



## VOLUME 4 - SECTION 2

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**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 REPORT

### Management's Responsibility for the Financial Statements

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 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.

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Chairperson

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Secretary-Treasurer

October 18, 2011

**Independent Auditors' Report**

(In accordance with subsection 41 (11) of the Public Schools Act)

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, 2011, 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, 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**

In our opinion, the Consolidated financial statements present fairly, in all material respects, the financial position of Beautiful Plains School Division as at June 30, 2011 and the results of its operations, changes in net assets and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Brandon, Manitoba  
October 18, 2011

**MNP** LLP  
Chartered Accountants

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

as at June 30

Notes		2011	2010
	<b>Financial Assets</b>		
	Cash and Bank	613,162	1,028,427
	Short Term Investments	-	-
	Due from - Provincial Government	1,588,079	854,505
	- Federal Government	38,995	29,306
9	- Municipal Government	2,534,352	2,593,464
	- Other School Divisions	-	-
	- First Nations	-	-
	Accounts Receivable	34,001	5,242
	Accrued Investment Income	-	-
	Other Investments	-	-
		<u>4,808,589</u>	<u>4,510,944</u>
	<b>Liabilities</b>		
	Overdraft	-	-
	Accounts Payable	724,652	714,078
	Accrued Liabilities	1,554,485	1,322,869
	Employee Future Benefits	-	-
	Accrued Interest Payable	521,119	564,353
	Due to - Provincial Government	-	-
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	16,670	13,384
	- First Nations	-	-
5	Deferred Revenue	758,728	723,413
7	Debenture Debt	18,513,982	19,401,548
	Other Borrowings	-	-
	School Generated Funds Liability	41,345	37,691
		<u>22,130,981</u>	<u>22,777,336</u>
	<b>Net Debt</b>	<u>(17,322,392)</u>	<u>(18,266,392)</u>
	<b>Non-Financial Assets</b>		
2e	Net Tangible Capital Assets (TCA Schedule)	20,273,944	20,829,757
	Inventories	-	-
	Prepaid Expenses	14,773	14,531
		<u>20,288,717</u>	<u>20,844,288</u>
8	<b>Accumulated Surplus</b>	<u>2,966,325</u>	<u>2,577,896</u>

See accompanying notes to the Financial Statements

# **CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS**

For the Year Ended June 30

Notes		2011	2010
	<b>Revenue</b>		
	Provincial Government	11,662,597	11,197,180
	Federal Government	-	-
9	Municipal Government - Property Tax	5,053,394	5,125,796
	- Other	-	-
	Other School Divisions	30,550	33,800
	First Nations	-	10,500
	Private Organizations and Individuals	51,386	66,023
	Other Sources	103,883	(112,249)
	School Generated Funds	237,338	285,429
	Other Special Purpose Funds	-	-
		<u>17,139,148</u>	<u>16,606,479</u>
	<b>Expenses</b>		
	Regular Instruction	8,630,979	8,380,310
	Student Support Services	1,941,763	1,881,611
	Adult Learning Centres	-	-
	Community Education and Services	19,782	20,463
	Divisional Administration	568,358	550,647
	Instructional and Other Support Services	302,091	297,766
	Transportation of Pupils	1,008,906	998,156
	Operations and Maintenance	1,633,308	1,453,515
10	Fiscal - Interest	1,100,577	1,191,548
	- Other	234,596	226,957
	Amortization	1,055,029	1,076,224
	Other Capital Items	27,930	12,600
6	School Generated Funds	227,400	276,164
	Other Special Purpose Funds	-	-
		<u>16,750,719</u>	<u>16,365,961</u>
	Current Year Surplus (Deficit)	<u>388,429</u>	<u>240,518</u>
	Opening Accumulated Surplus	2,577,896	2,337,378
	Adjustments: Tangible Cap. Assets and Accum. Amort.	-	-
	Other than Tangible Cap. Assets	-	-
	Opening Accumulated Surplus, as adjusted	<u>2,577,896</u>	<u>2,337,378</u>
	<b>Closing Accumulated Surplus</b>	<u><u>2,966,325</u></u>	<u><u>2,577,896</u></u>

See accompanying notes to the Financial Statements

## CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2011

	2011	2010
Current Year Surplus (Deficit)	388,429	240,518
Amortization of Tangible Capital Assets	1,055,029	1,076,224
Acquisition of Tangible Capital Assets	(499,216)	(223,943)
(Gain) / Loss on Disposal of Tangible Capital Assets	(1,300)	207,747
Proceeds on Disposal of Tangible Capital Assets	1,300	9,750
	555,813	1,069,778
Inventories (Increase)/Decrease	-	-
Prepaid Expenses (Increase)/Decrease	(242)	8,509
	(242)	8,509
(Increase)/Decrease in Net Debt	944,000	1,318,805
Net Debt at Beginning of Year	(18,266,392)	(19,585,197)
Adjustments Other than Tangible Cap. Assets	-	-
Net Debt at Beginning of Year as Adjusted	(18,266,392)	(19,585,197)
<b>Net Debt at End of Year</b>	<b>(17,322,392)</b>	<b>(18,266,392)</b>

**CONSOLIDATED STATEMENT OF CASH FLOW**

For the Year Ended June 30, 2011

	2011	2010
<b>Operating Transactions</b>		
Current Year Surplus/(Deficit)	388,429	240,518
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	1,055,029	1,076,224
(Gain)/Loss on Disposal of Tangible Capital Assets	(1,300)	207,747
Employee Future Benefits Increase/(Decrease)	-	-
Short Term Investments (Increase)/Decrease	-	-
Due from Other Organizations (Increase)/Decrease	(684,151)	570,073
Accounts Receivable & Accrued Income (Increase)/Decrease	(28,759)	(1,168)
Inventories and Prepaid Expenses - (Increase)/Decrease	(242)	8,509
Due to Other Organizations Increase/(Decrease)	3,286	13,384
Accounts Payable & Accrued Liabilities Increase/(Decrease)	198,956	54,642
Deferred Revenue Increase/(Decrease)	35,315	772
School Generated Funds Liability Increase/(Decrease)	3,654	10,704
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by Operating Transactions	970,217	2,181,405
<b>Capital Transactions</b>		
Acquisition of Tangible Capital Assets	(499,216)	(223,943)
Proceeds on Disposal of Tangible Capital Assets	1,300	9,750
Cash (Applied to)/Provided by Capital Transactions	(497,916)	(214,193)
<b>Investing Transactions</b>		
Other Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
<b>Financing Transactions</b>		
Debenture Debt Increase/(Decrease)	(887,566)	(949,462)
Other Borrowings Increase/(Decrease)	-	-
Cash Provided by (Applied to) Financing Transactions	(887,566)	(949,462)
Cash and Bank / Overdraft (Increase)/Decrease	(415,265)	1,017,750
Cash and Bank (Overdraft) at Beginning of Year	1,028,427	10,677
<b>Cash and Bank (Overdraft) at End of Year</b>	<b>613,162</b>	<b>1,028,427</b>

# **SCHEDULE OF TANGIBLE CAPITAL ASSETS**

at June 30, 2011

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	2011 TOTALS	2010 TOTALS
	School	Non-School									
<b>Tangible Capital Asset Cost</b>											
Opening Cost, as previously reported	28,731,045	841,511	2,156,120	79,676	339,658	85,218	221,168	-	803	32,455,199	32,692,545
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	28,731,045	841,511	2,156,120	79,676	339,658	85,218	221,168	-	803	32,455,199	32,692,545
Add:											
Additions during the year	234,960	-	-	-	-	-	-	-	264,256	499,216	223,943
Less:											
Disposals and write downs	-	-	44,097	-	-	-	-	-	-	44,097	461,289
Closing Cost	28,966,005	841,511	2,112,023	79,676	339,658	85,218	221,168	-	265,059	32,910,318	32,455,199
<b>Accumulated Amortization</b>											
Opening, as previously reported	9,520,295	232,876	1,563,073	31,181	195,982	82,035	-	-	-	11,625,442	10,793,010
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening adjusted	9,520,295	232,876	1,563,073	31,181	195,982	82,035	-	-	-	11,625,442	10,793,010
Add:											
Current period Amortization	826,951	25,368	141,532	12,081	45,914	3,183	-	-	-	1,055,029	1,076,224
Less:											
Accumulated Amortization on Disposals and Writedowns	-	-	44,097	-	-	-	-	-	-	44,097	243,792
Closing Accumulated Amortization	10,347,246	258,244	1,660,508	43,262	241,896	85,218	-	-	-	12,636,374	11,625,442
<b>Net Tangible Capital Asset</b>	18,618,759	583,267	451,515	36,414	97,762	-	221,168	-	265,059	20,273,944	20,829,757
<b>Proceeds from Disposal of Capital Assets</b>	-	-	1,300	-	-	-	-	-	-	1,300	9,750

\* Includes network infrastructure.



**BEAUTIFUL PLAINS SCHOOL DIVISION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2011**

**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 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. 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 funds 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 operations held 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, 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	5,000	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.

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 4.7% to 6.7% (dependant on age) of earnings to the plan. The Division matches this contribution and remits both contributions monthly.

#### **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 \$ 487,480, an other vehicles reserve in the amount of \$ 5,000 and a reserve for the renovation and upgrade of a Neepawa Collegiate science room in the amount of \$ 136,885.

#### **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.

### **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 donation funds held 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 operating \$ 3,200,000 line of credit with the Beautiful Plains Credit Union by way of overdraft. (By-Law # 254) The Division does not receive any property taxation until November each year thus operates in overdraft for a portion of each 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 <u>June 30, 2010</u>	Additions <u>in the period</u>	Revenue recognized <u>in the period</u>	Balance as at <u>June 30, 2011</u>
Education Property Tax Credits (Fall)	\$ 650,866	\$ 688,358	\$ 650,866	\$ 688,358
Manitoba Schools Green Initiative	\$ 4,695		\$ 4,695	
Charitable Scholarship Fund	67,852	21,914	19,396	70,370
<b>TOTAL</b>	<b>\$ 723,413</b>	<b>\$ 710,272</b>	<b>\$ 674,957</b>	<b>\$ 758,728</b>

## 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 \$41,345.

School generated funds revenue and expenses reported in the Consolidated Statement of Revenue, Expenses and Accumulated Surplus as at June 30, 2011 covers a period of twelve months from April 1, 2010 to March 31, 2011.

## 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 2011 to 2030. Payment of principal and interest is funded entirely by grants from the Province of Manitoba. The debentures carry interest rates that range from 4.75% to 12.125%. Debenture interest expense payable as at June 30, 2011, 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
2011/12	\$ 1,042,751	\$ 1,069,665	\$ 2,112,416
2012/13	1,107,821	1,004,595	2,112,416
2013/14	1,169,391	935,331	2,104,722
2014/15	1,242,415	862,307	2,104,722
2015/16	1,320,144	784,578	2,104,722
	<u>\$ 5,882,522</u>	<u>\$ 4,656,476</u>	<u>\$ 10,538,998</u>



## 8. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	<u>2010/11</u>
Operating Fund	
Designated Surplus	34,295
Undesignated Surplus	<u>403,852</u>
	<u>438,147</u>
Capital Fund	
Reserve Accounts	629,365
Equity in Tangible Capital Assets	<u>1,706,711</u>
	<u>2,336,076</u>
Special Purpose Fund	
School Generated Funds	192,102
Other Special Purpose Funds	<u>-</u>
	<u>192,102</u>
Total Accumulated Surplus	<u>\$ 2,966,325</u>

Unexpended school instructional budgets from the 2010/11 year totaling \$ 34,295 have been carried forward to the 2011/12 school year.

