash Provided by (Applied to) Financing Transactions	(1,715,829)	3,024,428
Cash and Bank / Overdraft (Increase)/Decrease	2,704,737	1,391,378
Cash and Bank (Overdraft) at Beginning of Year	(14,661,091)	(16,052,469)
Cash and Bank (Overdraft) at End of Year	(11,956,354)	(14,661,091)

Sunrise School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2016

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	2016 TOTALS	2015 TOTALS
	School	Non-School									
Tangible Capital Asset Cost											
Opening Cost, as previously reported	52,299,771	8,105,323	10,624,491	152,226	2,266,310	4,059,152	236,182	364,822	339,341	78,447,618	72,870,064
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	52,299,771	8,105,323	10,624,491	152,226	2,266,310	4,059,152	236,182	364,822	339,341	78,447,618	72,870,064
Add: Additions during the year	1,916,461	-	573,314	77,393	50,798	681,670	-	216,752	(316,728)	3,199,660	5,633,290
Less: Disposals and write downs	-	7,500	1,326,018	-	-	-	-	-	-	1,333,518	55,736
Closing Cost	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
Accumulated Amortization											
Opening, as previously reported	29,966,870	1,721,545	6,957,502	152,226	1,052,676	2,164,933		180,262		42,196,014	39,410,818
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	29,966,870	1,721,545	6,957,502	152,226	1,052,676	2,164,933		180,262		42,196,014	39,410,818
Add: Current period Amortization	1,206,833	188,831	738,849	7,739	311,266	492,447		43,751		2,989,716	2,824,211
Less: Accumulated Amortization on Disposals and Writedowns	-	7,500	1,342,270	-	-	-		-		1,349,770	39,015
Closing Accumulated Amortization	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
Net Tangible Capital Asset	23,042,529	6,194,947	3,517,706	69,654	953,166	2,083,442	236,182	357,561	22,613	36,477,800	36,251,604
Proceeds from Disposal of Capital Assets	-	-	-	-	-	-				-	35,909

* 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, 2016, the Division's authorized line of credit with Sunova Credit Union was $20,000,000 by way of overdrafts. The line of credit is repayable on demand at the bank's prime rate less 0.75% (1.95% as of June 30, 2016); interest is paid monthly. Overdrafts are secured by a borrowing by-law. As at June 30, 2016, 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 $791,142 ($658,903 in 2015).

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 $14,824 (expense of $5,559 in 2015).

Employee future benefits of $717,623 recorded as a liability consists of maternity/parental benefits of $111,228, vacation accrual of $323,561 and sick leave liability of $282,834 as of June 30, 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 2015	Additions in the Period	Revenue Recognized in the Period	Balance as at June 30 2016
Education Property Tax Credit	$ 931,440	$ 8,695,696	$ 6,924,169	$ 2,702,967
Tax Incentive Grant	-	2,930,790	2,930,790	-
Grants from outside sources	34,322	25,577	33,432	26,467
	$ 965,762	$11,652,063	$ 9,888,391	$ 2,729,434

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 2016 to 2035. 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, 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 total debenture principal and interest repayments in the next five years are:

2017	$ 2,500,627
2018	2,420,998
2019	2,381,653
2020	2,321,963
2021	2,263,535
	$11,888,776

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, 2016). The vehicle loan requires annual payments of $5,550.

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

2016	$ 373,452
2017	366,852
2018	360,252
2019	353,652
2020	341,964
	$ 1,796,172

8. School Generated Funds Liability

School Generated Funds Liability represents the non-controlled portion of school generated funds. At June 30, 2016, an amount equal to the liability of $52,103 ($60,159 at June 30, 2015) 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:

	2016	2015
Operating Fund		
Designated Surplus	$ -	$ -
Undesignated Surplus	1,962,330	1,557,013
Non-vested Sick Leave	(282,834)	(297,658)
	1,679,496	1,259,355
Capital Fund		
Reserve Accounts	366,331	544,429
Equity in Tangible Capital Assets	12,441,245	12,328,334
	12,807,576	12,872,763
Special Purpose Fund		
School Generated Funds	476,965	472,207
Other	40,542	43,051
	517,507	515,258
Total Accumulated Surplus	$15,004,579	$14,647,376

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 2015 tax year and 57.5% from 2016 tax year. Below are the related revenue and receivable amounts:

	2016	2015
Revenue – Municipal Government – Property Tax	$ 25,415,373	$ 23,058,492
Receivable – Due from Municipal – Property Tax	$ 14,584,459	$ 13,216,090

12. Interest Received and Paid

The Division received interest during the year of $6,045 ($9,685 in 2015); interest paid during the year was $1,236,415 ($1,247,103 in 2015).

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

	2016	2015
Operating Fund		
Fiscal-short term loan, interest and bank charges	$ 118,503	$ 145,552
Capital Fund		
Debenture interest	1,011,846	1,072,209
Other interest	76,390	2,080
	$ 1,206,739	$ 1,219,841

The accrual portion of debenture debt interest expense of $309,689 ($339,365 in 2015) 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 2016	Budget 2016	Actual 2015
Salaries	$46,613,359	$ 46,640,208	$ 44,927,040
Employees benefits and allowances	3,465,966	3,365,314	3,206,781
Services	6,313,261	6,225,900	6,298,588
Supplies, materials and minor equipment	4,298,788	4,881,302	4,233,751
Interest	1,206,739	120,000	1,219,841
Bad debts	-	3,000	-
Payroll tax	999,013	1,010,000	936,436
Amortization	2,989,716	-	2,824,211
Transfers	840,651	678,500	781,761
Other capital items	17,495	-	3,171
School generated funds	858,771	-	971,553
Other special purpose funds	(405)	-	18,724
	$ 67,603,354	$62,924,224	$ 65,421,857

14. Commitments and Appropriations of Operating Fund Surplus

The Division has equipment lease agreements. Future annual minimum operating lease commitments as at June 30, 2016 are as follows:

2017	$ 618,374
2018	356,362
2019	243,101
2020	114,411
2021	24,685

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 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 Pacak Kowal Hardie & Company 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
Chairperson

Original Document Signed
Secretary-Treasurer

November 01, 2016

PACAK KOWAL HARDIE & COMPANY
CHARTERED ACCOUNTANTS

LINDA COLE, CGA (ASSOCIATE)

100 Fourth Avenue North
Box 1660
Swan River, Manitoba RoL 1Zo

Phone 204-734-9331
Fax 204-734-4785
Email: pkhl@pkhl.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, 2016, 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, 2016 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.

Pacak Kowal Hardie & Company
CHARTERED ACCOUNTANTS

Swan River, Manitoba
November 1, 2016

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.

Nov. 1, 2016
Date

Original Document Signed
Chairperson

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2016	2015
	Financial Assets		
	Cash and Bank	2,004,656	802,254
	Due from - Provincial Government	1,680,884	1,935,964
	- Federal Government	57,493	33,278
	- Municipal Government	2,979,688	2,858,789
	- Other School Divisions	7,510	7,734
	- First Nations	46,799	73,471
	Accounts Receivable	3,330	288,876
	Accrued Investment Income	-	-
	Portfolio Investments	-	-
		6,780,360	6,000,366
	Liabilities		
	Overdraft	-	-
	Accounts Payable	177,985	349,251
	Accrued Liabilities	2,506,912	2,249,853
5	Employee Future Benefits	120,431	107,076
	Accrued Interest Payable	303,177	320,222
	Due to - Provincial Government	483	871
	- Federal Government	40,624	480
	- Municipal Government	76,443	75,243
	- Other School Divisions	-	-
	- First Nations	-	-
6	Deferred Revenue	545,575	257,691
8	Borrowings from the Provincial Government	11,993,425	12,479,961
	Other Borrowings	-	-
	School Generated Funds Liability	989	1,945
		15,766,044	15,842,593
	Net Debt	(8,985,684)	(9,842,227)
	Non-Financial Assets		
9	Net Tangible Capital Assets (TCA Schedule)	15,197,398	15,475,798
	Inventories	15,510	19,294
	Prepaid Expenses	62,539	66,222
		15,275,447	15,561,314
10	**Accumulated Surplus**	6,289,763	5,719,087

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes			2016	2015
	Revenue			
	Provincial Government		16,341,416	16,254,778
	Federal Government		20,270	-
	Municipal Government	- Property Tax	5,411,756	5,203,201
		- Other	-	-
	Other School Divisions		33,670	36,696
	First Nations		210,454	267,925
	Private Organizations and Individuals		262,558	244,585
	Other Sources		175,138	156,223
	School Generated Funds		491,924	480,187
	Other Special Purpose Funds		14,700	18,736
			22,961,886	22,662,331
	Expenses			
	Regular Instruction		11,382,564	11,213,960
	Student Support Services		2,864,288	2,995,001
	Adult Learning Centres		-	-
	Community Education and Services		241,694	222,133
	Divisional Administration		867,670	849,567
	Instructional and Other Support Services		407,360	423,344
	Transportation of Pupils		1,586,819	1,555,308
	Operations and Maintenance		2,421,642	2,326,593
12	Fiscal	- Interest	547,814	557,250
		- Other	312,874	314,847
	Amortization		1,222,068	1,087,201
	Other Capital Items		44,297	42,914
	School Generated Funds		497,546	477,843
	Other Special Purpose Funds		14,700	18,736
			22,411,336	22,084,697
	Current Year Surplus (Deficit) before Non-vested Sick Leave		550,550	577,634
	Less: Non-vested Sick Leave Expense (Recovery)		(20,126)	(16,662)
	Net Current Year Surplus (Deficit)		570,676	594,296
	Opening Accumulated Surplus		5,719,087	5,124,791
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	-
		Other than Tangible Cap. Assets	-	-
		Non-vested sick leave - prior years	-	-
	Opening Accumulated Surplus, as adjusted		5,719,087	5,124,791
	Closing Accumulated Surplus		6,289,763	5,719,087

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2016

	2016	2015
Net Current Year Surplus (Deficit)	570,676	594,296
Amortization of Tangible Capital Assets	1,222,068	1,087,201
Acquisition of Tangible Capital Assets	(943,668)	(2,781,438)
(Gain) / Loss on Disposal of Tangible Capital Assets	(13,000)	(7,203)
Proceeds on Disposal of Tangible Capital Assets	13,000	7,203
	278,400	(1,694,237)
Inventories (Increase)/Decrease	3,784	3,973
Prepaid Expenses (Increase)/Decrease	3,683	13,595
	7,467	17,568
(Increase)/Decrease in Net Debt	856,543	(1,082,373)
Net Debt at Beginning of Year	(9,842,227)	(8,759,854)
Adjustments Other than Tangible Cap. Assets	-	-
	(9,842,227)	(8,759,854)
Net Debt at End of Year	(8,985,684)	(9,842,227)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2016

	2016	2015
Operating Transactions		
Net Current Year Surplus (Deficit)	570,676	594,296
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	1,222,068	1,087,201
(Gain)/Loss on Disposal of Tangible Capital Assets	(13,000)	(7,203)
Employee Future Benefits Increase/(Decrease)	13,355	(10,032)
Due from Other Organizations (Increase)/Decrease	136,862	53,550
Accounts Receivable & Accrued Income (Increase)/Decrease	285,546	(220,471)
Inventories and Prepaid Expenses - (Increase)/Decrease	7,467	17,568
Due to Other Organizations Increase/(Decrease)	40,956	21,430
Accounts Payable & Accrued Liabilities Increase/(Decrease)	68,748	421,588
Deferred Revenue Increase/(Decrease)	287,884	(10,640)
School Generated Funds Liability Increase/(Decrease)	(956)	49
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by (Applied to) Operating Transactions	2,619,606	1,947,336
Capital Transactions		
Acquisition of Tangible Capital Assets	(943,668)	(2,781,438)
Proceeds on Disposal of Tangible Capital Assets	13,000	7,203
Cash Provided by (Applied to) Capital Transactions	(930,668)	(2,774,235)
Investing Transactions		
Portfolio Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
Financing Transactions		
Borrowings from the Provincial Government Increase/(Decrease)	(486,536)	1,185,919
Other Borrowings Increase/(Decrease)	-	-
Cash Provided by (Applied to) Financing Transactions	(486,536)	1,185,919
Cash and Bank / Overdraft (Increase)/Decrease	1,202,402	359,020
Cash and Bank (Overdraft) at Beginning of Year	802,254	443,234
Cash and Bank (Overdraft) at End of Year	2,004,656	802,254