	<u>2010/11</u>
Board approved appropriation by motion	-
School budget carryovers by board policy	34,295
Designated Surplus	<u>\$ 34,295</u>

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

	<u>2010/11</u>
School bus reserve	487,480
Other Vehicle Reserve	5,000
Science Room - Neepawa Collegiate	<u>136,885</u>
Total Capital Reserves	<u>\$ 629,365</u>

## 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 2010 tax year and 52% from 2011 tax year. Below are the related revenue and receivable amounts:

	<u>2010/11</u>	<u>2009/10</u>
Revenue-Municipal Government-Property Tax	\$ 5,053,394	\$ 5,125,796
Receivable-Due from Municipal-Property Tax	\$ 2,534,352	\$ 2,593,464

## 10. Interest Received and Paid

The Division received interest during the year of \$ 12,713 (previous year \$ 6,387). Interest expense is included in Fiscal and is comprised of the following:

	<u>2010/11</u>
Operating Fund	
Fiscal-short term loan, interest and bank charges	\$ 6,863
Capital Fund	
Debenture debt interest	1,093,714
Other interest	-
	<u>\$ 1,100,577</u>

The accrual portion of debenture debt interest expense of \$ 521,119 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. The one time cost for construction of the infrastructure is \$ 754,770. The Division has made the first payment (25%) in the amount of \$ 188,693 and will be making future payments as work progresses. The Board of trustees will determine the amount and terms of financing during the 2011/2012 fiscal year.



## 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 <u>2010/11</u>	Budget <u>2010/11</u>	Actual <u>2009/10</u>
Salaries	\$ 10,854,762	\$ 11,016,050	\$ 10,513,634
Employees benefits & allowances	738,952	738,390	704,267
Services	1,397,487	1,414,802	1,279,103
Supplies, materials & minor equipment	1,073,046	1,061,814	1,049,261
Interest	1,100,577	1,108,714	1,191,548
Transfers (Other than Capital)	40,940	43,500	36,203
Payroll tax	234,596	236,500	226,957
Amortization	1,055,029	-	1,076,224
Other capital items	27,930	-	12,600
School generated funds	227,400	-	276,164
	<u>\$ 16,750,719</u>	<u>\$ 15,619,770</u>	<u>\$ 16,365,961</u>



# BORDER LAND

## SCHOOL DIVISION

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### MANAGEMENT REPORT

#### Management's Responsibility for the Financial Statements

The accompanying consolidated financial statements of Border Land School Division are the responsibility of the Division 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 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 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.

\_\_\_\_\_  
Chairperson

\_\_\_\_\_  
Secretary-Treasurer

November 9, 2011



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Winnipeg MB R3C 4L5 Canada

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## Independent Auditor's Report

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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, 2011, 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 qualified audit opinion.

### Basis for Qualified Opinion

The School Division offers sick pay benefits that accumulate but do not vest to several of its employee groups. Under generally accepted accounting principles for public sector organizations, the Division should recognize a liability and an expense for sick pay benefits in the period in which employees render services to the Division in return for the benefits. The Division has not recorded employee future benefits liabilities relating to sick pay benefits that accumulate but do not vest. Because the Division did not determine the amount of the liability at year end, we were unable to verify by alternate means whether sick pay benefits liabilities are fairly stated. Accordingly, we were not able to determine whether any adjustments might be necessary to employee future benefits liabilities, employee benefits expense, and accumulated surplus.

### Qualified Opinion

In our opinion, except for the possible effect of the matter described in the Basis for Qualified Opinion paragraph, the consolidated financial statements present fairly, in all material respects, the financial position of **Border Land School Division** as at June 30, 2011, 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 Accountants

Winnipeg, Manitoba  
November 9, 2011

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.

November 9, 2011  
Date

\_\_\_\_\_  
Chairperson

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**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

as at June 30

Notes		2011	2010
	<b>Financial Assets</b>		
	Cash and Bank	749,277	-
	Short Term Investments	-	-
	Due from - Provincial Government	2,292,972	1,813,728
	- Federal Government	214,351	221,235
11	- Municipal Government	4,498,581	4,398,315
	- Other School Divisions	395,076	346,251
	- First Nations	224,034	186,957
	Accounts Receivable	165,284	204,104
	Accrued Investment Income	-	-
	Other Investments	-	-
		<u>8,539,575</u>	<u>7,170,590</u>
	<b>Liabilities</b>		
3	Overdraft	-	699,995
	Accounts Payable	950,010	957,021
	Accrued Liabilities	793,824	490,426
4	Employee Future Benefits	-	-
	Accrued Interest Payable	263,385	262,551
	Due to - Provincial Government	89,596	87,691
	- Federal Government	47,850	64,180
	- Municipal Government	74,671	74,361
	- Other School Divisions	186,055	222,826
	- First Nations	-	-
5	Deferred Revenue	1,127,902	999,478
6	Debenture Debt	10,139,008	9,408,645
7	Other Borrowings	28,000	-
8	School Generated Funds Liability	-	-
		<u>13,700,301</u>	<u>13,267,174</u>
	<b>Net Debt</b>	<u>(5,160,726)</u>	<u>(6,096,584)</u>
	<b>Non-Financial Assets</b>		
9	Net Tangible Capital Assets (TCA Schedule)	13,711,066	13,644,643
	Inventories	112,964	112,414
	Prepaid Expenses	14,978	48,641
		<u>13,839,008</u>	<u>13,805,698</u>
10	<b>Accumulated Surplus</b>	<u>8,678,282</u>	<u>7,709,114</u>

See accompanying notes to the Financial Statements

# CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes		2011	2010
	<b>Revenue</b>		
	Provincial Government	20,983,142	19,687,142
	Federal Government	474,683	495,992
11	Municipal Government - Property Tax	7,854,540	7,486,932
	- Other	2,940	-
	Other School Divisions	429,835	392,883
	First Nations	218,270	274,123
	Private Organizations and Individuals	138,294	148,584
	Other Sources	315,149	258,493
	School Generated Funds	278,921	378,904
	Other Special Purpose Funds	-	-
		<u>30,695,774</u>	<u>29,123,053</u>
13	<b>Expenses</b>		
	Regular Instruction	15,823,115	14,877,815
	Student Support Services	4,306,835	3,882,762
	Adult Learning Centres	515,068	520,690
	Community Education and Services	46,271	28,998
	Divisional Administration	803,856	827,248
	Instructional and Other Support Services	597,747	607,189
	Transportation of Pupils	2,037,601	1,914,993
	Operations and Maintenance	2,925,408	2,799,858
12	Fiscal - Interest	575,599	569,130
	- Other	431,785	421,235
	Amortization	1,401,351	1,304,265
	Other Capital Items	7,151	34,793
	School Generated Funds	254,819	437,318
	Other Special Purpose Funds	-	-
		<u>29,726,606</u>	<u>28,226,294</u>
	Current Year Surplus (Deficit)	<u>969,168</u>	<u>896,759</u>
	Opening Accumulated Surplus	7,709,114	6,812,355
	Adjustments: Tangible Cap. Assets and Accum. Amort.	-	-
	Other than Tangible Cap. Assets	-	-
	Opening Accumulated Surplus, as adjusted	<u>7,709,114</u>	<u>6,812,355</u>
10	<b>Closing Accumulated Surplus</b>	<u><u>8,678,282</u></u>	<u><u>7,709,114</u></u>

See accompanying notes to the Financial Statements

## CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2011

	2011	2010
Current Year Surplus (Deficit)	969,168	896,759
Amortization of Tangible Capital Assets	1,401,351	1,304,265
Acquisition of Tangible Capital Assets	(1,478,016)	(2,045,934)
(Gain) / Loss on Disposal of Tangible Capital Assets	7,821	(5,096)
Proceeds on Disposal of Tangible Capital Assets	2,421	13,517
	(66,423)	(733,248)
Inventories (Increase)/Decrease	(550)	(9,054)
Prepaid Expenses (Increase)/Decrease	33,663	220,679
	33,113	211,625
(Increase)/Decrease in Net Debt	935,858	375,136
Net Debt at Beginning of Year	(6,096,584)	(6,471,720)
Adjustments Other than Tangible Cap. Assets	-	-
Net Debt at Beginning of Year as Adjusted	(6,096,584)	(6,471,720)
<b>Net Debt at End of Year</b>	<b>(5,160,726)</b>	<b>(6,096,584)</b>

**CONSOLIDATED STATEMENT OF CASH FLOW**

For the Year Ended June 30, 2011

	2011	2010
<b>Operating Transactions</b>		
Current Year Surplus/(Deficit)	969,168	896,759
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	1,401,351	1,304,265
(Gain)/Loss on Disposal of Tangible Capital Assets	7,821	(5,096)
Employee Future Benefits Increase/(Decrease)	-	-
Short Term Investments (Increase)/Decrease	-	-
Due from Other Organizations (Increase)/Decrease	(658,528)	(419,483)
Accounts Receivable & Accrued Income (Increase)/Decrease	38,820	(20,431)
Inventories and Prepaid Expenses - (Increase)/Decrease	33,113	211,625
Due to Other Organizations Increase/(Decrease)	(50,886)	206,425
Accounts Payable & Accrued Liabilities Increase/(Decrease)	297,221	(95,561)
Deferred Revenue Increase/(Decrease)	128,424	70,711
School Generated Funds Liability Increase/(Decrease)	-	-
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by Operating Transactions	<u>2,166,504</u>	<u>2,149,214</u>
<b>Capital Transactions</b>		
Acquisition of Tangible Capital Assets	(1,478,016)	(2,045,934)
Proceeds on Disposal of Tangible Capital Assets	<u>2,421</u>	<u>13,517</u>
Cash (Applied to)/Provided by Capital Transactions	<u>(1,475,595)</u>	<u>(2,032,417)</u>
<b>Investing Transactions</b>		
Other Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
<b>Financing Transactions</b>		
Debenture Debt Increase/(Decrease)	730,363	489,922
Other Borrowings Increase/(Decrease)	<u>28,000</u>	<u>-</u>
Cash Provided by (Applied to) Financing Transactions	<u>758,363</u>	<u>489,922</u>
Cash and Bank / Overdraft (Increase)/Decrease	1,449,272	606,719
Cash and Bank (Overdraft) at Beginning of Year	<u>(699,995)</u>	<u>(1,306,714)</u>
<b>Cash and Bank (Overdraft) at End of Year</b>	<u><u>749,277</u></u>	<u><u>(699,995)</u></u>

**SCHEDULE OF TANGIBLE CAPITAL ASSETS**

at June 30, 2011

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	2011 TOTALS	2010 TOTALS
	School	Non-School									
<b>Tangible Capital Asset Cost</b>											
Opening Cost, as previously reported	21,039,951	651,882	4,229,964	99,031	1,770,926	393,015	194,718	-	341,699	28,721,186	26,880,306
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	21,039,951	651,882	4,229,964	99,031	1,770,926	393,015	194,718	-	341,699	28,721,186	26,880,306
Add:											
Additions during the year	1,488,218	-	-	37,331	262,503	18,462	13,201	-	(341,699)	1,478,016	2,045,934
Less:											
Disposals and write downs	14,631	-	373,655	-	-	-	-	-	-	388,286	205,054
Closing Cost	22,513,538	651,882	3,856,309	136,362	2,033,429	411,477	207,919	-	-	29,810,916	28,721,186
<b>Accumulated Amortization</b>											
Opening, as previously reported	11,400,968	268,579	2,371,768	20,872	870,788	143,568		-		15,076,543	13,968,911
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	11,400,968	268,579	2,371,768	20,872	870,788	143,568		-		15,076,543	13,968,911
Add:											
Current period Amortization	717,881	25,849	307,548	23,539	270,658	55,876		-		1,401,351	1,304,265
Less:											
Accumulated Amortization on Disposals and Writedowns	4,389	-	373,655	-	-	-		-		378,044	196,633
Closing Accumulated Amortization	12,114,460	294,428	2,305,661	44,411	1,141,446	199,444		-		16,099,850	15,076,543
<b>Net Tangible Capital Asset</b>	10,399,078	357,454	1,550,648	91,951	891,983	212,033	207,919	-	-	13,711,066	13,644,643
<b>Proceeds from Disposal of Capital Assets</b>	-	-	2,421	-	-	-				2,421	13,517

\* Includes network infrastructure.



**Border Land School Division  
Notes to Consolidated Financial Statements  
For the Year Ended June 30, 2011**

**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 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 Division. The Division reporting entity includes school generated funds controlled by the Division.

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

**Basis of Accounting**

Revenues and expenses are reported on the accrual basis of accounting except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable. The accrual basis of accounting recognizes revenues as they are earned and measurable; expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay. Expenses also include the amortization of tangible capital assets.

**Fund Accounting**

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

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

**School Generated Funds**

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

Only revenue and expenses of school generated funds controlled by the Division are included in the 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.

**Border Land School Division**  
**Notes to Consolidated Financial Statements**  
**For the Year Ended June 30, 2011**

<u>Asset Description</u>	<u>Capitalization Threshold (\$)</u>	<u>Estimated Useful Life</u>
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	5,000	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.

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 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 are sick.

#### **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.



**Border Land School Division**  
**Notes to Consolidated Financial Statements**  
**For the Year Ended June 30, 2011**

**Use of Estimates**

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

**Financial instruments**

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

**3. Bank Overdraft**

The Division has an authorized line of credit with Access Credit Union of \$7,000,000 by way of overdrafts and is repayable on demand at prime minus .50% (2.5% at June 30, 2010); 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 consolidated financial statements.

The employee future benefit expense is a part of the Employee Benefits and Allowances expense account. The total pension expense for the 2011 year was \$292,806 (\$311,924 in 2010).

**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, 2010	Additions in the period	Revenue recognized in the period	Balance as at June 30, 2011
Education Property Tax				
Credit (EPTC)	\$ 820,451	\$ 2,167,630	\$ 2,127,920	\$ 860,161
Professional Development	33,959	12,679	11,644	34,994
First Nations Grant	55,113	85,000	80,716	59,397
Special Levy (DSFM)	-	47,434	-	47,434
Work Transition Pilot Project	13,531	-	10,465	3,066
Donations & Special Purpose Funds	33,984	111,503	78,002	67,485
Rhineland Child Care	42,440	12,925	-	55,365
	<u>\$ 999,478</u>	<u>\$ 2,437,171</u>	<u>\$ 2,308,747</u>	<u>\$ 1,127,902</u>

**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 during the fiscal years ending 2012 to 2031. 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 4.75% to 11.375%. Debenture interest expense payable as at June 30, 2011, 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 are:

2012	\$ 1,199,145
2013	1,165,785
2014	1,142,639
2015	1,105,785
2016	1,091,814

**Border Land School Division**  
**Notes to Consolidated Financial Statements**  
**For the Year Ended June 30, 2011**

**7. Other Borrowing**

Other borrowings are debts other than overdrafts or debentures. This includes loans payable for fixtures installed on school grounds.

	<u>2011</u>	<u>2010</u>
Access Credit Union, no interest, secured by demand promissory note, financing by-law and banking documents, repayable 50% by Border Land School Division and 50% by Access Credit Union at \$5,600 per year, due December 2015.	<u>\$28,000</u>	<u>\$ -</u>

Repayments of total Other Borrowings in the next five fiscal years ending are:

2012	\$ 5,600
2013	5,600
2014	5,600
2015	5,600
2016	5,600

**8. School Generated Funds Liability**

School Generated Funds Liability includes the non-controlled portion of school generated funds. At June 30, 2011, an amount equal to the liability of \$nil (\$nil in 2010) is included in cash and bank (overdraft) on the Consolidated Statement of Financial Position.

**9. 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 2010).

**10. Accumulated Surplus**

The consolidated accumulated surplus is comprised of the following:

	<u>2011</u>	<u>2010</u>
Operating Fund		
Designated Surplus	\$ 1,124,874	\$ 627,638
Undesignated Surplus	<u>(207,590)</u>	<u>(216,353)</u>
	917,284	411,285
Capital Fund		
Reserve Accounts	3,970,842	3,189,730
Equity in Tangible Capital Assets	<u>3,520,317</u>	<u>3,862,362</u>
	7,491,159	7,052,092
Special Purpose Fund		
School Generated Funds	269,839	245,737
Other	<u>-</u>	<u>-</u>
	269,839	245,737
 Total Accumulated Surplus	 <u>\$ 8,678,282</u>	 <u>\$ 7,709,114</u>

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:

	<u>2011</u>	<u>2010</u>
School budget carryovers by Board policy	\$734,828	\$ 193,926
Applied to Budget and Special Levy	240,993	285,068
Projects and allowances	<u>149,053</u>	<u>148,644</u>
Designated surplus	<u>\$ 1,124,874</u>	<u>\$ 627,638</u>

**Border Land School Division**  
**Notes to Consolidated Financial Statements**  
**For the Year Ended June 30, 2011**

**10. 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.

	<u>2011</u>	<u>2010</u>
Building Additions or Renovations	\$ 2,573,680	\$ 2,210,520
Software Conversion Projects	209,532	209,532
Wide Area Network	374,594	393,055
Equipment and Vehicles	259,762	280,000
Bus Reserve	<u>553,274</u>	<u>96,623</u>
Capital Reserve	<u>\$ 3,970,842</u>	<u>\$ 3,189,730</u>

**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 2010 tax year and 60% from 2011 tax year. Below are the related revenue and receivable amounts:

	<u>2011</u>	<u>2010</u>
Revenue – Municipal Government – Property Tax	<u>\$ 7,854,540</u>	<u>\$ 7,486,932</u>
Receivable – Due from Municipal – Property Tax	<u>\$ 4,498,581</u>	<u>\$ 4,398,315</u>

**12. Interest Received and Paid**

The Division received interest during the year of \$23,035 (\$6,805 in 2010); interest paid during the year was \$575,599 (\$569,130 in 2010).

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

	<u>2011</u>	<u>2010</u>
Operating Fund		
Fiscal-short term loan, interest and bank charges	\$ 2,479	\$ 6,936
Capital Fund		
Debenture interest	573,120	562,194
Other interest	<u>-</u>	<u>-</u>
	<u>\$ 575,599</u>	<u>\$ 569,130</u>

The accrual portion of debenture debt interest expense of \$263,385 (\$262,551 in 2010) included under the Capital Fund-Debenture debt interest, is offset by an accrual of the debt servicing grant from the Province of Manitoba.



**Border Land School Division**  
**Notes to Consolidated Financial Statements**  
**For the Year Ended June 30, 2011**

**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 2011	Actual 2010
Salaries	\$ 20,274,176	\$ 19,092,989
Employees benefits and allowances	1,582,603	1,465,086
Services	2,398,456	2,435,938
Supplies, materials & minor equipment	2,497,269	2,126,198
Interest	575,599	569,130
Bad debts	-	-
Payroll tax	431,785	421,235
Amortization	1,401,351	1,304,265
Transfers	303,397	339,342
Other capital items	7,151	34,793
Loss on Disposal of Capital Assets	-	-
School generated funds	254,819	437,318
Other special purpose funds	-	-
	<u>\$ 29,726,606</u>	<u>\$ 28,226,294</u>

**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, 2011, the amount of this special levy was \$128,955 (\$135,158 in 2010). These amounts are not included in the Division's consolidated financial statements.

**15. Commitments**

Commitments of Operating Fund Surplus at year end are detailed in the Analysis of Consolidated Accumulated Surplus. Designated Operating Fund Accumulated Surplus is \$1,124,874 at June 30, 2011 (\$627,368 at June 30, 2010). The details of the Designated Surplus are disclosed at note 10 and page 5 of the audited financial statements.

The school division incurs annual rental costs in the amount of \$10,000 for four colony school buildings.

**16. 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's Responsibility for Financial Reporting**

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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 fulfills 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 \_\_\_\_\_

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## Independent Auditor's Report

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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 and the consolidated statements of revenue, expenditures and accumulated surplus, change in net debt and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

### Basis for Qualified Opinion

The School Division offers sick pay benefits that accumulate but do not vest to several of its employee groups. Under generally accepted accounting principles for public sector organizations, the School Division should recognize a liability and an expense for sick pay benefits in the period in which employees render services to the School Division in return for the benefits. The School Division has not recorded employee future benefits liabilities relating to sick pay benefits that accrue but do not vest. Because the School Division did not determine the amount of the liability at year end, we were unable to verify by alternate means whether sick pay benefits liabilities are fairly stated. Accordingly, we were not able to determine whether any adjustments might be necessary to employee future benefits liabilities, employee benefits expense, and accumulated surplus.



#### Qualified Opinion

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves with respect to the matter described in the preceding paragraph, these consolidated financial statements present fairly, in all material respects, the financial position of **Brandon School Division** as at June 30, 2011 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 Inc.*

Chartered Accountants

Brandon, Manitoba  
September 28, 2011

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 24, 2011*

Date

\_\_\_\_\_  
Chairperson

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2011	2010
	<b>Financial Assets</b>		
	Cash and Bank	5,387,170	1,139,031
*	Short Term Investments	11,607	11,300
	Due from - Provincial Government	2,174,957	1,997,502
	- Federal Government	61,175	81,905
	- Municipal Government	13,477,648	12,297,501
	- Other School Divisions	7,673	77,094
	- First Nations	144,216	81,658
	Accounts Receivable	223,998	215,993
	Accrued Investment Income	-	-
	Other Investments	-	-
		<u>21,488,444</u>	<u>15,901,984</u>
	<b>Liabilities</b>		
	Overdraft	-	-
	Accounts Payable	10,180,166	7,080,753
	Accrued Liabilities	325,848	318,730
*	Employee Future Benefits	1,113,170	778,736
	Accrued Interest Payable	316,482	338,681
	Due to - Provincial Government	-	-
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
*	Deferred Revenue	3,251,982	3,025,535
*	Debenture Debt	12,325,137	12,051,806
	Other Borrowings	-	-
	School Generated Funds Liability	228,920	195,732
		<u>27,741,705</u>	<u>23,789,973</u>
	<b>Net Debt</b>	<u>(6,253,261)</u>	<u>(7,887,989)</u>
	<b>Non-Financial Assets</b>		
*	Net Tangible Capital Assets (TCA Schedule)	21,443,760	21,714,871
	Inventories	50,578	67,514
	Prepaid Expenses	74,458	96,539
		<u>21,568,796</u>	<u>21,878,924</u>
*	<b>Accumulated Surplus</b>	<u>15,315,535</u>	<u>13,990,935</u>

See accompanying notes to the Financial Statements

# CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes		2011	2010
	<b>Revenue</b>		
	Provincial Government	45,769,788	42,545,636
	Federal Government	71,007	56,264
	Municipal Government - Property Tax	23,796,168	22,416,877
	- Other	-	15,000
	Other School Divisions	228,026	258,621
	First Nations	304,676	249,788
	Private Organizations and Individuals	832,102	852,904
	Other Sources	84,111	88,232
	School Generated Funds	2,168,856	2,230,114
	Other Special Purpose Funds	244,408	79,282
		<u>73,499,142</u>	<u>68,792,718</u>
	<b>Expenses</b>		
	Regular Instruction	39,891,090	36,442,275
	Student Support Services	14,312,124	13,867,763
	Adult Learning Centres	-	-
	Community Education and Services	227,537	214,317
	Divisional Administration	1,975,542	1,907,240
	Instructional and Other Support Services	2,098,211	1,934,004
	Transportation of Pupils	1,716,564	1,650,482
	Operations and Maintenance	6,223,588	6,146,467
*	Fiscal - Interest	775,405	773,829
	- Other	1,137,628	1,146,145
	Amortization	1,669,516	1,681,813
	Other Capital Items	-	-
	School Generated Funds	2,081,376	2,087,097
	Other Special Purpose Funds	65,961	59,317
		<u>72,174,542</u>	<u>67,910,749</u>
	Current Year Surplus (Deficit)	<u>1,324,600</u>	<u>881,969</u>
	Opening Accumulated Surplus	13,990,935	13,108,966
	Adjustments: Tangible Cap. Assets and Accum. Amort.	-	-
	Other than Tangible Cap. Assets	-	-
	Opening Accumulated Surplus, as adjusted	<u>13,990,935</u>	<u>13,108,966</u>
	<b>Closing Accumulated Surplus</b>	<u>15,315,535</u>	<u>13,990,935</u>