Swan Valley School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2016

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	2016 TOTALS	2015 TOTALS
	School	Non-School									
Tangible Capital Asset Cost											
Opening Cost, as previously reported	17,474,822	589,777	3,580,028	324,731	1,735,014	1,140,984	280,490	525,105	6,699,577	32,350,528	29,950,381
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	17,474,822	589,777	3,580,028	324,731	1,735,014	1,140,984	280,490	525,105	6,699,577	32,350,528	29,950,381
Add: Additions during the year	6,842,068	-	216,882	68,353	13,446	147,513	-	-	(6,344,594)	943,668	2,781,438
Less: Disposals and write downs	-	-	231,393	-	-	-	-	-	-	231,393	381,291
Closing Cost	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
Accumulated Amortization											
Opening, as previously reported	11,808,018	467,122	2,247,618	260,261	1,169,185	809,742		112,784		16,874,730	16,168,820
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	11,808,018	467,122	2,247,618	260,261	1,169,185	809,742		112,784		16,874,730	16,168,820
Add: Current period Amortization	539,820	9,814	257,223	27,075	196,757	138,868		52,511		1,222,068	1,087,201
Less: Accumulated Amortization on Disposals and Writedowns	-	-	231,393	-	-	-		-		231,393	381,291
Closing Accumulated Amortization	12,347,838	476,936	2,273,448	287,336	1,365,942	948,610		165,295		17,865,405	16,874,730
Net Tangible Capital Asset	11,969,052	112,841	1,292,069	105,748	382,518	339,887	280,490	359,810	354,983	15,197,398	15,475,798
Proceeds from Disposal of Capital Assets	-	-	13,000	-	-	-				13,000	7,203

* 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 Canadian Institute of Chartered Accountants (CICA) 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

	2016	2015
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 0.60%; 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 $21,234 for event driven sick leave benefits, $18,876 maternity/parental and $80,321 estimated non-vested sick leave benefits ($6,629 maternity/parental, $0.00 sick leave benefits and $100,447 estimated non-vested sick leave benefits for 2015) 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, 2015	Additions in the period	Revenue recognized in the period	Balance as at June 30, 2016
Healthy Child Manitoba Grant	$ 14,250	$ 42,420	$ 40,610	$ 16,060
Education Property Tax Credit	28,962	1,425,187	1,119,595	334,554
Other Province of Manitoba Grants	2,487	100,000	102,487	-
Grants from outside sources	15,281	31,151	13,940	32,492
Capital Fund	151,148	-	33,109	118,039
Charitable Scholarship and Other Fund	41,563	17,566	14,700	44,429
School Generated Funds	4,000	-	4,000	-
	$ 257,691	$ 1,616,324	$ 1,328,441	$ 545,574

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 $989 for 2016, $1,945 in 2015.

School generated funds revenue and expenses reported in the Consolidated Statement of Revenue, Expenses and Accumulated Surplus as at June 30, 2016 covers a period of twelve months from July 1, 2015 to June 30, 2016.

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 2015 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 3.500% to

8.875%. 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	706,803	536,597	$ 1,243,400
2018	641,940	517,514	1,159,454
2019	660,114	468,976	1,129,090
2020	673,958	437,518	1,111,476
2021	700,100	405,580	1,105,680
	$ 3,382,915	$ 2,366,185	$ 5,749,100

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 $300 (previous year $1,830.19).

10. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2016	2015
Operating Fund		
Designated Surplus	-	-
Undesignated Surplus	636,757	636,682
Non-vested Sick Leave	(80,320)	(100,446)
	556,437	536,236
Capital Fund		
Reserve Accounts	2,936,330	2,283,016
Equity in Tangible Capital Assets	2,671,507	2,768,724
	5,607,837	5,051,740
Special Purpose Fund		
School Generated Funds	125,489	131,111
Other Special Purpose Funds	-	-
	125,489	131,111
Total Accumulated Surplus	$ 6,289,763	$ 5,719,087

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.

	2016	2015
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.

	2015	2015
Bus reserves	558,360	545,360
Other reserves	2,377,970	1,737,656
Capital Reserve	$ 2,936,330	$ 2,283,016

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 2015 tax year and 55% from 2016 tax year. Below are the related revenue and receivable amounts:

		2016		2015
Revenue-Municipal Government-Property Tax	$	5,411,756	$	5,203,201
Receivable-Due from Municipal-Property Tax	$	2,979,688	$	2,858,789

12. Interest Received and Paid

The Division received interest during the year of $35,350 (previous year $33,091); interest paid during the year was $300 (previous year $1,587).

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

		2016
Operating Fund		
Fiscal-short term loan, interest and bank charges	$	-
Capital Fund		
Debenture debt interest		547,814
Other interest		300
	$	548,114

The accrual portion of debenture debt interest expense of $303,177 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:

Tables for Notes to Consolidated Financial Statements

		Actual 2016		Budget 2016		Actual 2015
Salaries	$	14,851,289	$	15,141,270	$	14,603,165
Employees benefits & allowances		1,315,161		1,626,403		1,478,869
Services		1,887,269		1,896,821		1,904,577
Supplies, materials & minor equipment		1,658,318		1,626,248		1,597,995
Interest		548,114		2,000		558,837
Bad debts		-		-		-
Payroll tax		312,874		321,000		314,847
Transfers		60,000		2,600		1,300
Amortization		1,222,068		-		1,087,201
Other capital items		44,297		-		42,914
School generated funds		497,546		-		477,843

14. Commitment

As a result of a resolution approved at the 14 March 2016 school trustees meeting the Division is committed to purchase three new school buses in the amount of approximately $393,935 during 2016/2017 fiscal year end.

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	Original Document Signed
Chairperson	Secretary-Treasurer

October 19, 2016

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, 2016, 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 Turtle Mountain School Division as at June 30, 2016 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 19, 2016

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 19, 2016
Date

MNP

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2016	2015
	Financial Assets		
	Cash and Bank	-	-
	Due from - Provincial Government	498,900	635,227
	- Federal Government	79,356	41,429
	- Municipal Government	3,373,073	2,876,232
	- Other School Divisions	-	-
	- First Nations	-	-
	Accounts Receivable	77,054	39,576
	Accrued Investment Income	-	-
	Portfolio Investments	-	-
		4,028,383	3,592,464
	Liabilities		
(4)	Overdraft	2,503,364	1,847,751
	Accounts Payable	1,636,559	1,340,653
	Accrued Liabilities	100,542	111,322
(5)	Employee Future Benefits	124,883	133,566
	Accrued Interest Payable	97,025	49,466
	Due to - Provincial Government	-	-
	- Federal Government	-	-
	- Municipal Government	26,537	30,943
	- Other School Divisions	-	-
	- First Nations	-	-
(6)	Deferred Revenue	369,858	225,681
(7)	Borrowings from the Provincial Government	5,932,220	3,489,102
	Other Borrowings	-	-
	School Generated Funds Liability	200,866	107,522
		10,991,854	7,336,006
	Net Debt	(6,963,471)	(3,743,542)
	Non-Financial Assets		
(9)	Net Tangible Capital Assets (TCA Schedule)	8,044,612	4,651,922
	Inventories	73,470	68,001
	Prepaid Expenses	695,664	763,236
		8,813,746	5,483,159
(12)	**Accumulated Surplus**	1,850,275	1,739,617

See accompanying notes to the Financial Statements

Turtle Mountain School Division

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes			2016	2015
	Revenue			
	Provincial Government		8,374,803	8,339,241
	Federal Government		105	156
	Municipal Government	- Property Tax	5,179,246	4,899,999
		- Other	-	-
	Other School Divisions		34,450	24,700
	First Nations		-	-
	Private Organizations and Individuals		17,984	11,914
	Other Sources		17,723	32,448
	School Generated Funds		206,043	266,073
	Other Special Purpose Funds		-	-
			13,830,354	13,574,531
	Expenses			
	Regular Instruction		6,991,312	7,148,963
	Student Support Services		2,168,015	2,132,024
	Adult Learning Centres		232,675	201,830
	Community Education and Services		12,038	13,261
	Divisional Administration		561,531	552,080
	Instructional and Other Support Services		433,476	452,017
	Transportation of Pupils		1,047,306	1,094,330
	Operations and Maintenance		1,033,894	986,872
(13)	Fiscal	- Interest	286,988	231,499
		- Other	207,760	202,760
	Amortization		523,960	439,218
	Other Capital Items		-	4,627
	School Generated Funds		230,562	300,855
	Other Special Purpose Funds		-	-
			13,729,517	13,760,336
	Current Year Surplus (Deficit) before Non-vested Sick Leave		100,837	(185,805)
	Less: Non-vested Sick Leave Expense (Recovery)		(9,821)	(2,372)
	Net Current Year Surplus (Deficit)		110,658	(183,433)
	Opening Accumulated Surplus		1,739,617	1,923,050
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	-
		Other than Tangible Cap. Assets	-	-
		Non-vested sick leave - prior years	-	-
	Opening Accumulated Surplus, as adjusted		1,739,617	1,923,050
	Closing Accumulated Surplus		1,850,275	1,739,617

See accompanying notes to the Financial Statements

Turtle Mountain School Division

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2016

	2016	2015
Net Current Year Surplus (Deficit)	110,658	(183,433)
Amortization of Tangible Capital Assets	523,960	439,218
Acquisition of Tangible Capital Assets	(3,916,650)	(579,464)
(Gain) / Loss on Disposal of Tangible Capital Assets	(1,500)	(8,354)
Proceeds on Disposal of Tangible Capital Assets	1,500	69,553
	(3,392,690)	(79,047)
Inventories (Increase)/Decrease	(5,469)	815
Prepaid Expenses (Increase)/Decrease	67,572	56,135
	62,103	56,950
(Increase)/Decrease in Net Debt	(3,219,929)	(205,530)
Net Debt at Beginning of Year	(3,743,542)	(3,538,012)
Adjustments Other than Tangible Cap. Assets	-	-
	(3,743,542)	(3,538,012)
Net Debt at End of Year	(6,963,471)	(3,743,542)

Turtle Mountain School Division

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2016

	2016	2015
Operating Transactions		
Net Current Year Surplus (Deficit)	110,658	(183,433)
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	523,960	439,218
(Gain)/Loss on Disposal of Tangible Capital Assets	(1,500)	(8,354)
Employee Future Benefits Increase/(Decrease)	(8,683)	(227)
Due from Other Organizations (Increase)/Decrease	(398,441)	128,434
Accounts Receivable & Accrued Income (Increase)/Decrease	(37,478)	18,015
Inventories and Prepaid Expenses - (Increase)/Decrease	62,103	56,950
Due to Other Organizations Increase/(Decrease)	(4,406)	(849)
Accounts Payable & Accrued Liabilities Increase/(Decrease)	332,685	6,209
Deferred Revenue Increase/(Decrease)	144,177	225,681
School Generated Funds Liability Increase/(Decrease)	93,344	4,681
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by (Applied to) Operating Transactions	816,419	686,325
Capital Transactions		
Acquisition of Tangible Capital Assets	(3,916,650)	(579,464)
Proceeds on Disposal of Tangible Capital Assets	1,500	69,553
Cash Provided by (Applied to) Capital Transactions	(3,915,150)	(509,911)
Investing Transactions		
Portfolio Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
Financing Transactions		
Borrowings from the Provincial Government Increase/(Decrease)	2,443,118	192,356
Other Borrowings Increase/(Decrease)	-	-
Cash Provided by (Applied to) Financing Transactions	2,443,118	192,356
Cash and Bank / Overdraft (Increase)/Decrease	(655,613)	368,770
Cash and Bank (Overdraft) at Beginning of Year	(1,847,751)	(2,216,521)
Cash and Bank (Overdraft) at End of Year	(2,503,364)	(1,847,751)

Turtle Mountain School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2016

	Buildings and Leasehold Improvements		School	Other	Furniture /	Computer		Land	Assets Under	2016	2015
	School	Non-School	Buses	Vehicles	Fixtures & Equipment	Hardware & Software *	Land	Improvements	Construction	TOTALS	TOTALS
Tangible Capital Asset Cost											
Opening Cost, as previously reported	8,928,258	580,476	2,337,901	83,749	195,282	65,780	45,451	320,207	60,786	12,617,890	12,260,353
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	8,928,258	580,476	2,337,901	83,749	195,282	65,780	45,451	320,207	60,786	12,617,890	12,260,353
Add:											
Additions during the year	3,568,159	120,990	288,008	-	-	-	-	-	(60,507)	3,916,650	579,464
Less:											
Disposals and write downs	-	-	70,191	-	-	-	-	-	-	70,191	221,927
Closing Cost	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
Accumulated Amortization											
Opening, as previously reported	5,410,125	437,495	1,587,246	33,229	140,724	36,942		320,207		7,965,968	7,687,478
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	5,410,125	437,495	1,587,246	33,229	140,724	36,942		320,207		7,965,968	7,687,478
Add:											
Current period Amortization	304,826	11,645	164,160	16,750	20,239	6,340		-		523,960	439,218
Less:											
Accumulated Amortization on Disposals and Writedowns	-	-	70,191	-	-	-		-		70,191	160,728
Closing Accumulated Amortization	5,714,951	449,140	1,681,215	49,979	160,963	43,282		320,207		8,419,737	7,965,968
Net Tangible Capital Asset	6,781,466	252,326	874,503	33,770	34,319	22,498	45,451	-	279	8,044,612	4,651,922
Proceeds from Disposal of Capital Assets	-	-	1,500	-	-	-				1,500	69,553

* Includes network infrastructure.