See accompanying notes to the Financial Statements

\* NOTE REQUIRED

## CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2011

	2011	2010
Current Year Surplus (Deficit)	<u>1,324,600</u>	<u>881,969</u>
Amortization of Tangible Capital Assets	1,669,516	1,681,813
Acquisition of Tangible Capital Assets	(1,398,405)	(2,479,333)
(Gain) / Loss on Disposal of Tangible Capital Assets	-	52,026
Proceeds on Disposal of Tangible Capital Assets	<u>-</u>	<u>-</u>
	<u>271,111</u>	<u>(745,494)</u>
Inventories (Increase)/Decrease	16,936	(4,068)
Prepaid Expenses (Increase)/Decrease	<u>22,081</u>	<u>(19,115)</u>
	<u>39,017</u>	<u>(23,183)</u>
(Increase)/Decrease in Net Debt	<u>1,634,728</u>	<u>113,292</u>
Net Debt at Beginning of Year	(7,887,989)	(8,001,281)
Adjustments Other than Tangible Cap. Assets	<u>-</u>	<u>-</u>
Net Debt at Beginning of Year as Adjusted	<u>(7,887,989)</u>	<u>(8,001,281)</u>
<b>Net Debt at End of Year</b>	<u><u>(6,253,261)</u></u>	<u><u>(7,887,989)</u></u>

**CONSOLIDATED STATEMENT OF CASH FLOW**

For the Year Ended June 30, 2011

	2011	2010
<b>Operating Transactions</b>		
Current Year Surplus/(Deficit)	1,324,600	881,969
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	1,669,516	1,681,813
(Gain)/Loss on Disposal of Tangible Capital Assets	-	52,026
Employee Future Benefits Increase/(Decrease)	334,434	101,028
Short Term Investments (Increase)/Decrease	(307)	-
Due from Other Organizations (Increase)/Decrease	(1,330,009)	(1,259,534)
Accounts Receivable & Accrued Income (Increase)/Decrease	(8,005)	(161,199)
Inventories and Prepaid Expenses - (Increase)/Decrease	39,017	(23,183)
Due to Other Organizations Increase/(Decrease)	-	-
Accounts Payable & Accrued Liabilities Increase/(Decrease)	3,084,332	(3,201,237)
Deferred Revenue Increase/(Decrease)	226,447	(54,853)
School Generated Funds Liability Increase/(Decrease)	33,188	37,719
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by Operating Transactions	5,373,213	(1,945,451)
<b>Capital Transactions</b>		
Acquisition of Tangible Capital Assets	(1,398,405)	(2,479,333)
Proceeds on Disposal of Tangible Capital Assets	-	-
Cash (Applied to)/Provided by Capital Transactions	(1,398,405)	(2,479,333)
<b>Investing Transactions</b>		
Other Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
<b>Financing Transactions</b>		
Debenture Debt Increase/(Decrease)	273,331	681,205
Other Borrowings Increase/(Decrease)	-	-
Cash Provided by (Applied to) Financing Transactions	273,331	681,205
Cash and Bank / Overdraft (Increase)/Decrease	4,248,139	(3,743,579)
Cash and Bank (Overdraft) at Beginning of Year	1,139,031	4,882,610
<b>Cash and Bank (Overdraft) at End of Year</b>	<b>5,387,170</b>	<b>1,139,031</b>

# **SCHEDULE OF TANGIBLE CAPITAL ASSETS**

at June 30, 2011

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	2011 TOTALS	2010 TOTALS
	School	Non-School									
<b>Tangible Capital Asset Cost</b>											
Opening Cost, as previously reported	51,944,994	1,937,773	3,299,825	238,946	2,283,281	116,510	1,265,633	-	546,037	61,632,999	59,889,267
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	51,944,994	1,937,773	3,299,825	238,946	2,283,281	116,510	1,265,633	-	546,037	61,632,999	59,889,267
Add:											
Additions during the year	1,706,176	-	217,304	-	-	-	-	-	(525,075)	1,398,405	2,479,333
Less:											
Disposals and write downs	-	-	69,364	-	-	-	-	-	-	69,364	735,601
Closing Cost	53,651,170	1,937,773	3,447,765	238,946	2,283,281	116,510	1,265,633	-	20,962	62,962,040	61,632,999
<b>Accumulated Amortization</b>											
Opening, as previously reported	34,270,171	1,219,811	1,878,388	207,900	2,225,348	116,510	-	-	-	39,918,128	38,919,890
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening adjusted	34,270,171	1,219,811	1,878,388	207,900	2,225,348	116,510	-	-	-	39,918,128	38,919,890
Add:											
Current period Amortization	1,303,229	46,382	275,647	13,917	30,341	-	-	-	-	1,669,516	1,681,813
Less:											
Accumulated Amortization on Disposals and Writedowns	-	-	69,364	-	-	-	-	-	-	69,364	683,575
Closing Accumulated Amortization	35,573,400	1,266,193	2,084,671	221,817	2,255,689	116,510	-	-	-	41,518,280	39,918,128
<b>Net Tangible Capital Asset</b>	18,077,770	671,580	1,363,094	17,129	27,592	-	1,265,633	-	20,962	21,443,760	21,714,871
<b>Proceeds from Disposal of Capital Assets</b>	-	-	-	-	-	-	-	-	-	-	-

\* Includes network infrastructure.

## Brandon School Division Notes to Financial Statements

### 1. ENTITY DEFINITION AND ECONOMIC DEPENDENCE

The Brandon 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 not subject to income tax.

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

### 2. SIGNIFICANT ACCOUNTING POLICIES

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

The following is a summary of significant accounting policies of the Division:

#### Income Recognition:

The financial statements are prepared in accordance with Financial Reporting and Accounting in Manitoba Education (FRAME) and have incorporated the Public Service Accounting Board (PSAB) standards. These standards are generally accepted accounting principles for all Manitoba school divisions that became effective July 1, 2006.

Significant accounting policies of FRAME are:

- 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.

- 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.

- 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

## Brandon School Division Notes to Financial Statements

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.

- **Unearned Revenue**  
Grants received for specific purposes are deferred and recorded as revenue at the time the applicable expenditures are made.
- **Debenture Payments**  
Debenture debt payments are reflected in the accounts when due and interest accruals are recorded in the accounts as of the statement date.
- **Employee Future Benefits**  
Benefits plans that provide for future benefits to employees are costed in the period in which the future benefit was earned. 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 are sick.
- **Tangible Capital Assets**  
Individual Tangible Capital Assets that meet or exceed the capitalization threshold guidelines provided by PSAB are recorded at cost as assets in the capital fund.
- **Amortization**  
Amortization is provided for on Tangible Capital Assets in the Capital Fund in accordance with PSAB. Land is not amortized and all other tangible capital assets are amortized on a straight line basis, with no residual value, based on the useful life of the asset. One half year of amortization is recorded in the year of acquisition and in the year of disposal.

### 3. 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



## Brandon School Division Notes to Financial Statements

funds. Revenues and expenses of uncontrolled school generated funds are not included in the consolidated financial statements.

### 4. 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.

<u>Asset Description Life</u>	<u>Capitalization Threshold (\$)</u>	<u>Estimated Useful</u>
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	5,000	5 years
Network Infrastructure	25,000	10 years
Computer Hardware, Servers, Peripherals	5,000	4 years
Computer Software	10,000	4 years
Furniture & Fixtures	5,000	10 years
Leasehold Improvements	25,000	Over term of lease

Grouping of assets is not permitted except for computer workstations.

With the exception of land, 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.

## Brandon School Division Notes to Financial Statements

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.

### 5. 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.

### 6. 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.

### 7. 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.

### 8. SHORT TERM INVESTMENTS

## Brandon School Division Notes to Financial Statements

Short term investments consist of guaranteed investment certificates that mature within one year. The cost of the short term investments is equal to the market. As at June 30, 2010, the cost of short term investment was \$11,607 (last year \$11,300); investment income earned during the year was \$307 (last year \$53).

### 9. BANK OVERDRAFT

The Division has an authorized line of credit with CIBC of \$4,500,000 by way of overdrafts and is repayable on demand at the bank's prime rate less .60%; interest is paid monthly. Interest earned is on CIBC's monthly average prime rate less 1.75%.

### 10. 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 <u>June 30, 2010</u>	Additions in the <u>period</u>	Revenue recognized <u>in the period</u>	Balance as at <u>June 30, 2011</u>
Education property tax credit	\$2,877,804	\$7,206,320	\$6,958,780	\$3,125,344
Other special purpose funds	<u>\$ 147,731</u>	<u>\$ 86,527</u>	<u>\$ 107,620</u>	<u>\$ 126,638</u>
	<u>\$3,025,535</u>	<u>\$7,292,847</u>	<u>\$7,066,400</u>	<u>\$3,251,982</u>

### 11. 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 \$228,920.

Parent and student council funds	<u>\$228,920</u>
----------------------------------	------------------

### 12. DEBENTURE DEBT

The debenture debt of the Division is in the form of fifteen and twenty-year debentures payable, principal and interest, in fifteen and twenty equal yearly instalments and maturing at various dates from 2011 to 2031. 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 4.75% to 11.125%. Debenture interest expense payable as at June 30, 2011, is accrued and recorded in Accrued Interest Payable, and a grant

# Brandon School Division Notes to Financial Statements

in an amount equal to the interest accrued on provincially funded debentures is recorded in Due from the Provincial Government. The total debenture principal repayments in the next five years are:

2011-2012	\$1,846,627
2012-2013	1,582,644
2013-2014	1,576,795
2014-2015	1,554,498
2015-2016	1,402,674
Thereafter	<u>4,361,899</u>
	<u>\$12,325,137</u>

## 13. ACCUMULATED SURPLUS

The consolidated accumulated surplus is comprised of the following:

	<u>2011</u>
Operating Fund:	
Designated Surplus	\$ 912,408
Undesignated Surplus	<u>2,648,952</u>
	<u>3,561,360</u>
Capital Fund:	
Reserve Accounts	1,588,998
Equity in Tangible Capital Assets	<u>8,733,347</u>
	<u>10,322,345</u>
Special Purpose Fund:	
School Generated Funds	655,085
Other Special Purpose Funds	<u>776,745</u>
	<u>1,431,830</u>
Total Accumulated Surplus	<u>\$15,315,535</u>

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.

Brandon School Division  
Notes to Financial Statements

	<u>2011</u>
Prior year designated balances	\$ 200,698
School budget carryovers by board policy	123,600
2011/2012 negotiation Costs	218,000
Crocus Plains - parking/drop off	100,000
Computer Replacement	180,110
Linden Lanes - school of choice	<u>90,000</u>
Designated surplus	<u>\$ 912,408</u>

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.

	<u>2011</u>
Bus reserves	\$ 449,924
Computer reserves	850,000
School buildings reserves	113,548
Admin building reserves	<u>175,526</u>
Capital Reserve	<u>\$ 1,588,999</u>

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

	<u>2011</u>
Scholarship Trust	\$ 11,607
Property Trust	695,430
Charitable Donation Fund	<u>69,708</u>
Other Special Purpose Funds	<u>\$ 776,745</u>

14. 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 2010 tax year and 56.5% from 2011 tax year. Below are the related revenue and receivable amounts:

Brandon School Division  
Notes to Financial Statements

	<u>2011</u>	<u>2010</u>
Revenue – Municipal Government – Property Tax	<u>\$23,796,168</u>	<u>\$22,416,877</u>
Receivable – Due from Municipal – Property Tax	<u>\$13,477,648</u>	<u>\$12,296,799</u>

15. INTEREST RECEIVED AND PAID

The Division received interest during the year of \$90,679 (previous year \$66,027); interest paid during the year was \$774,134 (previous year \$773,829).

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

	<u>2011</u>
Capital Fund Debenture Interest	<u>\$774,134</u>

The accrual portion of debenture debt interest expense of \$316,482 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.



## 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 principes comptables généralement reconnus du Canada tel qu'établis par le Conseil sur la comptabilité dans le secteur public de l'Institut des comptables agréés du 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 et les auditeurs externes 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.

\_\_\_\_\_  
Président

\_\_\_\_\_  
Secrétaire-trésorier

Le 26 octobre 2011

## 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 2011, 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 principes 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 planifions et réalisons 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 assortie d'une réserve.

### Fondement de l'opinion avec réserve

La division scolaire offre des prestations relatives aux congés de maladie payés qui s'accumulent mais ne s'acquièrent pas à plusieurs groupes de salariés. Selon les principes comptables généralement reconnus dans le secteur public, la division scolaire devrait constater un passif et une dépense pour prestations relatives aux congés de maladie payés au cours de l'exercice que le salarié travaille en échange pour les prestations. La division scolaire n'a pas constaté un passif pour les avantages sociaux à venir par rapport aux congés de maladie payés qui s'accumulent mais ne s'acquièrent pas. Puisque la division scolaire n'a pas obtenu une évaluation actuarielle pour déterminer le montant du passif à la clôture de l'exercice, nous ne sommes pas en mesure de vérifier en se servant d'autres méthodes si le passif des prestations relatives aux congés de maladie payés est présenté fidèlement. Par conséquent, nous n'avons pu déterminer si certains redressements auraient dû être apportés au passif pour avantages sociaux à venir, aux dépenses d'avantages sociaux et à l'excédent accumulé.

### Opinion avec réserve

À notre avis, à l'exception des incidences du problème décrit dans le paragraphe «Fondement de l'opinion avec réserve», 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 2011, ainsi que de ses résultats d'exploitation et de ses flux de trésorerie pour l'exercice terminé à cette date, conformément aux principes comptables du secteur public du Canada.

*BDO Canada s.r.l.*

Comptables agréés

Winnipeg (Manitoba)  
Le 26 octobre 2011

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

*Le 26 octobre 2011*  
Date

Président de la commission scolaire



**ÉTAT CONSOLIDÉ DE LA SITUATION FINANCIÈRE**

au 30 juin

Notes		2011	2010
	<b>Actif</b>		
	Encaisse et fonds en banque	-	-
*	Placements à court terme	54,213	68,548
	Sommes - au gouv. du Manitoba	2,860,669	7,082,618
	- au gouv. fédéral	434,680	485,315
	- à l'admin. municipale	8,505,495	8,427,652
	- à d'autres divisions scol.	24,582	29,217
	- aux Premières nations	-	-
	Comptes clients	212,748	132,886
	Revenu de placements à recevoir	-	-
	Autres placements	-	-
		<u>12,092,387</u>	<u>16,226,236</u>
	<b>Passif</b>		
*	Découverts	237,893	6,581,370
	Comptes fournisseurs	2,565,127	2,801,046
	Charges à payer	1,730,861	548,388
*	Avantages sociaux à venir	365,627	311,810
	Intérêts courus à payer	820,544	873,537
	Sommes - au gouv. du Manitoba	574,564	229,870
	- au gouv. fédéral	2,250,665	2,128,836
	- à l'admin. municipale	9,213	9,015
	- à d'autres divisions scol.	74,314	74,382
	- aux Premières nations	-	-
*	Revenus reportés	2,206,654	2,480,351
*	Dette obligataire	31,518,251	32,158,562
*	Autres emprunts	1,196,474	1,382,427
	Passif des fonds générés par les écoles	<u>133,842</u>	<u>306,562</u>
		<u>43,684,029</u>	<u>49,886,156</u>
	<b>Dette nette</b>	<u>(31,591,642)</u>	<u>(33,659,920)</u>
	<b>Actif non financier</b>		
*	Immobilisations corporelles nettes (État des IC)	53,614,930	51,966,354
	Inventaires	-	-
	Dépenses payées d'avance	<u>86,654</u>	<u>62,855</u>
		<u>53,701,584</u>	<u>52,029,209</u>
*	<b>Excédent accumulé</b>	<u>22,109,942</u>	<u>18,369,289</u>

Voir les notes afférentes aux états financiers.

# ÉTAT CONSOLIDÉ DES RECETTES, DES DÉPENSES ET DE L'EXCÉDENT ACCUMULÉ

pour l'exercice se terminant le 30 juin

Notes	2011	2010
<b>Recettes</b>		
Gouvernement du Manitoba	55,205,701	51,443,774
Gouvernement fédéral	804,703	2,096,918
Administration municipale - Taxe foncière	14,123,928	13,797,424
- Autres	-	-
Autres divisions scolaires	992,786	916,610
Premières nations	-	-
Organismes privés et particuliers	95,086	80,870
Autres sources	241,774	99,122
Fonds générés par les écoles	2,082,836	930,324
Autres fonds à fins spéciales	107,181	71,072
	<u>73,653,995</u>	<u>69,436,114</u>
<b>Dépenses</b>		
Enseignement ordinaire	35,855,968	33,303,883
Services de soutien aux élèves	8,518,843	7,673,348
Centres d'apprentissage pour adultes	196,974	209,238
Éducation et services communautaires	864,436	611,768
Administration de la division	2,416,516	2,345,745
Services pédagogiques et autres serv. de soutien	2,243,423	2,080,613
Transport des élèves	6,612,426	6,047,769
Fonctionnement et entretien	6,554,439	6,662,832
* Frais et taxes - Intérêts	1,994,415	1,909,154
- Autres	967,421	886,478
Amortissement	1,669,490	1,508,204
Autres dépenses de capital	20,728	53,130
Fonds générés par les écoles	1,936,798	937,042
Autres fonds à fins spéciales	61,465	43,498
	<u>69,913,342</u>	<u>64,272,702</u>
Excédent (Déficit) de l'exercice en cours	<u>3,740,653</u>	<u>5,163,412</u>
Excédent accumulé d'ouverture	18,369,289	13,205,877
Redressements : Imm. corp. et amortissements acc.	-	-
Autres que immobilisations corporelles	-	-
Excédent accumulé d'ouverture, réévalué	<u>18,369,289</u>	<u>13,205,877</u>
<b>Excédent accumulé de clôture</b>	<u>22,109,942</u>	<u>18,369,289</u>

Voir les notes afférentes aux états financiers.

\* NOTE REQUIRED

## ÉTAT CONSOLIDÉ DU CHANGEMENT DE LA DETTE NETTE

pour l'exercice se terminant le 30 juin 2011

	2011	2010
Excédent (Déficit) de l'exercice en cours	3,740,653	5,163,412
Amortissement des immobilisations corporelles	1,669,490	1,508,204
Acquisition d'immobilisations corporelles	(3,318,066)	(6,436,199)
(Gain) Perte à la liquidation d'immobilisations corporelles	-	(4,346)
Produit de la liquidation d'immobilisations corporelles	-	4,345
	(1,648,576)	(4,927,996)
Inventaires – (Augmentation) Diminution	-	-
Dépenses payées d'avance – (Augmentation) Diminution	(23,799)	(8,200)
	(23,799)	(8,200)
(Augmentation) Diminution de la dette nette	2,068,278	227,216
Dette nette au début de l'exercice	(33,659,920)	(33,887,136)
Redressements : Autres que les immobilisations corporelles	-	-
Dette nette réévaluée, au début de l'exercice	(33,659,920)	(33,887,136)
<b>Dette nette à la fin de l'exercice</b>	<b>(31,591,642)</b>	<b>(33,659,920)</b>

# ÉTAT CONSOLIDÉ DE L'ÉVOLUTION DES LIQUIDITÉS

pour l'exercice se terminant le 30 juin 2011

	2011	2010
<b>Fonctionnement</b>		
Excédent (Déficit) de l'exercice en cours	3,740,653	5,163,412
Éléments sans effet sur les liquidités inclus dans l'excédent (le déficit) de l'exercice en cours :		
Amortissement des immobilisations corporelles	1,669,490	1,508,204
(Gain) Perte à la liquidation des immobilisations corporelles	-	(4,346)
Augmentation (Diminution) des avantages sociaux à venir	53,817	41,616
Placements à court terme – (Augmentation) Diminution	14,335	21,583
Sommes recevables d'autres organismes – (Augmentation) Diminution	4,199,376	(2,359,644)
Comptes clients et recettes accumulées – (Augmentation) Diminution	(79,862)	24,638
Inventaires et dépenses payées d'avance – (Augmentation) Diminution	(23,799)	(8,200)
Sommes payables à d'autres organismes – Augmentation (Diminution)	466,653	272,431
Comptes fournisseurs et passif accumulé – Augmentation (Diminution)	893,561	248,554
Recettes reportées – Augmentation (Diminution)	(273,697)	2,206,018
Passif des fonds générés par les écoles – Augmentation (Diminution)	(172,720)	66,880
Redressements autres que celle des immobilisations corporelles	-	-
Liquidités issues des opérations du fonds d'adm. générale	10,487,807	7,181,146
<b>Immobilisations</b>		
Acquisition d'immobilisations corporelles	(3,318,066)	(6,436,199)
Produit de la liquidation d'immobilisations corporelles	-	4,345
Liquidités (appliquées aux) fournies par les opér. portant sur les imm.	(3,318,066)	(6,431,854)
<b>Placements</b>		
Autres placements – (Augmentation) Diminution	-	-
Liquidités fournies par (appliquées aux) opérations de placement	-	-
<b>Financement</b>		
Dette obligataire – Augmentation (Diminution)	(640,311)	2,460,210
Autres emprunts – Augmentation (Diminution)	(185,953)	(88,345)
Liquidités fournies par (appliquées aux) opérations de financement	(826,264)	2,371,865
Encaisse et fonds en banque (Découverts) – (Augmentation) Diminution	6,343,477	3,121,157
Encaisse et fonds en banque (Découverts) au début de l'exercice	(6,581,370)	(9,702,527)
<b>Encaisse et fonds en banque (Découverts) à la fin de l'exercice</b>	<b>(237,893)</b>	<b>(6,581,370)</b>

## ÉTAT DES IMMOBILISATIONS CORPORELLES

au 30 juin 2011

	Immeubles et améliorations locales		Autobus scolaires	Autres véhicules	Mobilier / Accessoires et équipement	Matériel informatique et logiciels*	Terrains	Améliorations foncières	Immeubles en construction	2011 TOTAL	2010 TOTAL
	Écoles	Autres									
<b>Coût des immobilisations corp.</b>											
Coût d'ouv., signalé antérieurement	52,368,514	285,413	-	95,407	1,093,172	146,679	12,069,391	394,850	10,295,738	76,749,164	70,475,645
Redressements :	-	-	-	-	-	-	-	-	-	-	-
Coût d'ouverture, réévalué	52,368,514	285,413	-	95,407	1,093,172	146,679	12,069,391	394,850	10,295,738	76,749,164	70,475,645
Plus :											
Ajouts faits durant l'exercice	10,188,524	36,646	-	-	243,840	93,750	778,961	79,756	(8,103,411)	3,318,066	6,436,199
Moins :											
Liquidations et radiations	-	-	-	-	-	-	-	-	-	-	162,680
Coût de clôture	62,557,038	322,059	-	95,407	1,337,012	240,429	12,848,352	474,606	2,192,327	80,067,230	76,749,164
<b>Amortissements cumulés</b>											
Valeur d'ouv., signalée antérieurement	23,689,907	285,413	-	20,363	542,260	106,669		138,198		24,782,810	23,437,287
Redressements :	-	-	-	-	-	-	-	-	-	-	-
Valeur d'ouverture, réévaluée	23,689,907	285,413	-	20,363	542,260	106,669		138,198		24,782,810	23,437,287
Plus :											
Amortissements : pér. courante	1,426,104	733	-	19,081	156,950	23,149		43,473		1,669,490	1,508,204
Moins :											
Amortissements cumulés sur les liquidations et les radiations	-	-	-	-	-	-		-		-	162,681
Amortissements cumulés de clôture	25,116,011	286,146	-	39,444	699,210	129,818		181,671		26,452,300	24,782,810
<b>Immobilisations corporelles nettes</b>	37,441,027	35,913	-	55,963	637,802	110,611	12,848,352	292,935	2,192,327	53,614,930	51,966,354
<b>Produit de la liquidation des immobilisations</b>	-	-	-	-	-	-				-	4,345

\*Comprend l'infrastructure du réseau.