TURTLE MOUNTAIN SCHOOL DIVISION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2016

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 credits 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, 2016	$342,858
Richardson Foundation Inc – Donation to Killarney School Track Project	June 30, 2016	25,000

Westoba Credit Union – Donation to Killarney School Track Project	June 30, 2016	2,000

$369,858

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 2016 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 3.00% to 7.00 %. 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.

	Year	Principal	Interest	Total
Total	2017	374,805.64	263,576.46	638,382.10
Total	2018	394,389.98	243,991.81	638,381.79
Total	2019	407,893.44	223,318.60	631,212.04
Total	2020	391,205.80	201,959.41	593,165.21
Total	2021	392,073.05	181,741.61	573,814.66

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 $200,866.

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 2016 tax year and 40.4% from 2015 tax year. Below are the related revenue and receivable amounts:

Description	2016	2015
Revenue-Municipal Government-Property Tax	$5,179,246	$4,899,999
Receivable-Due from Municipal-Property Tax	$3,373,073	$2,876,232

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 $207,294 for 2015-2016.

12. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2016
Operating Fund	
Designated Surplus	$212,548
Undesignated Surplus(Deficit)	467,611
Less: Non-Vested Sick Leave to Date	(55,197)
	624,962
Capital Fund	
Reserve Account	138,358
Equity in Tangible Capital Assets	1,024,402
	1,162,760
Special Purpose Fund	
School Generated Funds	62,553
Other Special Purpose Funds	0
Total Accumulated Surplus	$1,850,275

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.

	2016
Board approved appropriation by motion	$38,743
School/Maintenance Budget carryovers by board policy	173,805

Designated surplus	$212,548

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.

	2016
Bus reserves	$138,358
Other reserves	
Capital Reserve	$138,358

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

	2016
School generated funds	$62,553
Other	0
Other Special Purpose Funds	$62,553

13. Interest Received and Paid

The Division received interest during the year of $1,354 (previous year $1,717); interest paid during the year was $286,988 (previous year $231,499).

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

	2016
Operating Fund	
Fiscal-short term loan, interest and bank charges	$58,666
Capital Fund	
Debenture debt interest	$228,322
Other interest	0
	$286,988

The accrual portion of debenture debt interest expense of $97,025 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 2016	Budget 2016	Actual 2015

Salaries	9,609,097	9,407,434	$9,599,455
Employee benefits and allowances	710,031	836,604	700,687
Services	1,248,530	1,323,051	1,277,486
Supplies, materials & minor equip.	883,825	1,039,249	977,741
Minor Capital Items			4,627
Interest	286,988	26,000	231,499
Payroll tax / Transfers/Bad Debt Exp	236,524	228,000	228,768
Amortization	523,960		439,218
School generated funds	230,562		300,855
Total	13,729,517	12,860,338	$13,760,336

15. Prepaids

Due to the shift of Capital Reserve (Boiler) to Operating Reserve (Broadband), motion #13-115, 7/10's of the Broadband initiative expense is now in prepaid ($608,811).

School Year	Amount	Remaining Balance
2015-2016		608,811
2016-2017	86,973	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

Chairperson

Secretary-Treasurer

October 25, 2016

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, 2016, 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 Turtle River School Division as at June 30, 2016 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.

Brandon, Manitoba
October 25, 2016

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 Turtle River School Division.

Original Document Signed

Chairperson of the Board

October 25, 2016

Date

MNP

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2016	2015
	Financial Assets		
	Cash and Bank	1,156,346	752,686
	Due from - Provincial Government	443,206	442,350
	- Federal Government	75,443	112,364
	- Municipal Government	1,169,690	1,172,405
	- Other School Divisions	3,511	-
	- First Nations	-	-
	Accounts Receivable	17,428	9,942
	Accrued Investment Income	-	-
	Portfolio Investments	-	-
		2,865,624	2,489,747
	Liabilities		
	Overdraft	-	-
	Accounts Payable	225,332	297,103
	Accrued Liabilities	716,073	760,673
3	Employee Future Benefits	28,705	18,480
	Accrued Interest Payable	82,490	88,888
	Due to - Provincial Government	-	-
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	-	120,503
	- First Nations	-	-
6	Deferred Revenue	195,061	62,201
8	Borrowings from the Provincial Government	4,186,749	3,799,297
	Other Borrowings	-	-
	School Generated Funds Liability	-	-
		5,434,410	5,147,145
	Net Debt	(2,568,786)	(2,657,398)
	Non-Financial Assets		
3	Net Tangible Capital Assets (TCA Schedule)	5,832,844	5,863,772
	Inventories	101,424	101,315
	Prepaid Expenses	37,171	45,151
		5,971,439	6,010,238
9	**Accumulated Surplus**	3,402,653	3,352,840

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes			2016	2015
	Revenue			
	Provincial Government		9,373,570	9,103,922
	Federal Government		-	-
	Municipal Government	- Property Tax	2,341,495	2,352,238
		- Other	-	-
	Other School Divisions		27,300	24,050
	First Nations		-	-
	Private Organizations and Individuals		13,047	12,369
	Other Sources		10,404	11,038
	School Generated Funds		304,074	287,118
	Other Special Purpose Funds		-	-
			12,069,890	11,790,735
	Expenses			
	Regular Instruction		6,151,435	6,087,647
	Student Support Services		1,701,504	1,700,707
	Adult Learning Centres		-	-
	Community Education and Services		11,675	10,038
	Divisional Administration		392,196	383,613
	Instructional and Other Support Services		254,867	260,360
	Transportation of Pupils		1,033,734	1,068,819
	Operations and Maintenance		1,324,058	1,076,537
11	Fiscal	- Interest	179,788	169,526
		- Other	168,245	162,161
	Amortization		508,677	482,377
	Other Capital Items		-	-
	School Generated Funds		283,673	285,969
	Other Special Purpose Funds		-	-
			12,009,852	11,687,754
	Current Year Surplus (Deficit) before Non-vested Sick Leave		60,038	102,981
	Less: Non-vested Sick Leave Expense (Recovery)		10,225	(28,222)
	Net Current Year Surplus (Deficit)		49,813	131,203
	Opening Accumulated Surplus		3,352,840	3,221,637
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	-
		Other than Tangible Cap. Assets	-	-
		Non-vested sick leave - prior years	-	-
	Opening Accumulated Surplus, as adjusted		3,352,840	3,221,637
	Closing Accumulated Surplus		3,402,653	3,352,840

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2016

	2016	2015
Net Current Year Surplus (Deficit)	49,813	131,203
Amortization of Tangible Capital Assets	508,677	482,377
Acquisition of Tangible Capital Assets	(477,749)	(1,810,190)
(Gain) / Loss on Disposal of Tangible Capital Assets	(4,550)	(4,168)
Proceeds on Disposal of Tangible Capital Assets	4,550	4,168
	30,928	(1,327,813)
Inventories (Increase)/Decrease	(109)	13,678
Prepaid Expenses (Increase)/Decrease	7,980	3,192
	7,871	16,870
(Increase)/Decrease in Net Debt	88,612	(1,179,740)
Net Debt at Beginning of Year	(2,657,398)	(1,477,658)
Adjustments Other than Tangible Cap. Assets	-	-
	(2,657,398)	(1,477,658)
Net Debt at End of Year	(2,568,786)	(2,657,398)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2016

	2016	2015
Operating Transactions		
Net Current Year Surplus (Deficit)	49,813	131,203
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	508,677	482,377
(Gain)/Loss on Disposal of Tangible Capital Assets	(4,550)	(4,168)
Employee Future Benefits Increase/(Decrease)	10,225	(28,222)
Due from Other Organizations (Increase)/Decrease	35,269	250,103
Accounts Receivable & Accrued Income (Increase)/Decrease	(7,486)	(8,478)
Inventories and Prepaid Expenses - (Increase)/Decrease	7,871	16,870
Due to Other Organizations Increase/(Decrease)	(120,503)	28,591
Accounts Payable & Accrued Liabilities Increase/(Decrease)	(122,769)	61,349
Deferred Revenue Increase/(Decrease)	132,860	62,201
School Generated Funds Liability Increase/(Decrease)	-	-
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by (Applied to) Operating Transactions	489,407	991,826
Capital Transactions		
Acquisition of Tangible Capital Assets	(477,749)	(1,810,190)
Proceeds on Disposal of Tangible Capital Assets	4,550	4,168
Cash Provided by (Applied to) Capital Transactions	(473,199)	(1,806,022)
Investing Transactions		
Portfolio Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
Financing Transactions		
Borrowings from the Provincial Government Increase/(Decrease)	387,452	927,880
Other Borrowings Increase/(Decrease)	-	-
Cash Provided by (Applied to) Financing Transactions	387,452	927,880
Cash and Bank / Overdraft (Increase)/Decrease	403,660	113,684
Cash and Bank (Overdraft) at Beginning of Year	752,686	639,002
Cash and Bank (Overdraft) at End of Year	1,156,346	752,686

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2016

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	2016 TOTALS	2015 TOTALS
	School	Non-School									
Tangible Capital Asset Cost											
Opening Cost, as previously reported	9,392,599	411,192	3,005,644	126,984	173,125	196,651	36,325	-	2,451,027	15,793,547	14,093,201
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	9,392,599	411,192	3,005,644	126,984	173,125	196,651	36,325	-	2,451,027	15,793,547	14,093,201
Add: Additions during the year	1,562,448		312,659	30,051	34,023	10,958			(1,472,390)	477,749	1,810,190
Less: Disposals and write downs			364,904							364,904	109,844
Closing Cost	10,955,047	411,192	2,953,399	157,035	207,148	207,609	36,325	-	978,637	15,906,392	15,793,547
Accumulated Amortization											
Opening, as previously reported	7,076,516	411,192	2,098,494	112,231	119,268	112,074		-		9,929,775	9,557,242
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	7,076,516	411,192	2,098,494	112,231	119,268	112,074		-		9,929,775	9,557,242
Add: Current period Amortization	274,238	-	167,843	12,840	25,586	28,170		-		508,677	482,377
Less: Accumulated Amortization on Disposals and Writedowns	-	-	364,904	-	-	-		-		364,904	109,844
Closing Accumulated Amortization	7,350,754	411,192	1,901,433	125,071	144,854	140,244		-		10,073,548	9,929,775
Net Tangible Capital Asset	3,604,293	-	1,051,966	31,964	62,294	67,365	36,325	-	978,637	5,832,844	5,863,772
Proceeds from Disposal of Capital Assets	-	-	4,550	-	-	-				4,550	4,168

* Includes network infrastructure.

TURTLE RIVER SCHOOL DIVISION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2016

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 $1,008,172, 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 $190,000.

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, 2015	Additions in the period	Revenue recognized in the period	Balance as at June 30, 2016
Education Property Tax Credit	$ 61,826	$ 195,061	$ 61,826	$ 195,061
Transportation Fee 2015-2016	$ 375		$ 375	$ -
	$ 62,201	$ 195,061	$ 62,201	$ 195,061

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, 2016 covers a period of twelve months from July 1, 2015 to June 30, 2016

8. Debenture Debt

The debenture debt of the Division is in the form of eighteen debentures payable, principal and interest, in twenty equal yearly installments and maturing at various dates from 2017 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 7.63%. 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	242,418	169,576	411,994
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
	1,189,900	718,687	1,908,587

9. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2016
Operating Fund	
Designated Surplus	
Undesignated Surplus	351,655
	351,655
Capital Fund	
Reserve Accounts	1,360,267
Equity in Tangible Capital Assets	1,580,559
	2,940,826
Special Purpose Fund	
School Generated Funds	110,172
Other Special Purpose Funds	-
	110,172
Total Accumulated Surplus	$ 3,402,653

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.

	2016
Bus reserve	1,008,172
Other reserves	352,095
Capital Reserve	$ 1,360,267

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 2015 tax year and 50% from 2016 tax year. Below are the related revenue and receivable amounts:

	2016	2015
Revenue-Municipal Government-Property Tax	$ 2,341,495	$ 2,352,238
Receivable-Due from Municipal-Property Tax	$ 1,169,690	$ 1,172,405

11. Interest Received and Paid

The Division received interest during the year of $5,854.