**Division scolaire franco-manitobaine**  
**Notes afférentes aux états financiers consolidés**  
**Pour l'exercice terminé le 30 juin 2011**

**1. Nature de l'organisation et dépendance économique**

La Division scolaire franco-manitobaine (la « Division scolaire ») est un organisme public qui fournit des services d'éducation à sa population estudiantine francophone du Manitoba. La Division scolaire est financée principalement par des subventions de la Province du Manitoba (la « Province »), et des prélèvements spéciaux. La Division scolaire et les divisions scolaires cédantes se partagent les taxes prélevées en proportion de leur nombre respectif d'élèves par rapport au total de tous les élèves résidant à l'intérieur des frontières des divisions cédantes.

La Division scolaire dépend du financement de la Province pour son fonctionnement ainsi que pour le financement de projets d'immobilisations. Sans ce financement, la Division scolaire ne pourrait pas continuer à fonctionner normalement.

**2. Principales politiques comptables**

Les états financiers consolidés ont été préparés par la direction en conformité avec les principes comptables du secteur public du Canada établis par le Conseil sur la comptabilité dans le secteur public (« CCSP ») de l'Institut canadien des comptables agréés (l'« ICCA »).

**Entité comptable et consolidation**

Les états financiers consolidés comprennent les actifs, passifs, recettes et dépenses des fonds d'administration générale, de capital et d'emprunt et à fins spéciales de la Division scolaire. L'entité comptable de la Division scolaire comprend les fonds générés par les écoles et contrôlés par la Division scolaire.

Tous les soldes et opérations interfonds ont été éliminés à la consolidation.

**Fonds en fiducie**

Les fonds en fiducie et leurs opérations ne sont pas compris dans les états financiers consolidés puisqu'ils ne sont pas contrôlés par la Division scolaire et ne lui appartiennent pas. Un tableau des fonds en fiducie est annexé aux notes accompagnant les états financiers consolidés.

Selon les normes du CCSP, les fonds en fiducie sont les avoirs confiés à un fiduciaire (la Division scolaire) selon un contrat de fiducie ou la loi. Le fiduciaire administre les modalités de l'accord, et n'a aucun pouvoir unilatéral de changer les modalités du contrat de fiducie.

**Méthode de comptabilité**

Les recettes et les dépenses sont constatées selon la méthode de comptabilité d'exercice sauf lorsque les comptes de régularisation ne peuvent pas être établis avec un degré de certitude raisonnable ou lorsque leur estimation est irréalisable. Selon la comptabilité d'exercice, les recettes sont constatées à mesure qu'elles sont gagnées et qu'elles peuvent être mesurées, et les dépenses sont constatées à mesure qu'elles sont engagées et qu'elles peuvent être mesurées par suite de la réception des biens ou des services et de l'établissement d'une obligation légale de paiement. Les dépenses incluent l'amortissement des immobilisations corporelles.

**Comptabilité par fonds**

La méthode de comptabilité par fonds est utilisée par la Division scolaire pour inscrire les opérations financières dans des fonds séparés conformément au manuel Financial Reporting and Accounting in Manitoba Education (FRAME) et selon le but visé au moment de la création du fonds.

Le fonds d'administration générale sert à l'enregistrement de toutes les recettes et dépenses de fonctionnement courantes. Le fonds de capital est utilisé pour comptabiliser l'acquisition, l'amortissement, l'aliénation et le financement des immobilisations. Le fonds à fins spéciales est utilisé pour rendre compte des fonds générés par les écoles et des fondations de bienfaisance contrôlées par la Division scolaire.

**Fonds générés par les écoles**

Les fonds générés par les écoles sont des sommes recueillies par des écoles, ou sous leurs auspices, dans le cadre d'activités parascolaires pour leur usage exclusif et que les directions peuvent amasser, détenir, administrer et utiliser pour leurs écoles respectives, conformément aux règlements de la Commission scolaire.

**Division scolaire franco-manitobaine**  
**Notes afférentes aux états financiers consolidés**  
**Pour l'exercice terminé le 30 juin 2011**

Seules les recettes et les dépenses des fonds générés par les écoles et contrôlés par la Division scolaire sont incluses dans l'état consolidé des recettes, des dépenses et de l'excédent accumulé. Pour que ces fonds soient considérés comme étant contrôlés, une école doit avoir le pouvoir unilatéral de décider quand, comment et à quelles fins les fonds sont dépensés.

Le solde de l'encaisse et des placements à court terme de tous les fonds générés par les écoles sont inclus dans l'état consolidé de la situation financière. Le solde des fonds générés par les écoles et non contrôlés par la Division scolaire est présenté comme passif des fonds générés par les écoles dans l'état de la situation financière. Les exemples de fonds générés par les écoles et non contrôlés par la Division scolaire incluent les sommes recueillies par les comités de parents, associations d'étudiants et comités de voyage. Les recettes et les dépenses des fonds générés par les écoles et non contrôlés par la Division scolaire ne sont pas incluses dans les états financiers consolidés.

#### **Immobilisations corporelles**

Les immobilisations corporelles sont des actifs non financiers qui sont utilisés par la Division scolaire pour fournir des services à la population et qui ont une durée économique de plus d'un exercice. Les immobilisations corporelles comprennent les terrains, immeubles, améliorations foncières, autobus scolaires, autres véhicules, mobiliers, accessoires, équipements, matériels informatique, logiciels, améliorations locatives, contrats de location-acquisition et immeubles en construction.

Pour être classé comme immobilisation corporelle, chaque actif autre que les terrains doit individuellement respecter le seuil de capitalisation de sa catégorie conformément au manuel FRAME.

<u>Description des biens</u>	<u>Seuil de capitalisation (\$)</u>	<u>Durée de vie utile</u>
Améliorations foncières	25 000	10 ans
Immeubles - briques, mortier, acier	25 000	40 ans
Immeubles - charpente en bois	25 000	25 ans
Autobus scolaires	20 000	10 ans
Véhicules	10 000	5 ans
Équipement	5 000	5 ans
Infrastructure du réseau	25 000	10 ans
Matériel informatique	5 000	4 ans
Logiciels	10 000	4 ans
Mobilier et accessoires	5 000	10 ans
Améliorations locatives	25 000	Selon la durée du bail

Le regroupement des actifs n'est pas permis, sauf pour les postes de travail informatisés.

Les terrains sont inscrits au coût d'origine, qui comprend le prix d'achat, les frais d'installation et les autres frais encourus pour mettre l'immobilisation en service. Tous les terrains acquis avant le 30 juin 2006 ont été évalués par la Crown Lands and Property Agency.

Les bâtiments sont inscrits au coût d'origine lorsque celui-ci est connu. Pour les bâtiments acquis avant le 30 juin 2005 alors que le coût réel n'était pas connu, la valeur de remplacement aux fins des assurances en date du 30 juin 2005 a été établie par régression selon la date d'acquisition d'après un index fondé sur des indices des coûts de construction de Southam et CanaData.

À l'exception des immobilisations obtenues à titre gratuit et des contrats de location-acquisition, toutes les immobilisations corporelles sont inscrites au coût d'origine, qui comprend le prix d'achat, les frais d'installation et les autres frais encourus pour mettre l'immobilisation en service.

Les immobilisations corporelles obtenues à titre gratuit sont inscrites selon la juste valeur marchande à la date du don. Les recettes reportées sont inscrites selon un montant équivalent pour tous les dons, à l'exception des terrains. Les recettes reportées seront comptabilisées comme recettes durant la vie utile de l'actif visé, comme dans le cas d'un amortissement.

Les contrats de location-acquisition sont inscrits selon la valeur actualisée des paiements minimaux exigibles à l'exclusion des frais accessoires (p. ex., assurances, entretien, etc.). Le taux d'escompte utilisé pour déterminer la valeur actuelle des paiements de location est le taux le plus bas entre le taux de la Division scolaire pour les emprunts additionnels et le taux d'intérêt implicite dans le bail.

**Division scolaire franco-manitobaine**  
**Notes afférentes aux états financiers consolidés**  
**Pour l'exercice terminé le 30 juin 2011**

Toutes les immobilisations corporelles, à l'exception des terrains, des contrats de location acquisition et des immobilisations en cours, sont amorties selon la méthode linéaire durant leur durée de vie utile estimative conformément aux règles du manuel FRAME. Les terrains ne sont pas amortis. Les contrats de location-acquisition avec des modalités comprenant une option d'achat à prix préférentiel ou permettant le transfert de la propriété à la Division scolaire sont amortis selon la durée de vie utile de la catégorie d'immobilisations. Toutes les autres locations acquisitions sont amorties selon la durée moindre entre la durée du contrat de location et la durée de vie utile de la catégorie d'immobilisations.

La moitié de l'amortissement annuel est imputée à l'année d'acquisition et à l'année de l'aliénation si l'amortissement n'est pas terminé.

Les immobilisations en cours ne sont pas amorties avant la date de l'achèvement substantiel des travaux. Les intérêts découlant des fonds utilisés pour financer les bâtiments scolaires en construction sont capitalisés pour les périodes précédant la date de l'achèvement substantiel des travaux.

#### **Avantages sociaux futurs**

La Province paie les prestations de l'employeur au Teachers' Retirement Allowances Fund (TRAF) qui est le régime de retraite de tous les enseignants certifiés de la Division scolaire. La Division scolaire ne contribue pas au TRAF, et aucuns frais se rapportant à ce régime ne sont inclus dans les états financiers consolidés de la Division scolaire.

La Division scolaire fournit un régime de retraite et d'autres avantages sociaux à son personnel de soutien. Ces avantages sociaux incluent un régime de retraite à cotisations déterminées, un congé parental et une pension de retraite anticipée. La Division scolaire a adopté les politiques comptables suivantes pour les avantages sociaux futurs :

##### Régime de retraite à cotisations déterminées

La Division scolaire verse la cotisation de l'employeur au régime de retraite à cotisations déterminées administré par l'Association des commissaires d'écoles du Manitoba - Manitoba School Boards Association (MSBA) - pour son personnel de soutien. Selon ce régime, des contributions spécifiques et déterminées sont versées par la Division scolaire à chaque période pour les services rendus par les employés à la hauteur des contributions des employés. Aucune responsabilité n'est assumée par la Division scolaire à l'égard de contributions futures.

##### Régimes à prestations déterminées/et régimes auto-gérés d'avantages sociaux futurs des employés

En ce qui concerne les obligations liées aux régimes à prestations déterminées/régimes auto-gérés de prestations en fonction des événements de la vie, comme le congé parental non acquis, le coût des prestations n'est comptabilisé et inscrit que pour la période de l'événement. Pour ce qui est des obligations de bonification liées à la possibilité de prendre une retraite anticipée qui sont aussi liées aux événements de la vie, le coût des prestations est comptabilisé pour la période durant laquelle l'engagement de verser les prestations est approuvé par la Commission scolaire.

#### **Utilisations des prévisions**

Pour la préparation des états financiers conformément aux principes comptables généralement reconnus du Canada, la direction doit s'appuyer sur des prévisions et des hypothèses qui influent sur les montants inscrits d'actif et de passif à la date des états financiers, ainsi que sur les montants déclarés de recettes et de dépenses pendant la période visée. Les résultats réels peuvent différer des meilleures prévisions possibles de la direction au fur et à mesure qu'elle dispose de renseignements supplémentaires.

#### **Instruments financiers**

Les instruments financiers de la Division scolaire comprennent l'encaisse et fonds en banque, les placements à court terme, les sommes recevables et payables (gouvernement du Manitoba, gouvernement fédéral, administration municipale, autres divisions scolaires et Premières nations), les comptes clients, les revenus de placements à recevoir, les découverts, les comptes fournisseurs, les charges à payer, les avantages sociaux futurs, les intérêts courus à payer, la dette obligatoire et les autres emprunts.

À moins d'indication contraire, la direction est d'avis que la Division scolaire n'est pas exposée d'une façon significative au risque d'intérêt, d'échange ou de crédit découlant de ces instruments financiers.



**Division scolaire franco-manitobaine**  
**Notes afférentes aux états financiers consolidés**  
**Pour l'exercice terminé le 30 juin 2011**

**3. Découverts**

La Division a autorisé des marges de crédit sous forme de découverts bancaires auprès de la Banque de Montréal pour des sommes de 13 450 000 \$ pour le financement d'activités et de 12 500 000 \$ pour le financement de projets d'immobilisations, sommes qui sont remboursables sur demande au taux préférentiel de la banque moins 0,5 % et dont l'intérêt est payé mensuellement. Les découverts comprennent des sommes pour projets d'immobilisations totalisant environ 3 106 749 \$ qui seront présentés à la Commission des finances des écoles publiques aux fins du financement d'obligations. Les garanties sont un contrat de sûreté en plus d'une résolution d'emprunt.

**4. Avantages sociaux futurs**

La Division scolaire participe à un régime de retraite à cotisations déterminées administré par MSBA. Le régime à cotisations déterminées est offert aux membres du personnel de soutien selon leur âge au début de l'année et leur rémunération. Dans le cadre du régime de retraite du MSBA, les contributions des employés sont établies en fonction d'un pourcentage spécifique selon leur groupe d'âge. La Division scolaire verse des contributions équivalentes à celles des employés. Le passif découlant du régime de retraite est présenté dans les comptes fournisseurs des états financiers consolidés.

Les dépenses liées aux avantages sociaux futurs sont incluses aux postes avantages sociaux et indemnités des employés. Le total des contributions au régime de retraite à cotisations déterminées pour l'exercice terminé le 30 juin 2011 se chiffre à 547 328 \$ (490 929 \$ en 2010).

**5. Recettes reportées**

On se sert de la méthode du report pour comptabiliser les recettes qui, en vertu de lois, de règlements ou d'ententes, ne peuvent être utilisées qu'à des fins spécifiques. Ces montants sont constatés comme recettes dans l'exercice au cours duquel les dépenses connexes sont engagées ou les services sont fournis. Voici les détails des soldes :

	Solde au 30 juin 2010	Montants reçus au cours de l'exercice	Constatés au cours de l'exercice	Solde au 30 juin 2011
	\$	\$	\$	\$
Administration - École en santé	2 627	11 476	11 401	2 702
Autres EPTC	1 931 617	5 274 760	5 096 473	2 109 904
Bébé en santé	13 477	67 400	70 252	10 625
C.T.I. Central	70 146	-	25 697	44 449
C.T.I. Urbain	-	21 336	21 336	-
Coalition petite enfance	88 901	426 000	514 901	-
École Transitionnelle	-	62 575	58 469	4 106
Parlons petite enfance	34 868	-	-	34 868
Structures de jeux	88 714	75 242	163 956	-
Province Manitoba - Garderie St. Pierre	250 000	-	250 000	-
	<u>2 480 350</u>	<u>5 938 789</u>	<u>6 212 485</u>	<u>2 206 654</u>

**6. Passif des fonds générés par les écoles**

Le passif des fonds générés par les écoles et non contrôlés par la Division scolaire comprend l'encaisse de 133 842 \$ au 30 juin 2011 (306 562 \$ au 30 juin 2010) présenté au poste de passif des fonds générés par les écoles dans l'état consolidé de la situation financière.

**Division scolaire franco-manitobaine**  
**Notes afférentes aux états financiers consolidés**  
**Pour l'exercice terminé le 30 juin 2011**

**7. Dette obligatoire**

La dette obligatoire de la Division scolaire se présente sous la forme d'obligations de 20 ans acquittables, capital et intérêts, en 20 versements annuels égaux et arrivant à échéance à diverses dates de 2012 à 2032. Le remboursement du capital et des intérêts est entièrement financé par des subventions de la Province du Manitoba. Les obligations portent des taux d'intérêt variant de 4,875 % à 11,250 %. La dépense liée aux intérêts courus sur la dette obligatoire au 30 juin 2011 est comptabilisée au poste des intérêts courus à payer, et une subvention équivalente aux intérêts courus sur la dette obligatoire est comptabilisée et présentée au poste des sommes recevables du gouvernement du Manitoba. Voici les versements du principal et de l'intérêt pour les cinq prochaines années :

	Principal (\$)	Intérêts (\$)	Total (\$)
2012	1 898 050	1 888 311	3 786 360
2013	1 828 400	1 760 894	3 589 294
2014	1 924 273	1 645 721	3 569 994
2015	2 002 287	1 524 916	3 527 203
2016	2 088 643	1 399 908	3 488 551

**8. Autres emprunts**

Les autres emprunts incluent les dettes autres que les découverts et la dette obligatoire. Ils comprennent les emprunts pour l'amélioration du rendement énergétique, l'emprunt pour amélioration de garderie et des contrats de location-acquisition pour des photocopieuses.

	2011 \$	2010 \$
Amélioration du rendement énergétique	510 422	612 911
Amélioration de garderies	539 837	554 518
Contrats de location-acquisition	146 215	214 998
	<u>1 196 476</u>	<u>1 328 427</u>

Les emprunts pour l'amélioration du rendement énergétique et l'amélioration de garderies portent des intérêts au taux préférentiel de la banque moins 0,5 % arrivant à échéance sur demande, et les versements mensuels sont de 10 845 \$ et 2 492\$, respectivement, principal et intérêts au 30 juin 2011. Les garanties sont un contrat de sûreté en plus d'une résolution d'emprunt.

Les contrats de location-acquisition pour les photocopieuses portent des intérêts à des taux allant de 2,06 % à 7,95 % par année, assortis d'échéances qui vont de 2011 à 2015 et d'un paiement mensuel global d'environ 6 621 \$, principal et intérêts. Ces emprunts sont garantis par un contrat de location-acquisition.

Voici les versements de principal et d'intérêts des autres emprunts pour les cinq prochaines années :

	Principal \$	Intérêts \$	Total \$
2012	188 524	56 850	245 374
2013	172 926	46 431	219 356
2014	158 854	37 699	196 553
2015	156 158	29 539	185 697
2016	27 160	24 768	51 929

**9. Immobilisations corporelles nettes**

L'état des immobilisations corporelles, qui est inclus à la page 23 des états financiers vérifiés, donne la ventilation des coûts, amortissements cumulés et valeurs comptables nettes par catégorie. Le montant des intérêts capitalisés au cours de l'exercice terminé le 30 juin 2011 s'élève à 180 480 \$ (52 658 \$ en 2010).

**Division scolaire franco-manitobaine**  
**Notes afférentes aux états financiers consolidés**  
**Pour l'exercice terminé le 30 juin 2011**

**10. Excédents accumulés**

Les excédents accumulés consolidés comprennent les éléments suivants au 30 juin 2011 :

	2011	2010
	\$	\$
Fonds d'administration générale		
Excédent désigné	340 771	300 924
Excédent non désigné	<u>3 305 040</u>	<u>2 601 407</u>
	<u>3 645 811</u>	<u>2 902 331</u>
Fonds de capital		
Comptes de réserve de capital	565 000	565 000
Avoir propre dans les immobilisations corporelles	<u>17 308 272</u>	<u>14 502 854</u>
	<u>17 873 272</u>	<u>15 067 854</u>
Fonds à fins spéciales		
Fonds générés par les écoles	491 594	345 555
Autres fonds à fins spéciales	<u>99 265</u>	<u>53 550</u>
	<u>590 859</u>	<u>399 105</u>
Excédents accumulés consolidés	<u><u>22 109 942</u></u>	<u><u>18 369 290</u></u>

**11. Administration municipale - Impôt foncier et sommes recevables connexes auprès de l'administration municipale**

Des impôts fonciers scolaires ou un prélèvement spécial sont recueillis à titre de la contribution de la Division au financement des coûts de la prestation des services d'éducation publique auprès des élèves qui résident au sein de la division. Le montant inclus au poste Recettes - Administration municipale - Impôt foncier qui figure dans l'état consolidé des recettes, des dépenses et de l'excédent accumulé est prélevé sur une période de deux années civiles (d'imposition); dont 40 % provient de l'année d'imposition 2010 et 60 % de l'année d'imposition 2011. Voici ci-dessous les recettes et les créances connexes à percevoir :

	2011	2010
	\$	\$
Recettes - Administration municipale - Impôt foncier	<u>14 123 928</u>	<u>13 797 424</u>
Sommes recevables auprès de l'administration municipale - Impôt foncier	<u>8 505 495</u>	<u>8 427 652</u>

**12. Intérêts reçus et versés**

La Division a reçu au cours de l'exercice terminé le 30 juin 2011 des intérêts de 17 584 \$ (11 265 \$ en 2010); et a versé des intérêts de 1 977 326 \$ (1 909 154 \$ en 2010).

Voici les dépenses d'intérêts incluses aux postes frais et impôts pour l'exercice terminé le 30 juin 2011 :

	2011	2010
	\$	\$
Fonds d'administration générale		
Frais et impôts - prêt à court terme, intérêts et frais bancaires	<u>17 089</u>	<u>6 899</u>
Fonds de capital		
Intérêts sur la dette obligatoire	1 909 688	1 827 783
Autres intérêts	<u>67 638</u>	<u>74 472</u>
	<u>1 977 326</u>	<u>1 902 255</u>
	<u><u>1 994 415</u></u>	<u><u>1 909 154</u></u>

La part cumulative des dépenses d'intérêts sur la dette obligatoire de 820 544 \$ au 30 juin 2011 (873 537\$ au 30 juin 2010) qui est incluse au poste Fonds de capital et d'emprunt - Intérêts sur la dette obligatoire, est contre balancée par le montant cumulatif de la subvention pour le remboursement de la dette de la Province du Manitoba.

**Division scolaire franco-manitobaine**  
**Notes afférentes aux états financiers consolidés**  
**Pour l'exercice terminé le 30 juin 2011**

**13. Provision pour créances douteuses**

Toutes les créances à percevoir présentées dans l'état consolidé de la situation financière sont inscrites après déduction de la provision pour les créances douteuses spécifiques. Voici la provision totale pour créances douteuses en date du 30 juin 2011 :

	2011	2010
	\$	\$
Provision pour créances douteuses (recouvrement) dédites des créances	<u>6 772</u>	<u>-</u>
Créances douteuses (recouvrement) (incluses au poste frais et impôts)	<u>-</u>	<u>-</u>

**14. Dépenses selon l'objet**

Les dépenses incluses dans l'état consolidé des recettes, des dépenses et de l'excédent accumulé sont présentées par fonction conformément au manuel FRAME. Voici les détails des dépenses par objet :

	Chiffres réels 2011	Budget 2011	Chiffres réels 2010
	\$	\$	\$
Salaires	44 440 960	43 804 049	41 179 697
Avantages sociaux et indemnités des employés	3 084 128	3 186 516	2 760 133
Services	12 301 940	13 625 339	11 548 117
Fournitures, matériel et petit équipement	3 164 011	3 552 758	3 199 535
Intérêts et frais bancaires	1 994 415	100 000	1 909 154
Créances douteuses (recouvrements)	6 772	-	-
Impôt sur la paie	960 649	941 765	886 478
Transferts	271 986	208 120	247 714
Amortissements	1 669 490	-	1 508 204
Autres éléments de capital	20 728	-	53 130
Fonds générés par les écoles	1 936 798	-	937 042
Autres fonds à fins spéciales	61 465	-	43 498
	<u>69 913 342</u>	<u>65 418 547</u>	<u>64 272 702</u>

**15. Éventualités**

La Division scolaire a inscrit dans son fonds de capital et d'emprunt les coûts liés à l'actif immobilisé de l'École Taché. La DSFM a effectué l'expropriation d'un terrain adjacent à l'École Taché. Les coûts engagés jusqu'à maintenant pour l'expropriation ont été inscrits dans le fonds de capital et d'emprunt. Les coûts supplémentaires, s'il y a lieu, seront enregistrés au fonds de capital et d'emprunt dans l'année où ces coûts seront déterminés.