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

		2016
Operating Fund		
Fiscal-short term loan, interest and bank charges	$	2,883
Capital Fund		
Debenture debt interest		176,905
Other interest		-
	$	179,788

The accrual portion of debenture debt interest expense of $82,490 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 2016		Budget 2016		Actual 2015
Salaries	$	7,786,651	$	7,787,679	$	7,647,212
Employees benefits & allowances		651,845		637,694		627,997
Services		1,307,812		1,271,649		1,084,328
Supplies, materials & minor equipment		948,087		1,109,510		1,016,443
Interest		179,788		2,300		169,526
Transfers		175,074		193,804		211,741
Payroll tax		168,245		168,303		162,161
Amortization		508,677		-		482,377
Other capital items		-		-		-
School generated funds		283,673		-		285,969
Other special purpose funds		-		-		-
	$	12,009,852	$	11,170,939	$	11,687,754

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, Certified General 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 24, 2016

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, 2016, 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 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 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, 2016, 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 24, 2016

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. 24, 2016	Original Document Signed
Date	Chairperson

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2016	2015
	Financial Assets		
	Cash and Bank	-	-
	Due from - Provincial Government	394,752	456,647
	- Federal Government	97,142	72,578
	- Municipal Government	3,545,112	3,387,822
	- Other School Divisions	99,105	118,885
	- First Nations	-	-
	Accounts Receivable	48,011	36,624
	Accrued Investment Income	-	-
	Portfolio Investments	-	-
		4,184,122	4,072,556
	Liabilities		
3	Overdraft	3,233,017	3,419,779
	Accounts Payable	336,206	356,427
	Accrued Liabilities	962,929	551,181
4	Employee Future Benefits	96,565	74,059
	Accrued Interest Payable	108,019	122,984
	Due to - Provincial Government	68,210	64,756
	- Federal Government	15,697	279,012
	- Municipal Government	-	-
	- Other School Divisions	411,917	342,180
	- First Nations	-	-
5	Deferred Revenue	891,741	920,272
6	Borrowings from the Provincial Government	6,985,641	6,665,968
7	Other Borrowings	252,814	316,026
	School Generated Funds Liability	7,759	72,790
		13,370,515	13,185,434
	Net Debt	(9,186,393)	(9,112,878)
	Non-Financial Assets		
9	Net Tangible Capital Assets (TCA Schedule)	14,428,353	14,178,649
	Inventories	35,844	-
	Prepaid Expenses	57,608	79,748
		14,521,805	14,258,397
10	**Accumulated Surplus**	5,335,412	5,145,519

See accompanying notes to the Financial Statements

Western School Division

CONSOLIDATED STATEMENT
OF REVENUE, EXPENSES
AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes			2016	2015
	Revenue			
	Provincial Government		13,637,168	13,193,760
	Federal Government		18,777	17,944
	Municipal Government	- Property Tax	6,027,007	5,592,607
		- Other	3,200	6,400
	Other School Divisions		66,300	66,950
	First Nations		-	-
	Private Organizations and Individuals		219,288	244,973
	Other Sources		22,259	31,857
	School Generated Funds		332,480	150,590
	Other Special Purpose Funds		-	-
			20,326,479	19,305,081
	Expenses			
	Regular Instruction		11,388,794	10,624,255
	Student Support Services		2,658,047	2,574,440
	Adult Learning Centres		395,968	368,503
	Community Education and Services		54,289	51,706
	Divisional Administration		725,529	715,850
	Instructional and Other Support Services		523,759	549,146
	Transportation of Pupils		752,837	758,430
	Operations and Maintenance		1,828,079	1,752,155
12	Fiscal	- Interest	378,936	413,024
		- Other	298,108	283,151
	Amortization		839,789	777,737
	Other Capital Items		1,203	-
	School Generated Funds		268,742	152,395
	Other Special Purpose Funds		-	-
			20,114,080	19,020,792
	Current Year Surplus (Deficit) before Non-vested Sick Leave		212,399	284,289
	Less: Non-vested Sick Leave Expense (Recovery)		22,506	(18,635)
	Net Current Year Surplus (Deficit)		189,893	302,924
	Opening Accumulated Surplus		5,145,519	4,842,595
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	-
		Other than Tangible Cap. Assets	-	-
		Non-vested sick leave - prior years	-	-
	Opening Accumulated Surplus, as adjusted		5,145,519	4,842,595
	Closing Accumulated Surplus		5,335,412	5,145,519

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2016

	2016	2015
Net Current Year Surplus (Deficit)	189,893	302,924
Amortization of Tangible Capital Assets	839,789	777,737
Acquisition of Tangible Capital Assets	(1,089,493)	(1,563,496)
(Gain) / Loss on Disposal of Tangible Capital Assets	(5,000)	(8,707)
Proceeds on Disposal of Tangible Capital Assets	5,000	8,707
	(249,704)	(785,759)
Inventories (Increase)/Decrease	(35,844)	-
Prepaid Expenses (Increase)/Decrease	22,140	1,960
	(13,704)	1,960
(Increase)/Decrease in Net Debt	(73,515)	(480,875)
Net Debt at Beginning of Year	(9,112,878)	(8,632,003)
Adjustments Other than Tangible Cap. Assets	-	-
	(9,112,878)	(8,632,003)
Net Debt at End of Year	(9,186,393)	(9,112,878)

Western School Division

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2016

	2016	2015
Operating Transactions		
Net Current Year Surplus (Deficit)	189,893	302,924
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	839,789	777,737
(Gain)/Loss on Disposal of Tangible Capital Assets	(5,000)	(8,707)
Employee Future Benefits Increase/(Decrease)	22,506	(18,635)
Due from Other Organizations (Increase)/Decrease	(100,179)	1,044,775
Accounts Receivable & Accrued Income (Increase)/Decrease	(11,387)	(14,065)
Inventories and Prepaid Expenses - (Increase)/Decrease	(13,704)	1,960
Due to Other Organizations Increase/(Decrease)	(190,124)	(579,172)
Accounts Payable & Accrued Liabilities Increase/(Decrease)	376,562	137,580
Deferred Revenue Increase/(Decrease)	(28,531)	817,688
School Generated Funds Liability Increase/(Decrease)	(65,031)	(17,564)
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by (Applied to) Operating Transactions	1,014,794	2,444,521
Capital Transactions		
Acquisition of Tangible Capital Assets	(1,089,493)	(1,563,496)
Proceeds on Disposal of Tangible Capital Assets	5,000	8,707
Cash Provided by (Applied to) Capital Transactions	(1,084,493)	(1,554,789)
Investing Transactions		
Portfolio Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
Financing Transactions		
Borrowings from the Provincial Government Increase/(Decrease)	319,673	771,281
Other Borrowings Increase/(Decrease)	(63,212)	(61,036)
Cash Provided by (Applied to) Financing Transactions	256,461	710,245
Cash and Bank / Overdraft (Increase)/Decrease	186,762	1,599,977
Cash and Bank (Overdraft) at Beginning of Year	(3,419,779)	(5,019,756)
Cash and Bank (Overdraft) at End of Year	(3,233,017)	(3,419,779)

Western School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2016

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	2016 TOTALS	2015 TOTALS
	School	Non-School									
Tangible Capital Asset Cost											
Opening Cost, as previously reported	20,072,968	1,276,112	1,808,497	115,175	538,428	385,974	1,632,484	124,180	44,506	25,998,324	24,507,333
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	20,072,968	1,276,112	1,808,497	115,175	538,428	385,974	1,632,484	124,180	44,506	25,998,324	24,507,333
Add: Additions during the year	828,547	-	263,463	18,277	23,712	-	-	-	(44,506)	1,089,493	1,563,496
Less: Disposals and write downs	-	-	64,662	-	15,678	-	-	-	-	80,340	72,505
Closing Cost	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
Accumulated Amortization											
Opening, as previously reported	9,404,849	418,429	1,332,206	66,909	248,536	273,670		75,076		11,819,675	11,114,443
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	9,404,849	418,429	1,332,206	66,909	248,536	273,670		75,076		11,819,675	11,114,443
Add: Current period Amortization	573,881	47,589	109,817	14,784	56,121	25,179		12,418		839,789	777,737
Less: Accumulated Amortization on Disposals and Writedowns	-	-	64,662	-	15,678	-		-		80,340	72,505
Closing Accumulated Amortization	9,978,730	466,018	1,377,361	81,693	288,979	298,849		87,494		12,579,124	11,819,675
Net Tangible Capital Asset	10,922,785	810,094	629,937	51,759	257,483	87,125	1,632,484	36,686	-	14,428,353	14,178,649
Proceeds from Disposal of Capital Assets	-	-	5,000	-	-	-				5,000	8,707

* 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 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 2015-16 is $96,565 (2014-15 $74,059).

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, 2015	Additions in the period	Revenue recognized in the period	Balance as at June 30, 2016
Manitoba Textbook Bureau	$ 53,362	$ 47,820	$ 65,847	$ 35,335
Education & Property Tax Credit	805,501	2,016,643	2,015,487	806,657
Other	61,409	227,900	239,560	49,749
	$ 920,272	$ 2,292,363	$ 2,320,894	$ 891,741

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, 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	385,130	296,572	681,702
2018	403,302	278,260	681,562
2019	422,358	259,201	681,559
2020	430,674	242,222	672,896
2021	366,975	222,522	589,497
	$2,008,439	$1,298,776	$3,307,215

7. Other Borrowings

Other borrowings are debts other than overdrafts or debentures. This includes a loan to purchase property.

	2016	2015
Division Office Loan	$252,814	$316,026

The Division Office Loan has interest charged at prime less 0.5% interest per annum, is due in 2020 and is repayable by monthly payments of $5,797 principal and interest. This loan is secured by way of a demand promissory note.

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

	Principal	Interest	Total
2017	63,950	5,612	69,562
2018	65,567	3,995	69,562
2019	67,226	2,336	69,562
2020	56,910	650	57,560
	$253,653	$ 12,593	$266,246

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 $90,917.

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	2016 Net Book Value
Owned-tangible capital assets	$ 27,007,477	$ 12,579,124	$ 14,428,353

10. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2016	2015
Operating Fund		
Designated Surplus	$ -	$ -
Non-vested Sick Leave	(96,565)	(74,059)
Undesignated Surplus	741,491	579,768
	644,926	505,709
Capital Fund		
Reserve Accounts	364,372	507,835
Equity in Tangible Capital Assets	4,242,956	4,112,555
	4,607,328	4,620,390
Special Purpose Fund		
School Generated Funds	83,158	19,420
Other Special Purpose Funds	-	-
	83,158	19,420
	$5,335,412	$5,145,519

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.

	2016	2015
New school reserves	$ 250,000	$ 250,000
Bus reserves	114,372	257,835
	$ 364,372	$ 507,835

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 2015 tax year and 60% from 2016 tax year. Below are the related revenue and receivable amounts:

	2016	2015
Revenue-Municipal Government-Property Tax	$ 6,027,007	$ 5,592,607
Receivable-Due from Municipal-Property Tax	$ 3,545,112	$ 3,387,822

12. Interest Received and Paid

The Division received interest during the year of $3 (2015 - $936); interest paid during the year was $378,935 (2015 - $413,024).

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

	2016	2015
Operating Fund		
Fiscal-short term loan, interest and bank charges	$ 42,330	$ 30,618
Capital Fund		
Debenture debt interest	307,861	346,487
Other interest	28,744	35,919
	$ 378,935	$ 413,024

The accrual portion of debenture debt interest expense of $108,019 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 2016	Budget 2016	Actual 2015
Salaries	$14,301,920	$13,977,109	$13,401,658
Employees benefits & allowances	1,038,175	1,037,044	988,436
Services	1,596,930	1,725,152	1,577,736
Supplies, materials & minor equipment	1,055,366	1,248,263	1,180,610
Interest	42,330	25,000	30,618
Payroll Tax	298,108	300,508	283,151
Amortization	839,789	-	777,737
Other capital items	-	-	-
School generated funds	268,742	-	152,395
Transfers	334,911	224,700	246,045
	$19,776,271	$17,707,218	$18,638,386

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 payments for the next two years are as follows:

2017	$62,942
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 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. 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
Chairperson

Original Document Signed
Secretary-Treasurer

October 26, 2016

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, 2016, 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, 2016 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.

MNP LLP

Winnipeg, Manitoba

October 26, 2016

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:

2016 - Oct - 26
DATE

Original Document Signed
CHAIRPERSON

Whiteshell School District

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2016	2015
	Financial Assets		
	Cash and Bank	842,704	844,393
	Due from - Provincial Government	94,057	105,105
	- Federal Government	48,183	33,931
	- Municipal Government	18,989	11,224
	- Other School Divisions	-	-
	- First Nations	-	-
	Accounts Receivable	53,292	40,373
	Accrued Investment Income	-	-
	Portfolio Investments	-	-
		1,057,225	1,035,026
	Liabilities		
3	Overdraft	-	-
	Accounts Payable	129,850	7,837
	Accrued Liabilities	353,322	408,490
	Employee Future Benefits	-	-
	Accrued Interest Payable	-	1,863
	Due to - Provincial Government	-	-
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
4	Deferred Revenue	170,412	169,951
	Borrowings from the Provincial Government	-	-
	Other Borrowings	-	42,661
	School Generated Funds Liability	-	-
		653,584	630,802
	Net Debt	403,641	404,224
	Non-Financial Assets		
5	Net Tangible Capital Assets (TCA Schedule)	1,068,404	1,156,559
	Inventories	-	-
	Prepaid Expenses	5,927	6,495
		1,074,331	1,163,054
6	**Accumulated Surplus**	1,477,972	1,567,278

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			2016	2015
	Revenue			
	Provincial Government		1,452,048	1,469,559
	Federal Government		-	-
7	Municipal Government	- Property Tax	1,871,553	1,843,385
		- Other	-	-
	Other School Divisions		-	34,450
	First Nations		-	-
	Private Organizations and Individuals		-	-
	Other Sources		32,855	24,779
	School Generated Funds		65,675	77,281
	Other Special Purpose Funds		-	-
			3,422,131	3,449,454
	Expenses			
	Regular Instruction		2,015,265	1,837,105
	Student Support Services		550,593	530,769
	Adult Learning Centres		-	-
	Community Education and Services		74,760	65,710
	Divisional Administration		156,861	174,231
	Instructional and Other Support Services		58,935	66,385
	Transportation of Pupils		46,908	46,218
	Operations and Maintenance		416,276	491,751
8	Fiscal	- Interest	930	1,863
		- Other	39,168	36,058
	Amortization		88,155	88,155
	Other Capital Items		-	-
	School Generated Funds		63,586	86,522
	Other Special Purpose Funds		-	-
			3,511,437	3,424,767
	Current Year Surplus (Deficit) before Non-vested Sick Leave		(89,306)	24,687
	Less: Non-vested Sick Leave Expense (Recovery)		0	0
	Net Current Year Surplus (Deficit)		(89,306)	24,687
	Opening Accumulated Surplus		1,567,278	1,542,591
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	-
		Other than Tangible Cap. Assets	-	-
		Non-vested sick leave - prior years	-	-
	Opening Accumulated Surplus, as adjusted		1,567,278	1,542,591
	Closing Accumulated Surplus		1,477,972	1,567,278

See accompanying notes to the Financial Statements

Whiteshell School District

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2016

	2016	2015
Net Current Year Surplus (Deficit)	(89,306)	24,687
Amortization of Tangible Capital Assets	88,155	88,155
Acquisition of Tangible Capital Assets	-	-
(Gain) / Loss on Disposal of Tangible Capital Assets	-	-
Proceeds on Disposal of Tangible Capital Assets	-	-
	88,155	88,155
Inventories (Increase)/Decrease	-	-
Prepaid Expenses (Increase)/Decrease	568	(387)
	568	(387)
(Increase)/Decrease in Net Debt	(583)	112,455
Net Debt at Beginning of Year	404,224	291,769
Adjustments Other than Tangible Cap. Assets	-	-
	404,224	291,769
Net Debt at End of Year	403,641	404,224

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2016

	2016	2015
Operating Transactions		
Net Current Year Surplus (Deficit)	(89,306)	24,687
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	88,155	88,155
(Gain)/Loss on Disposal of Tangible Capital Assets	-	-
Employee Future Benefits Increase/(Decrease)	-	-
Due from Other Organizations (Increase)/Decrease	(10,969)	266,326
Accounts Receivable & Accrued Income (Increase)/Decrease	(12,919)	3,102
Inventories and Prepaid Expenses - (Increase)/Decrease	568	(387)
Due to Other Organizations Increase/(Decrease)	-	-
Accounts Payable & Accrued Liabilities Increase/(Decrease)	64,982	51,508
Deferred Revenue Increase/(Decrease)	461	169,951
School Generated Funds Liability Increase/(Decrease)	-	-
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by (Applied to) Operating Transactions	40,972	603,342
Capital Transactions		
Acquisition of Tangible Capital Assets	-	-
Proceeds on Disposal of Tangible Capital Assets	-	-
Cash Provided by (Applied to) Capital Transactions	-	-
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)	(45,292)
Cash Provided by (Applied to) Financing Transactions	(42,661)	(45,292)
Cash and Bank / Overdraft (Increase)/Decrease	(1,689)	558,050
Cash and Bank (Overdraft) at Beginning of Year	844,393	286,343
Cash and Bank (Overdraft) at End of Year	842,704	844,393

Whiteshell School District

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2016

	Buildings and Leasehold Improvements		School	Other	Furniture / Fixtures &	Computer Hardware &		Land	Assets Under	2016	2015
	School	Non-School	Buses	Vehicles	Equipment	Software *	Land	Improvements	Construction	TOTALS	TOTALS
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		-	-	-	-	-	-	-	-	-	-
Less: Disposals and write downs	-	-	-	-	-	-	-	-	-	-	-
Closing Cost	3,486,135	-	-	-	-	83,007	15,400	-	-	3,584,542	3,584,542
Accumulated Amortization											
Opening, as previously reported	2,344,976	-	-	-	-	83,007		-		2,427,983	2,339,828
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	2,344,976	-	-	-	-	83,007		-		2,427,983	2,339,828
Add: Current period Amortization	88,155	-	-	-	-	-		-		88,155	88,155
Less: Accumulated Amortization on Disposals and Writedowns	-	-	-	-	-	-		-		-	-
Closing Accumulated Amortization	2,433,131	-	-	-	-	83,007		-		2,516,138	2,427,983
Net Tangible Capital Asset	1,053,004	-	-	-	-	-	15,400	-	-	1,068,404	1,156,559
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, 2016.

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.

Effective July 1, 2014, the District adopted the recommendation relating to PS3260, Liability for Contaminated Sites, as set out in the Canadian public sector accounting standards. Pursuant to the recommendations, the change was applied prospectively, and no prior periods have been restated. Previously, no accounting policy existed to account for a liability for a contaminated site. Under the new recommendations, the District is required to recognize a liability for contaminated sites when economic benefits will be given up. There was no effect on the District's consolidated financial statements as a result of adopting the above-noted change in accounting policy, as the District has no contaminated sites.

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%: interest is 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, 2015	Additions in period	Revenue recognized in period	Balance as at June 30, 2016
Education Property Tax Credit (EPTC)	$ 169,951	$ 170,412	$ 169,951	$ 170,412

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	2016 Net Book Value	2015 Net Book Value
Owned-tangible capital assets	$ 3,584,542	$ 2,516,138	$ 1,068,404	$ 1,156,559

6. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2016	2015
Operating Fund		
Undesignated Surplus	$ 81,820	$ 293,225
Capital Fund		
Reserve Accounts	313,641	150,000
Equity in Tangible Capital Assets	1,068,834	1,112,465
	1,382,475	1,262,465
Special Purpose Fund		
School Generated Funds	13,677	11,588
Total Accumulated Surplus	$ 1,477,972	$ 1,567,278

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 2015 tax year and 44% from 2016 tax year. Below is the related revenue amount:

	2016	2015
Revenue-Municipal Government-Property Tax	$ 1,871,553	$ 1,843,385
Receivable-Municipal Government-Property Tax	$ -	$ -

8. Interest Received and Paid

The District received interest during the year of $3,629 (2015 - $3,800); interest paid during the year was $930 (2015 - $1,863).

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

	2016	2015
Operating Fund		
Fiscal-short term loan, interest and bank charges	$ 307	$ -
Capital Fund		
Debenture debt interest	-	-
Other Interest	623	1,863
	$ 930	$ 1,863

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 2016	Budget 2016	Actual 2015
Salaries	$ 2,573,673	$ 2,415,271	$ 2,223,304
Employees benefits and allowances	135,326	178,122	219,490
Services	482,419	544,834	566,256
Supplies, materials and minor equipment	128,180	171,857	203,119
Interest	930	5,500	1,863
Payroll tax	39,168	55,000	36,058
Amortization	88,155	-	88,155
School generated funds	63,586	-	86,522
	$ 3,511,437	$ 3,370,584	$ 3,424,767

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 $24,412 in 2016 (2015 - $26,925).

11. Non Financial Information

The 2016 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 $95,497 (2015 - $304,843).

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 $1,382,475 (2015 - $1,262,465).

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.

THE WINNIPEG SCHOOL DIVISION
1577 Wall Street East, Winnipeg, Manitoba, R3E 2S5
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PAUL KOCHAN, FCPA, FCA
CHIEF FINANCIAL OFFICER &
SECRETARY-TREASUER

KPMG LLP
Suite 2000 – One Lombard Place
Winnipeg MB R3B 0X3

October 3, 2016

Ladies and Gentlemen

We are writing at your request to confirm our understanding that your audit was for the purpose of expressing an opinion on the consolidated financial statements (hereinafter referred to as "financial statements") of The Winnipeg School Division ("the Entity") as at and for the period ended June 30, 2016.

We confirm that the representations we make in this letter are in accordance with the definitions as set out in **Attachment I** to this letter.

We confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

GENERAL:

1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated February 3, 2016, for:

   a) the preparation and fair presentation of the financial statements and believe that these financial statements have been prepared and present fairly in accordance with the relevant financial reporting framework

   b) providing you with all relevant information, such as all financial records and related data, including the names of all related parties and information regarding all relationships and transactions with related parties, and complete minutes of meetings, or summaries of actions of recent meetings for which minutes have not yet been prepared, of shareholders, board of directors and committees of the board of directors that may affect the financial statements, and access to such relevant information

   c) such internal control as management determined is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error

   d) ensuring that all transactions have been recorded in the accounting records and are reflected in the financial statements.

INTERNAL CONTROL OVER FINANCIAL REPORTING:

2) We have communicated to you all deficiencies in the design and implementation or maintenance of internal control over financial reporting of which management is aware.

FRAUD & NON-COMPLIANCE WITH LAWS AND REGULATIONS:

3) We have disclosed to you:

a) the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud

b) all information in relation to fraud or suspected fraud that we are aware of and that affects the Entity and involves: management, employees who have significant roles in internal control, or others, where the fraud could have a material effect on the financial statements

c) all information in relation to allegations of fraud, or suspected fraud, affecting the Entity's financial statements, communicated by employees, former employees, analysts, regulators, or others

d) all known instances of non-compliance or suspected non-compliance with laws and regulations, including all aspects of contractual agreements, whose effects should be considered when preparing financial statements

e) all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

COMMITMENTS & CONTINGENCIES:

4) There are no:

a) other liabilities that are required to be recognized and no other contingent assets or contingent liabilities that are required to be disclosed in the financial statements in accordance with the relevant financial reporting framework, including liabilities or contingent liabilities arising from illegal acts or possible illegal acts, or possible violations of human rights legislation.

SUBSEQUENT EVENTS:

5) All events subsequent to the date of the financial statements and for which the relevant financial reporting framework requires adjustment or disclosure in the financial statements have been adjusted or disclosed.

RELATED PARTIES:

6) We have disclosed to you the identity of the Entity's related parties.

7) We have disclosed to you all the related party relationships and transactions/balances of which we are aware.

8) All related party relationships and transactions/balances have been appropriately accounted for and disclosed in accordance with the relevant financial reporting framework.

ESTIMATES:

9) Measurement methods and significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

NON-SEC REGISTRANTS OR NON-REPORTING ISSUERS:

10) We confirm that the Entity is not a Canadian reporting issuer (as defined under any applicable Canadian securities act) and is not a United States Securities and Exchange Commission ("SEC") Issuer (as defined by the Sarbanes-Oxley Act of 2002). We also confirm that the financial statements of the Entity will not be included in the consolidated financial statements of a Canadian reporting issuer audited by KPMG or an SEC Issuer audited by any member of the KPMG organization.

GOING CONCERN:

11) Our assessment that the Entity will continue as a going concern has taken into account all available information about the future, which is at least, but not limited to, twelve months from the balance sheet date.

COMPARATIVE INFORMATION:

12) We have no knowledge of any significant matters that may have arisen that would require a restatement of the comparative information.

ACCOUNTING POLICIES:

13) The accounting policies selected and applied are appropriate for the Entity's business and consistent with accounting policies used in the Entity's industry.

ACCOUNTING CHANGES:

14) There have been no changes in accounting policies that have not been disclosed to you and appropriately reflected in the financial statements.

ASSETS AND LIABILITIES – GENERAL:

15) We have no knowledge of material unrecorded assets or liabilities or contingent assets or liabilities (such as claims related to patent infringements, unfulfilled contracts, etc., whose values depend on fulfillment of conditions regarded as uncertain or receivables sold or discounted, endorsements or guarantees, additional taxes for prior years, repurchase agreements, sales subject to renegotiation or price re-determination, etc.) that have not been disclosed to you.

16) We have no knowledge of shortages that have been discovered and not disclosed to you (such as shortages in inventory, cash, negotiable instruments, etc.).

17) We have no knowledge of arrangements with financial institutions involving restrictions on cash balances and lines of credit or similar arrangements not disclosed to you.

18) We have no knowledge of agreements to repurchase assets previously sold, including sales with recourse, that have not been disclosed to you.

19) We have no knowledge of side agreements (contractual or otherwise) with any parties that have not been disclosed to you.

REVENUES AND RECEIVABLES:

20) Receivables reported in the financial statements represent valid claims against customers and other debtors for sales or other charges arising on or before the balance sheet date, and do not include amounts relating to goods shipped on consignment or approval.

IMPAIRMENT OF LONG-LIVED ASSETS:

21) The Entity has appropriately grouped long-lived assets together for purposes of assessing impairment.

22) We have reviewed long-lived assets, including amortizable intangible assets, to be held and used, for impairment, whenever events or changes in circumstances have indicated that the carrying amount of the assets might not be recoverable.

EMPLOYEE FUTURE BENEFITS:

23) The employee future benefits costs, assets and obligation, if any, have been determined, accounted for and disclosed in accordance with the financial reporting framework.

24) All arrangements (contractual or otherwise) by which programs have been established to provide employee benefits, which include post-employment benefits, and that are funded or unfunded have been disclosed to you and included in the determination of pension costs and obligations.

25) The set of actuarial assumptions for each plan is individually consistent.

26) The assumptions included in the actuarial valuation are those that management instructed the Entity's actuaries to use in computing amounts to be used by the Entity in determining pension costs and obligations and in making required disclosures in the above-named financial statements, in accordance with the relevant financial reporting framework.

27) In arriving at these assumptions, management has obtained the advice of the Entity's actuaries, but has retained the final responsibility for them.

28) The source data and plan provisions provided to the actuary for preparation of the actuarial valuation are accurate and complete.

29) 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.

30) The extrapolations are accurate and properly reflect the effects of changes and events that occurred subsequent to the most recent valuation and that had a material effect on the extrapolation.

31) All material events and changes to the plan subsequent to the most recent actuarial valuation have been properly reflected in the extrapolation.

32) Each actuarial assumption used reflects management's best estimate solely with respect to that individual assumption, determined on a basis that the plan will continue to be in effect in the absence of evidence to the contrary.

33) The discount rate used to determine the accrued benefit obligation for each plan was determined by reference to market interest rates at the measurement date on high-quality debt instruments with cash flows that match the timing and amount of expected benefit payments; or inherent in the amount at which the accrued benefit obligation could be settled.

MANAGEMENT'S USE OF SPECIALISTS:

34) We agree with the findings of Ellement Consulting Group as management's expert in *evaluating* the *employee benefit costs and obligations*. We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the specialists.

Yours very truly

Original Document Signed

Mr. Paul Kochan, Chief Financial Officer & Secretary-Treasurer

Original Document Signed

Ms. Pauline Clarke, Chief Executive Officer & Chief Superintendent

SM/rgd

2016-06-30 Wpg School Division LTR rep DRAFT.docx

We have the recognized authority to take, and assert that I have taken, responsibility for the financial statements.

cc: Finance Personnel Committee

Attachment I – Definitions

MATERIALITY

Certain representations in this letter are described as being limited to matters that are material. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both.

FRAUD & ERROR

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves thc theft of an entity's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorization.

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.

RELATED PARTIES

In accordance with **Canadian public sectors accounting standards,** *related party* is defined as:

- One party has the ability to exercise, directly or indirectly, control, joint control or significant influence over the other. Two or more parties are related when they are subject to common control, joint control or common significant influence. Related parties also include management and immediate family members.

In accordance with Canadian public sectors accounting standards, a *related party transaction* is defined as:

- A transfer of economic resources or obligations between related parties, or the provision of services by one party to a related party, regardless of whether any consideration is exchanged. The parties to the transaction are related prior to the transaction. When the relationship arises as a result of the transaction, the transaction is not one between related parties.

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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, 2016, 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, 2016, 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 3, 2016

Winnipeg, Canada

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

Original Document Signed	October 3 2016
Chairperson of the Board	Date

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2016	2015
	Financial Assets		
	Cash and Bank	-	-
	Due from - Provincial Government	13,631,374	14,071,155
	- Federal Government	1,632,656	1,394,191
	- Municipal Government	86,092,941	80,743,083
	- Other School Divisions	139,741	18,112
	- First Nations	720,439	1,237,614
	Accounts Receivable	1,162,047	1,715,776
	Accrued Investment Income	169	185
	Portfolio Investments	6,646,940	5,070,096
		110,026,307	104,250,212
	Liabilities		
(3)	Overdraft	23,674,363	16,002,624
	Accounts Payable	9,797,658	12,878,382
	Accrued Liabilities	44,503,426	46,110,696
(4)	Employee Future Benefits	6,324,993	6,162,732
	Accrued Interest Payable	2,188,090	2,114,346
	Due to - Provincial Government	1,321,336	1,221,556
	- Federal Government	6,268,162	6,022,248
	- Municipal Government	-	-
	- Other School Divisions	1,018,432	935,854
	- First Nations	-	-
(5)	Deferred Revenue	14,177,898	13,698,374
(7)	Borrowings from the Provincial Government	113,405,331	103,572,283
	Other Borrowings	-	-
	School Generated Funds Liability	2,846,670	2,514,032
		225,526,359	211,233,127
	Net Debt	(115,500,052)	(106,982,915)
	Non-Financial Assets		
(8)	Net Tangible Capital Assets (TCA Schedule)	189,880,348	177,241,225
	Inventories	1,058,621	1,113,142
	Prepaid Expenses	5,345,911	5,185,686
		196,284,880	183,540,053
	Accumulated Surplus	80,784,828	76,557,138

See accompanying notes to the Financial Statements

Winnipeg School Division

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes			2016	2015
	Revenue			
	Provincial Government		254,192,584	246,872,541
	Federal Government		3,987,968	3,419,531
	Municipal Government	- Property Tax	137,862,172	128,422,982
		- Other	431,862	209,998
	Other School Divisions		2,464,964	2,411,197
	First Nations		2,205,696	2,620,775
	Private Organizations and Individuals		764,701	781,419
	Other Sources		822,229	974,015
	School Generated Funds		720,475	785,896
	Other Special Purpose Funds		307,435	276,823
			403,760,086	386,775,177
	Expenses			
	Regular Instruction		204,234,676	199,326,799
	Student Support Services		89,706,614	86,007,451
	Adult Learning Centres		781,794	750,365
	Community Education and Services		9,451,707	8,592,275
	Divisional Administration		10,702,720	8,970,660
	Instructional and Other Support Services		9,690,002	10,019,705
	Transportation of Pupils		6,494,896	6,103,084
	Operations and Maintenance		45,965,985	43,807,802
(12)	Fiscal	- Interest	5,443,773	5,176,128
		- Other	6,700,710	6,265,882
	Amortization		9,297,491	8,400,261
	Other Capital Items		4,174	33,573
	School Generated Funds		771,940	821,660
	Other Special Purpose Funds		218,319	261,643
			399,464,801	384,537,288
	Current Year Surplus (Deficit) before Non-vested Sick Leave		4,295,285	2,237,889
	Less: Non-vested Sick Leave Expense (Recovery)		67,595	(17,445)
	Net Current Year Surplus (Deficit)		4,227,690	2,255,334
	Opening Accumulated Surplus		76,557,138	74,301,804
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	-
		Other than Tangible Cap. Assets	-	-
		Non-vested sick leave - prior years	-	-
	Opening Accumulated Surplus, as adjusted		76,557,138	74,301,804
	Closing Accumulated Surplus		80,784,828	76,557,138

See accompanying notes to the Financial Statements

Winnipeg School Division

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2016

	2016	2015
Net Current Year Surplus (Deficit)	4,227,690	2,255,334
Amortization of Tangible Capital Assets	9,297,491	8,400,261
Acquisition of Tangible Capital Assets	(21,936,614)	(26,636,870)
(Gain) / Loss on Disposal of Tangible Capital Assets	(25,011)	-
Proceeds on Disposal of Tangible Capital Assets	25,011	-
	(12,639,123)	(18,236,609)
Inventories (Increase)/Decrease	54,521	(150,795)
Prepaid Expenses (Increase)/Decrease	(160,225)	(966,224)
	(105,704)	(1,117,019)
(Increase)/Decrease in Net Debt	(8,517,137)	(17,098,294)
Net Debt at Beginning of Year	(106,982,915)	(89,884,621)
Adjustments Other than Tangible Cap. Assets	-	-
	(106,982,915)	(89,884,621)
Net Debt at End of Year	(115,500,052)	(106,982,915)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2016

	2016	2015
Operating Transactions		
Net Current Year Surplus (Deficit)	4,227,690	2,255,334
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	9,297,491	8,400,261
(Gain)/Loss on Disposal of Tangible Capital Assets	(25,011)	-
Employee Future Benefits Increase/(Decrease)	162,261	(50,239)
Due from Other Organizations (Increase)/Decrease	(4,752,996)	15,145,403
Accounts Receivable & Accrued Income (Increase)/Decrease	553,745	(146,514)
Inventories and Prepaid Expenses - (Increase)/Decrease	(105,704)	(1,117,019)
Due to Other Organizations Increase/(Decrease)	428,272	216,293
Accounts Payable & Accrued Liabilities Increase/(Decrease)	(4,614,250)	5,987,971
Deferred Revenue Increase/(Decrease)	479,524	12,465,392
School Generated Funds Liability Increase/(Decrease)	332,638	96,294
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by (Applied to) Operating Transactions	5,983,660	43,253,176
Capital Transactions		
Acquisition of Tangible Capital Assets	(21,936,614)	(26,636,870)
Proceeds on Disposal of Tangible Capital Assets	25,011	-
Cash Provided by (Applied to) Capital Transactions	(21,911,603)	(26,636,870)
Investing Transactions		
Portfolio Investments (Increase)/Decrease	(1,576,844)	933,474
Cash Provided by (Applied to) Investing Transactions	(1,576,844)	933,474
Financing Transactions		
Borrowings from the Provincial Government Increase/(Decrease)	9,833,048	8,087,544
Other Borrowings Increase/(Decrease)	-	-
Cash Provided by (Applied to) Financing Transactions	9,833,048	8,087,544
Cash and Bank / Overdraft (Increase)/Decrease	(7,671,739)	25,637,324
Cash and Bank (Overdraft) at Beginning of Year	(16,002,624)	(41,639,948)
Cash and Bank (Overdraft) at End of Year	(23,674,363)	(16,002,624)

Winnipeg School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2016

	Buildings and Leasehold Improvements		School	Other	Furniture / Fixtures &	Computer Hardware &		Land	Assets Under	2016	2015
	School	Non-School	Buses	Vehicles	Equipment	Software *	Land	Improvements	Construction	TOTALS	TOTALS
Tangible Capital Asset Cost											
Opening Cost, as previously reported	244,556,308	8,797,370	9,360,851	1,086,359	7,878,887	5,233,950	25,138,940	1,674,128	21,788,963	325,515,756	299,610,908
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	244,556,308	8,797,370	9,360,851	1,086,359	7,878,887	5,233,950	25,138,940	1,674,128	21,788,963	325,515,756	299,610,908
Add:											
Additions during the year	20,615,173	510,810	998,103	37,016	899,454	3,980,937	1,210,271	132,518	(6,447,668)	21,936,614	26,636,870
Less:											
Disposals and write downs	-	-	631,370	-	-	-	-	-		631,370	732,022
Closing Cost	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
Accumulated Amortization											
Opening, as previously reported	128,783,438	3,649,304	5,170,986	830,597	6,059,615	2,839,835		940,756		148,274,531	140,606,292
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	128,783,438	3,649,304	5,170,986	830,597	6,059,615	2,839,835		940,756		148,274,531	140,606,292
Add:											
Current period Amortization	6,833,238	219,883	777,004	94,457	478,461	720,409		174,039		9,297,491	8,400,261
Less:											
Accumulated Amortization on Disposals and Writedowns	-	-	631,370	-	-	-		-		631,370	732,022
Closing Accumulated Amortization	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
Net Tangible Capital Asset	129,554,805	5,438,993	4,410,964	198,321	2,240,265	5,654,643	26,349,211	691,851	15,341,295	189,880,348	177,241,225
Proceeds from Disposal of Capital Assets	-	-	25,011	-	-	-				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, 2015 were $642,969 (2014 - $689,646).

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, 2016 funds on hand in these schools for this purpose totaled $32,874 (2015 - $30,798).

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 $2,138,703 have not been included in these consolidated financial statements.

(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.

(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.

2. Significant accounting principles (continued).

(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.

(l) Future accounting pronouncements:

In March 2011, PSAB approved two new standards, Section PS 3450, Financial Instruments and Section PS 2601, Foreign Currency Translation, and related financial statement presentation changes to Financial Statement Presentation, Sections PS 1200 and 1201. Both standards must be adopted in the same fiscal period. The new standards are effective for fiscal years beginning on or after April 1, 2016.

3. Overdraft:

The Division has an authorized overdraft limit with a chartered bank of $49,000,000 for operating expenses and an additional overdraft limit of $25,000,000 for approved building and infrastructure projects. As at June 30, 2016 $25,000,000 of the authorized operating overdraft has been utilized in the form of fixed rate promissory notes, bearing interest at 1.73 and 1.79 percent. These promissory notes were repaid on July 29, 2016. Overdrafts are secured by borrowing By-Law No. 1242.

Included in the overdraft are funding of capital projects totaling approximately $5,018,942 which has been submitted to PSFB for debenture funding (note 7), funds held on behalf of the Winnipeg Teachers Association's dental plan totaling $1,655,906 (2015 - $1,616,004) and funds held on behalf of the Winnipeg Teachers Association extended health care plan totaling $2,334,023 (2015 - $2,276,287).

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 2016	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, 2015, and extrapolated to June 30, 2016. Information about the Division's pension plan is as follows:

	2016	2015
Pension plan assets:		
Fair value, beginning of year	$ 325,091,407	$ 315,500,378
Expected return	19,362,987	18,884,877
Actuarial investment gain (loss)	(6,737,778)	(7,788,982)
Employer contributions	7,291,645	6,923,816
Employee contributions	6,514,168	6,160,547
Pension paid	(18,555,716)	(14,589,229)
Fair value, end of year	$ 332,966,713	$ 325,091,407
Accrued pension plan obligations:		
Balance, beginning of year	$ 327,764,200	$ 309,023,899
Current service costs	12,513,090	13,184,289
Interest costs	19,868,074	18,901,190
Pension paid	(18,555,716)	(14,589,229)
Actuarial loss (gain)	(5,928,932)	1,244,051
Actual loss (gain) due to change in discount rate	9,892,588	–
Balance, end of year	$ 345,553,304	$ 327,764,200

	2016	2015
Deficit of plan assets versus plan obligations	$ (12,586,591)	$ (2,672,793)
Pension plan liability	(12,586,591)	(2,672,793)
Less: net unamortized actuarial loss	12,586,591	2,672,793
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.

The net unamortized actuarial loss is amortized on a straight-line basis over the expected average remaining service life of the related employee groups.

4. Employee future benefits (continued):

The total net cost for the Division's pension plan is as follows:

	2016	2015
Net defined pension plan cost:		
Current service cost less employee contributions	$ 5,998,922	$ 7,023,742
Interest on plan obligations	19,868,074	18,901,190
Expected return on plan assets	(19,362,987)	(18,884,877)
Valuation allowance increase (decrease)	787,636	(116,239)
Net defined benefit plans cost	$ 7,291,645	$ 6,923,816

The significant actuarial assumptions adopted in measuring the Division's pension cost and accrued benefit obligations are as follows:

	2016	2015
Discount rate	5.75%	6.00%
Rate of compensation increase	4.00%	4.00%
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 2015 was 1.10 percent.

The pension plan assets are held in trust and are invested as follows:

	2016	2015
Equities	55%	55%
Bonds	43%	37%
Cash and cash equivalents	2%	8%

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, 2016 is $67,595 (2015 - ($17,445)). At June 30, 2016, the Division has recorded an estimated liability of $2,326,754 (2015 - $2,259,159) 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, 2015 - 4 percent) and a rate of salary increase of 2 percent to 3 percent (June 30, 2015 - 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, 2015, at which date the disability income plan had net assets in excess of the benefit obligation recorded of $488,808 (2015 - $228,311). 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, 2016, the Division has recorded an estimated liability of $3,998,239 (2015 - $3,903,573) in respect of these benefits. The significant actuarial assumption used in measuring the Division's estimated liability is a discount rate of 6 percent (June 30, 2015 - 6 percent).

5. Deferred revenue:

	Balance as at June 30, 2015	Additions in the period	Revenue recognized in the period	Balance as at June 30, 2016
Educational property tax credit	$ 12,102,821	$ 12,126,143	$ 12,102,821	$ 12,126,143
Other special purpose funds	1,595,553	1,997,775	1,541,573	2,051,755
	$13,698,374	$ 14,123,918	$13,644,394	$ 14,177,898

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, 2016, school funds held totaled $2,839,242 (2015 - $2,558,069).

The school generated funds liability of $2,846,670 (2015 - $2,514,032) 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 2017 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 3.0 percent to 8.6 percent. The debenture principal and interest repayments in the next five years and thereafter are:

	Principal	Interest	Total
2017	$ 7,668,002	$ 5,304,877	$ 12,972,879
2018	7,535,576	4,888,065	12,423,641
2019	7,700,089	4,489,914	12,190,003
2020	7,804,365	4,084,449	11,888,814
2021	7,415,661	3,675,234	11,090,895
Thereafter	75,281,638	20,532,992	95,814,630
	$ 113,405,331	$ 42,975,531	$ 156,380,862

As at June 30, 2016, the Division has submitted claims for capital projects to the Public Schools Finance Board totaling $5,018,942 (2015 - $6,139,394).

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	$ 346,821,000	$ 156,940,652	$ 189,880,348

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 2021 in the amount of $4,431,014. Annual payments for these commitments are as follows:

2017	$ 839,767
2018	817,068
2019	763,931
2020	593,288
2021	141,696
2022 and thereafter	1,275,264
	$ 4,431,014

On January 12, 2016, the Division entered into an agreement to purchase land in the amount of $5,031,073 for the development of a new school in Waterford Green.

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, 2016, the amount of this special levy was $1,556,446 (2015 - $1,493,767). These amounts are not included in the Division's consolidated financial statements.

12. Interest paid:

Interest paid during the fiscal year is compromised of the following:

	2016	2015
Operating Fund:		
Interest and bank charges	$ 273,755	$ 160,077
Capital Fund:		
Debenture debt interest	5,170,018	5,016,051
	$ 5,443,773	$ 5,176,128

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 9, 2016. 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, 2016, 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, 2016, 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 9, 2016
Winnipeg, Manitoba

THE PUBLIC SCHOOLS FINANCE BOARD

Statement of Financial Position

As at June 30, 2016

	2016	2015
	(in thousands of dollars)	
Financial Assets		
Cash	$ 549	$ 802
Funds on deposit with the Province of Manitoba (Note 6)	74	392
Due from:		
Municipal corporations - Education Support Levy	108,797	103,668
Other	456	359
	109,876	**105,221**
Liabilities		
Accrued interest	$ 341	$ 388
Other payables	466	486
Due to:		
Support payable to school divisions (Note 7)	2,699	3,570
Province of Manitoba	13,910	11,013
Notes payable - Province of Manitoba (Note 8)	88,911	86,799
	106,327	**102,256**
Net Financial Assets	**$ 3,549**	**$ 2,965**
Non - Financial Assets		
Modular Units Inventory (Note 9)	$ 2,760	$ 4,336
Accumulated Surplus	**$ 6,309**	**$ 7,301**

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, 2016

	Budget 2016	Actual 2016	Actual 2015
	(in thousands of dollars)		
Revenue			
Province of Manitoba - Funding of Schools Program	$ 1,012,485	$ 1,007,447	$ 985,927
Municipal corporations - Education Support Levy	177,898	177,897	169,925
	1,190,383	**1,185,344**	**1,155,852**
Expenses			
Operational support program (Note 10)	1,045,784	1,043,697	1,021,877
Capital support program (Note 11)	146,073	139,812	134,604
Administrative and other expenses (Note 12)	3,526	2,827	3,041
	1,195,383	**1,186,336**	**1,159,522**
Current Year Surplus / (Deficit)	**(5,000)**	**(992)**	**(3,670)**
Accumulated Surplus, Beginning of Year	7,301	7,301	10,971
Accumulated Surplus, End of Year	**$ 2,301**	**$ 6,309**	**$ 7,301**

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, 2016

	Budget 2016	Actual 2016	Actual 2015
	(in thousands of dollars)		
Current Year Surplus (Deficit)	$ (5,000)	$ (992)	$ (3,670)
Allocation of Modular Units Inventory (Note 9)	0	1,576	1,983
Increase (Decrease) in Net Financial Assets	(5,000)	584	(1,687)
Net Financial Assets, beginning of year	2,965	2,965	4,652
Net Financial Assets, end of year	$ (2,035)	$ 3,549	$ 2,965

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, 2016

	2016	2015
	(in thousands of dollars)	
Operating Activities		
Current Year Surplus (Deficit)	$ (992)	$ (3,670)
Changes in Non Cash Items:		
Due from:		
Municipal Corporations - Education Support Levy	(5,129)	(4,251)
Other	(97)	(98)
Accrued Interest	(47)	27
Other Payables	(20)	(723)
Due to:		
Support payable to school divisions	(871)	579
Province of Manitoba	2,897	2,189
	(4,259)	(5,947)
Financing Activities		
Notes payable - Province of Manitoba	2,112	2,635
Non Financial Assets		
Increase (decrease) in Modular Units Inventory	1,576	1,983
Increase (decrease) in Cash and Funds on Deposit with the Province	(571)	(1,329)
Cash and Funds on Deposit with the Province, Beginning of year	1,194	2,523
Cash and Funds on Deposit with the Province, End of year	**$ 623**	**$ 1,194**
Consists of:		
Cash	$ 549	$ 802
Funds on Deposit with Province of Manitoba	74	392
	$ 623	$ 1,194
Supplemental Cash Flow Information:		
Interest Paid	$ 667	$ 641

The accompanying notes are an integral part of these statements.

Notes to the Financial Statements
As at June 30, 2016

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 revenue with the fiscal year appropriated amounts, converted 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; interest rate, 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 $109,494 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 13 completed Modular units.

Notes to the Financial Statements
As at June 30, 2016

10. Operational support program

	Actual 2016	Actual 2015
	(in thousands of dollars)	
Instructional Support	$ 319,228	$ 318,506
Sparsity Support	11,037	10,976
Curricular Materials	9,946	9,924
Information Technology	10,278	9,925
Library Services	15,251	15,218
Student Services Grant	62,877	62,262
Additional Instructional Support for Small Schools	664	822
Counselling and Guidance	13,759	13,729
Professional Development	6,797	6,784
Occupancy	85,265	84,901
Physical Education	3,666	3,758
Transportation	43,037	42,893
Board and Room	478	436
Special Needs	87,045	87,226
Senior Years Technology Education	9,279	9,056
English as an Additional Language	10,866	10,984
Aboriginal Academic Achievement	9,869	8,658
Aboriginal and International Languages	206	197
French Language Education	7,209	7,027
Small Schools	3,038	3,043
Enrolment Change Support	6,309	5,509
Northern Allowance	5,134	5,120
Early Childhood Development Initiative	2,534	2,469
Literacy and Numeracy	13,147	9,648
Experiential Learning	0	508
Education for Sustainable Development	480	481
Equalization Support	280,747	260,310
Formula Guarantee	21,448	28,025
Vocational Equipment Replacement	2,505	2,505
Skills Strategy Equipment Enhancement Fund	1,424	991
Adjustment of previous years' support to school divisions from estimated to actual	174	(14)
	$ 1,043,697	$ 1,021,877

11. Capital support program

	Actual 2016	Actual 2015
	(in thousands of dollars)	
Capital grants:		
Major school construction	$ 133,534	$ 128,235
Minor capital projects	278	369
School buildings "D" support	6,000	6,000
Total capital support program	**$ 139,812**	**$ 134,604**

12. Administrative and other expenses

	Actual 2016	Actual 2015
	(in thousands of dollars)	
Board administration:		
Staff salaries and benefits	$ 1,619	$ 1,762
Service agreement	227	209
Professional services	41	51
Meetings and travel	25	32
Desktop management	89	103
Rent	155	151
Printing, stationery, postage and supplies	14	29
Telephone and fax	16	18
Professional development	16	16
Computers, software and minor equipment	6	16
Total board administration expenses	**2,208**	**2,387**
Interest charges on notes payable to the Province of Manitoba	**619**	**654**
	$ 2,827	**$ 3,041**

Financial Statements of

RED RIVER COLLEGE

Nine months ended March 31, 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 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, 2017, the statements of operations and changes in net assets and cash flows for the nine months 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, 2017, and its results of operations and its cash flows for the nine months then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Professional Accountants

June 21, 2017

Winnipeg, Canada

RED RIVER COLLEGE

Statement of Financial Position
(In thousands of dollars)

March 31, 2017, with comparative information for June 30, 2016

	2017	2016
Assets		
Current assets:		
Cash and short-term investments - trust and endowment (note 3)	$ 3,130	$ 2,696
Cash and short-term investments (note 3)	40,542	23,603
Accounts receivable (note 4)	6,948	9,159
Inventories (note 5)	1,834	1,294
Prepaid expenses (note 6)	1,685	2,653
	54,139	39,405
Long term investments - trust and endowment (note 7)	25,809	24,063
Due from Province of Manitoba (note 8)	9,636	9,636
Capital assets (note 9)	236,089	221,806
	$ 325,673	$ 294,910
Liabilities, Deferred Contributions and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities (note 11)	$ 28,093	$ 25,923
Current portion of obligations under capital leases (note 14)	268	593
Deferred revenue	17,530	11,806
Demand term loan (note 12)	4,400	4,400
	50,291	42,722
Future employee benefits (note 13)	19,770	18,866
Obligations under capital leases (note 14)	129	369
Deferred contributions (note 15)	12,854	9,205
Deferred contributions related to capital assets (note 16)	185,971	170,280
Net assets:		
Invested in capital assets (note 17)	49,721	50,564
Restricted for endowments (note 18)	23,427	21,566
Internally restricted (note 18)	13,428	12,232
Unrestricted net assets	(29,918)	(30,894)
	56,658	53,468
Commitments and contingencies (note 21)		
Subsequent event (note 25)		
	$ 325,673	$ 294,910

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)

Nine months ended March 31, 2017, with comparative information for the year ended June 30, 2016

	Unrestricted	Invested in capital assets	Restricted for endowments	Internally restricted	2017 Total	2016 Total
Revenue:						
Academic training fees	$ 36,150	$ –	$ –	$ –	$ 36,150	$ 47,160
Grants and reimbursements	74,343	–	–	–	74,343	102,211
International education	6,720	–	–	–	6,720	6,481
Continuing education	8,955	–	–	–	8,955	12,621
Sundry and other revenue	13,662	–	–	–	13,662	17,480
Amortization of deferred contributions	1,416	7,144	–	–	8,560	8,754
	141,246	7,144	–	–	148,390	194,707
Expenses:						
Instruction	84,386	–	–	146	84,532	110,515
Library	2,063	–	–	–	2,063	2,818
Administration and general	26,403	–	–	–	26,403	34,307
Physical plant	16,847	–	–	192	17,039	19,703
Student services	6,268	–	–	–	6,268	9,066
Amortization of capital assets	–	8,691	–	–	8,691	9,500
Future employee benefits	2,065	–	–	–	2,065	2,545
	138,032	8,691	–	338	147,061	188,454
Excess (deficiency) of revenue over expenses	3,214	(1,547)	–	(338)	1,329	6,253
Balance, beginning of period	(30,894)	50,564	21,566	12,232	53,468	29,116
Endowment gifts	–	–	1,832	–	1,832	1,620
Amounts unrestricted from endowments	–	–	29	–	29	68
Contribution of land (note 9)	–	–	–	–	–	16,411
Transfer to internally restricted for project reserves (note 18)	(205)	–	–	205	–	–
Transfer of surplus to internally restricted (note 18)	(1,329)	–	–	1,329	–	–
Investment in capital assets	(704)	704	–	–	–	–
Balance, end of period	$ (29,918)	$ 49,721	$ 23,427	$ 13,428	$ 56,658	$ 53,468

See accompanying notes to financial statements.

RED RIVER COLLEGE

Statement of Cash Flows
(In thousands of dollars)

Nine months ended March 31, 2017, with comparative information for the year ended June 30, 2016

	2017	2016
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	$ 1,329	$ 6,253
Items not involving cash:		
Amortization of capital assets	8,691	9,500
Amortization of deferred capital contributions	(7,144)	(6,973)
Other deferred contributions recognized as revenue	(3,478)	(2,593)
Loss on disposal of capital assets	–	12
Changes in fair value of investments	(1,501)	373
Changes in non-cash operating working capital balances (note 19)	11,437	4,631
	9,334	11,203
Investing activities:		
Purchase of capital assets	(22,952)	(114,504)
Long-term investment for trust and endowment	(317)	(1,089)
Proceeds on disposal of long-term investments for trust and endowment	72	1,631
	(23,197)	(113,962)
Financing activities:		
Long-term loan received	–	4,400
Endowment gifts received	1,861	1,688
Contributions and donations funding capital purposes	22,814	110,269
Repayment of obligations under capital leases	(565)	(914)
Other deferred contributions received	7,126	2,622
	31,236	118,065
Increase in cash and short-term investments	17,373	15,306
Cash and short-term investments, beginning of period	26,299	10,993
Cash and short-term investments, end of period	$ 43,672	$ 26,299
Comprised of:		
Cash and short-term investments - trust and endowment	$ 3,130	$ 2,696
Cash and short-term investments	40,542	23,603
	$ 43,672	$ 26,299

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 now is 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	Over the term of the lease

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.

(In thousands of dollars)

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.

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 0.35 percent and 0.59 percent. Short-term investments mature June 2017.

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.

4. Accounts receivable:

	2017	2016
Trust and endowment receivables	$ 773	$ 99
Other accounts receivable	4,397	3,895
Capital grant receivable from the Province	1,778	5,165
	$ 6,948	$ 9,159

5. Inventories:

Inventories consist primarily of books purchased for resale. During the nine months ended March 31, 2017, inventories totaling $3,874 were expensed (2016 - $4,721).

(In thousands of dollars)

6. Prepaid expenses:

	2017	2016
Prepaid property taxes	$ –	$ 1,136
Other prepaid expenses	1,685	1,517
	$ 1,685	$ 2,653

7. Long-term investments:

	2017		2016	
	Fair value	Cost	Fair value	Cost
Cash and fixed term instruments	$ 7,035	$ 6,155	$ 7,352	$ 6,179
Equity investments	17,032	12,932	14,921	13,188
Debentures	1,742	1,742	1,790	1,790
	$ 25,809	$ 20,829	$ 24,063	$ 21,157

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 2.45 percent and 6.125 percent (2016 - between 2.45 percent and 6.125 percent)

8. 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, 2017 is $9,636.

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.

(In thousands of dollars)

9. Capital assets:

	Cost	Accumulated amortization	2017 Net book value	2016 Net book value
Land	$ 18,396	$ –	$ 18,396	$ 18,396
Equipment and furniture	53,430	47,254	6,176	7,199
Computer equipment and software	20,157	18,838	1,319	1,416
Major renovations	5,424	4,001	1,423	1,636
Buildings	192,337	28,251	164,086	169,170
Vehicles	461	417	44	64
Aircraft	3,843	1,448	2,395	2,539
Leasehold improvements	5,138	4,680	458	607
Construction in progress	37,765	–	37,765	15,955
Assets under capital leases	17,338	16,658	680	1,259
Library holdings	1,223	–	1,223	1,223
Parking lot improvements	2,448	1,192	1,256	1,343
Capital renovations	5,944	5,076	868	999
	$ 363,904	$ 127,815	$ 236,089	$ 221,806

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 $578 (2016 - $1,024).

The increase in net book value of capital assets is due to the following:

	2017	2016
Balance, beginning of period	$ 221,806	$ 116,726
Purchase / transfer of capital assets:		
Funded by deferred capital contributions	22,814	93,423
Internally funded	704	5,149
Financed through capital lease, net of obligation paid	(565)	(826)
Donations of capital assets	21	435
Contribution of land	–	16,411
Loss on disposal of capital assets	–	(12)
Amortization of capital assets	(8,691)	(9,500)
Balance, end of period	$ 236,089	$ 221,806

(In thousands of dollars)

10. Operating line of credit:

The College has a $5,000 operating line of credit with the Province, bearing interest at prime. At March 31, 2017, there had been no withdrawals on this operating line.

11. Accounts payable and accrued liabilities:

		2017		2016
Trade payables	$	10,479	$	5,909
Accrued salaries and benefits		1,169		3,394
Accrued vacation pay		15,108		15,956
Holdback liability		1,337		664
	$	28,093	$	25,923

12. Demand term loan:

During fiscal 2016, 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.

13. Future employee benefits:

		2017		2016
Accrued retirement severance pay	$	18,569	$	17,762
Accumulated non-vested sick leave benefits		1,201		1,104
	$	19,770	$	18,866

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 (2016 - 6 percent) and a rate of salary increase of 3.75 percent (2016 - 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, 2017. Information about the College's accrued retirement severance pay is as follows:

	2017	2016
Balance, beginning of period	$ 17,762	$ 15,889
Current benefit cost	1,066	1,024
Interest	1,034	977
Actuarial loss	36	677
Benefits paid	(1,329)	(805)
Balance, end of period	$ 18,569	$ 17,762

Significant actuarial assumptions used in the severance obligations at March 31, 2017 and June 30, 2016, are as follows:

	2017	2016
Interest rate on obligations	6.00%	6.00%
Employer current service cost as a percentage of salary	1.29%	0.93%

(In thousands of dollars)

14. Obligations under capital leases:

The following is a schedule of future minimum lease payments under capital leases with payments due between April 2017 and December 2019 together with the balances of the obligations under capital leases:

2018	$	253
2019		161
Total minimum lease payments		414
Less amount representing interest (ranging from 2.76% to 10.36%)		(17)
Balance of obligations		397
Current portion		268
	$	129

Interest expense on the lease obligations amounted to $28 (2016 - $65).

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 year.

		2017		2016
Deferred provincial contributions:				
Balance, beginning of period	$	3,914	$	3,196
Amount recognized as revenue during the period		(1,597)		(903)
Amount received related to the following year		4,252		1,621
Balance, end of period		6,569		3,914
Deferred other contributions:				
Balance, beginning of period		5,291		5,980
Amount recognized as revenue during the period		(1,860)		(1,690)
Amount transferred to endowed accounts during the year		(20)		–
Amount received related to following year		2,874		1,001
Balance, end of period		6,285		5,291
	$	12,854	$	9,205

(In thousands of dollars)

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:

	2017	2016
Balance, beginning of period	$ 170,280	$ 83,395
Less amortization of deferred contributions	(7,144)	(6,973)
Add:		
Contributions received/transferred for capital purposes	20,866	87,896
Contribution receivable	1,778	5,165
Donations-in-kind	21	435
Donations received during the period	170	362
Balance, end of period	$ 185,971	$ 170,280

Unamortized capital contributions of $185,971 (2016 - $170,280) 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.

(In thousands of dollars)

16. Deferred contributions related to capital assets (continued):

No revenue or expense is recorded in accordance with their extinguishment. The balances of the promissory notes are as follows:

	2017	2016
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	$ 8,933	$ 9,198
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	15,639	16,085
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	6,563	6,746
Heavy Equipment Transportation Centre of Excellence:		
5.5% interest, maturing January 31, 2048, repayable in monthly instalments of $60 including principal and interest	10,742	10,839
Paterson GlobalFoods Institute:		
4% interest, maturing April 30, 2053, repayable in monthly instalments ranging from $72 - $78 in the year including principal and interest	13,080	13,352
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	91,611	93,373
3.9% interest, maturing March 31, 2056, repayable in monthly instalments ranging from $0.7 - $5 in the current year including principal and interest	891	909
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	7,209	7,348
Floating interest rate and terms of promissory note to be arranged, currently paying interest quarterly	23,529	501
Capital Projects:		
4.125% interest, maturing March 31, 2057, repayable in monthly instalments	1,000	–
	$ 179,197	$ 158,351

(In thousands of dollars)

17. Investment in capital assets:

The investment in capital assets consists of the following:

		2017		2016
Capital assets, net book value	$	236,089	$	221,806
Less:				
Amounts financed by deferred capital contributions		(185,971)		(170,280)
Amounts financed by capital lease		(397)		(962)
	$	49,721	$	50,564

The change in investment in capital assets is calculated as follows:

		2017		2016
Purchase of capital assets internally financed	$	704	$	5,149
Contribution of land		–		16,411
Amortization of:				
Capital assets		(8,691)		(9,500)
Deferred capital contributions		7,144		6,973
Loss on disposal of capital assets		–		(12)
Increase (decrease) in investment in capital assets	$	(843)	$	19,021

RED RIVER COLLEGE

Notes to Financial Statements (continued)
(In thousands of dollars)

Nine months ended March 31, 2017

18. 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:

	2017	2016
Princess Street campus structural reserve	$ 799	$ 799
Notre Dame campus structural reserve	600	600
Project reserves	3,735	3,530
Campus renovation reserve	1,000	1,000
Risk Management reserve	200	50
Strategic Development reserve	7,094	6,253
	$ 13,428	$ 12,232

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 $205 was transferred from unrestricted to internally restricted for net proceeds in project reserves.

The College transferred an amount of $1,329 from unrestricted net assets to internally restricted net assets, relating to the excess of revenue over expenses generated during the nine months ended March 31, 2017. The amount was allocated to the reserve for Strategic Development and Risk Management reserves.

19. Changes in non-cash working capital balances:

	2017	2016
Accounts receivable	$ 2,211	$ (3,995)
Inventories	(540)	(395)
Prepaid expenses	968	455
Accounts payable and accrued liabilities	2,170	5,049
Deferred revenue	5,724	1,824
Future employee benefits	904	2,076
Due from Province	–	(383)
Changes in non-cash working capital	$ 11,437	$ 4,631

(In thousands of dollars)

20. 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 $6,291 (2016 - $7,731). 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.

21. Commitments and contingencies:

Commitments:

The College leases classroom and office space in Winnipeg, Portage la Prairie, Steinbach, Neepawa, 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 approximately as follows:

2018	$ 48,427
2019	11,972
2020	11,480
2021	11,274
2022	10,951
	$ 94,104

During the year ended March 31, 2017, the College entered into a construction contract for the Motive Lab Project with approximately $8 million remaining to be incurred before the expected completion date of March 31, 2018. In addition, the College has a remaining construction cost for the Skilled Trades and Technology Centre of approximately $27 million remaining to be incurred before the expected completion date of April 30, 2018.

21. Commitments and contingencies (continued):

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, 2017.

22. 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, 2017, net resources of the Blood Bank amount to $146.

The net assets and results of operations of the Blood Bank are not included in the financial statements of the College.

23. 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 7.

The fair value of the balance due from the Province of Manitoba is not readily determinable due to the underlying terms and conditions.

(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 2016.

(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 2016.

24. 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 nine months ended March 31, 2017, the College has met its externally imposed capital requirements.

25. Subsequent event:

Subsequent to year end, the College entered into an offer to purchase the Stevenson Aviation facility, subject to the Province's approval. The College is currently renting this facility for aviation programs.

26. Comparative information:

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current period.