L'entreprise liée à l'expropriation n'occupe plus le terrain adjacent à l'École Taché et la démolition de l'édifice a été complétée. L'entreprise continue à demander des fonds additionnels liés à une potentielle perte d'affaires. En ce moment, il est impossible de déterminer si la Division scolaire sera responsable de payer ces coûts additionnels ou le montant de ces coûts. Si des pertes sont déclarées, les charges seront inscrites au cours de l'exercice dès qu'elles seront connues.

**16. Engagements contractuels**

Des ententes pour le transport des élèves ont été conclues jusqu'à juin 2014. Les frais pour ces services se chiffrent à environ 4 500 000 \$ par année.

Des ententes de location des écoles ont été conclues avec diverses divisions scolaires et organismes. Un montant estimé a été inscrit comme créance et comme dépense pour l'année courante car les montants pour la location n'ont pas été finalisés. Tous les ajustements rétroactifs seront enregistrés dans l'année où ils auront été déterminés.

**Division scolaire franco-manitobaine**  
**Notes afférentes aux états financiers consolidés**  
**Pour l'exercice terminé le 30 juin 2011**

**17. Fonds en fiducie**

Pendant l'année, la Division scolaire a fait 19 176\$ en paiements de retenue concernant des projets de construction. Les paiements de retenue sont actuellement tenus dans un compte bancaire sous le nom de la Division scolaire; cependant, les fonds doivent être transférés à l'entrepreneur quand les projets sont complets. L'argent tenu dans ce compte bancaire et la charge à payer concernant la retenue n'ont pas été inclus dans les états financiers consolidés.

**18. Société contrôlée**

La Division scolaire contrôle un organisme de bienfaisance. Les actifs, passifs et excédent accumulé de l'organisme de bienfaisance sont présentés dans l'état de la situation financière du fonds à fins spéciales. Les recettes, dépenses et retraitement de l'excédent accumulé d'ouverture de l'organisme de bienfaisance sont présentés dans l'état des recettes, des dépenses et de l'excédent accumulé du fonds à fins spéciales.

November 2, 2011

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## MANAGEMENT RESPONSIBILITY

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The accompanying consolidated financial statements of Evergreen 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 Craig & Ross, 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.

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Chairperson

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Secretary-Treasurer



November 2, 2011

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## INDEPENDENT AUDITORS' REPORT

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**To the Chairperson and Trustees of  
Evergreen School Division**

We have audited the consolidated statement of financial position of Evergreen School Division as at June 30, 2011 and June 30, 2010, which comprise 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 financial statements in accordance with Canadian generally accepted accounting principles, 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 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 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 Evergreen School Division as at June 30, 2011 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*Craig & Ross*

Chartered Accountants

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

Nov 2, 2011  
Date

\_\_\_\_\_  
Chairperson

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

as at June 30

Notes		2011	2010
	<b>Financial Assets</b>		
	Cash and Bank	611,715	89,867
4	Short Term Investments	130,583	130,524
	Due from - Provincial Government	1,610,371	1,315,280
	- Federal Government	108,702	68,322
	- Municipal Government	3,085,619	3,181,119
	- Other School Divisions	44,276	-
	- First Nations	170,302	95,040
	Accounts Receivable	162,651	111,542
	Accrued Investment Income	1,855	2,248
	Other Investments	-	-
		<u>5,926,074</u>	<u>4,993,942</u>
	<b>Liabilities</b>		
	Overdraft	-	-
	Accounts Payable	574,939	219,919
	Accrued Liabilities	1,596,688	1,487,640
	Employee Future Benefits	-	-
	Accrued Interest Payable	462,677	488,036
	Due to - Provincial Government	-	-
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
5	Deferred Revenue	989,703	931,371
7	Debenture Debt	16,311,879	17,162,957
	Other Borrowings	-	-
	School Generated Funds Liability	18,210	17,736
		<u>19,954,096</u>	<u>20,307,659</u>
	<b>Net Debt</b>	<u>(14,028,022)</u>	<u>(15,313,717)</u>
	<b>Non-Financial Assets</b>		
8	Net Tangible Capital Assets (TCA Schedule)	19,233,292	19,797,170
	Inventories	-	-
	Prepaid Expenses	63,394	189,444
		<u>19,296,686</u>	<u>19,986,614</u>
9	<b>Accumulated Surplus</b>	<u>5,268,664</u>	<u>4,672,897</u>

See accompanying notes to the Financial Statements

# **CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS**

For the Year Ended June 30

Notes		2011	2010
	<b>Revenue</b>		
	Provincial Government	14,104,270	13,207,269
	Federal Government	-	-
	Municipal Government - Property Tax	5,485,411	5,536,310
	- Other	-	-
	Other School Divisions	58,246	50,675
	First Nations	152,638	203,370
	Private Organizations and Individuals	132,125	205,288
	Other Sources	107,320	37,695
	School Generated Funds	487,556	402,074
	Other Special Purpose Funds	25,811	32,928
		<u>20,553,377</u>	<u>19,675,609</u>
	<b>Expenses</b>		
	Regular Instruction	9,409,241	9,113,026
	Student Support Services	2,809,636	2,895,598
	Adult Learning Centres	-	-
	Community Education and Services	277,510	302,116
	Divisional Administration	783,467	633,770
	Instructional and Other Support Services	497,027	458,558
	Transportation of Pupils	1,168,902	1,095,460
	Operations and Maintenance	2,143,011	2,191,231
11	Fiscal - Interest	988,915	977,744
	- Other	303,207	267,514
	Amortization	1,070,518	967,201
	Other Capital Items	-	-
	School Generated Funds	481,543	372,506
	Other Special Purpose Funds	24,633	16,911
		<u>19,957,610</u>	<u>19,291,635</u>
	Current Year Surplus (Deficit)	<u>595,767</u>	<u>383,974</u>
	Opening Accumulated Surplus	4,672,897	4,288,923
	Adjustments: Tangible Cap. Assets and Accum. Amort.	-	-
	Other than Tangible Cap. Assets	-	-
	Opening Accumulated Surplus, as adjusted	<u>4,672,897</u>	<u>4,288,923</u>
	<b>Closing Accumulated Surplus</b>	<u>5,268,664</u>	<u>4,672,897</u>

See accompanying notes to the Financial Statements

**CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT**

For the Year Ended June 30, 2011

	2011	2010
Current Year Surplus (Deficit)	595,767	383,974
Amortization of Tangible Capital Assets	1,070,518	967,201
Acquisition of Tangible Capital Assets	(506,640)	(3,862,074)
(Gain) / Loss on Disposal of Tangible Capital Assets	-	(3,134)
Proceeds on Disposal of Tangible Capital Assets	-	3,134
	563,878	(2,894,873)
Inventories (Increase)/Decrease	-	-
Prepaid Expenses (Increase)/Decrease	126,050	(6,633)
	126,050	(6,633)
(Increase)/Decrease in Net Debt	1,285,695	(2,517,532)
Net Debt at Beginning of Year	(15,313,717)	(12,796,185)
Adjustments Other than Tangible Cap. Assets	-	-
Net Debt at Beginning of Year as Adjusted	(15,313,717)	(12,796,185)
<b>Net Debt at End of Year</b>	<b>(14,028,022)</b>	<b>(15,313,717)</b>

**CONSOLIDATED STATEMENT OF CASH FLOW**

For the Year Ended June 30, 2011

	2011	2010
<b>Operating Transactions</b>		
Current Year Surplus/(Deficit)	595,767	383,974
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	1,070,518	967,201
(Gain)/Loss on Disposal of Tangible Capital Assets	-	(3,134)
Employee Future Benefits Increase/(Decrease)	-	-
Short Term Investments (Increase)/Decrease	(59)	(30,049)
Due from Other Organizations (Increase)/Decrease	(359,509)	(387,467)
Accounts Receivable & Accrued Income (Increase)/Decrease	(50,716)	(34,924)
Inventories and Prepaid Expenses - (Increase)/Decrease	126,050	(6,633)
Due to Other Organizations Increase/(Decrease)	-	-
Accounts Payable & Accrued Liabilities Increase/(Decrease)	438,709	(203,466)
Deferred Revenue Increase/(Decrease)	58,332	(58,433)
School Generated Funds Liability Increase/(Decrease)	474	(3,533)
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by Operating Transactions	1,879,566	623,536
<b>Capital Transactions</b>		
Acquisition of Tangible Capital Assets	(506,640)	(3,862,074)
Proceeds on Disposal of Tangible Capital Assets	-	3,134
Cash (Applied to)/Provided by Capital Transactions	(506,640)	(3,858,940)
<b>Investing Transactions</b>		
Other Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
<b>Financing Transactions</b>		
Debenture Debt Increase/(Decrease)	(851,078)	2,861,959
Other Borrowings Increase/(Decrease)	-	-
Cash Provided by (Applied to) Financing Transactions	(851,078)	2,861,959
Cash and Bank / Overdraft (Increase)/Decrease	521,848	(373,445)
Cash and Bank (Overdraft) at Beginning of Year	89,867	463,312
<b>Cash and Bank (Overdraft) at End of Year</b>	<b>611,715</b>	<b>89,867</b>

# **SCHEDULE OF TANGIBLE CAPITAL ASSETS**

at June 30, 2011

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	2011 TOTALS	2010 TOTALS
	School	Non-School									
<b>Tangible Capital Asset Cost</b>											
Opening Cost, as previously reported	25,927,811	729,533	2,778,204	191,354	513,203	-	238,078	58,885	2,790,348	33,227,416	29,561,867
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	25,927,811	729,533	2,778,204	191,354	513,203	-	238,078	58,885	2,790,348	33,227,416	29,561,867
Add:											
Additions during the year	2,327,181	15,804	-	-	116,425	-	-	70,864	(2,023,634)	506,640	3,862,074
Less:											
Disposals and write downs	-	-	-	-	-	-	-	-	-	-	196,525
Closing Cost	28,254,992	745,337	2,778,204	191,354	629,628	-	238,078	129,749	766,714	33,734,056	33,227,416
<b>Accumulated Amortization</b>											
Opening, as previously reported	10,975,777	375,972	1,615,954	176,714	282,885	-		2,944		13,430,246	12,659,570
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	10,975,777	375,972	1,615,954	176,714	282,885	-		2,944		13,430,246	12,659,570
Add:											
Current period Amortization	782,588	20,021	180,407	6,015	72,055	-		9,432		1,070,518	967,201
Less:											
Accumulated Amortization on Disposals and Writedowns	-	-	-	-	-	-		-		-	196,525
Closing Accumulated Amortization	11,758,365	395,993	1,796,361	182,729	354,940	-		12,376		14,500,764	13,430,246
<b>Net Tangible Capital Asset</b>	16,496,627	349,344	981,843	8,625	274,688	-	238,078	117,373	766,714	19,233,292	19,797,170
<b>Proceeds from Disposal of Capital Assets</b>	-	-	-	-	-	-				-	3,134

\* Includes network infrastructure.



**EVERGREEN SCHOOL DIVISION**  
**Notes to Consolidated Financial Statements**  
**Year Ended June 30, 2011**

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**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.

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**2. SIGNIFICANT ACCOUNTING POLICIES**

The consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles as recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants 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. 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.

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.

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.

*(continues)*

**EVERGREEN SCHOOL DIVISION**  
**Notes to Consolidated Financial Statements**  
**Year Ended June 30, 2011**

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2. SIGNIFICANT ACCOUNTING POLICIES (*continued*)

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	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 & 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 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.

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.

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.

(*continues*)

**EVERGREEN SCHOOL DIVISION**  
**Notes to Consolidated Financial Statements**  
**Year Ended June 30, 2011**

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.

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. SHORT-TERM INVESTMENTS

Short term investments consist of deposit certificates that mature within one year. Investment income earned during the year was \$4,614 (2010 - \$5,156).

4. OVERDRAFT

The Division has an authorized line of credit with The Gimli Credit Union Limited of \$4,000,000.00 by way of overdrafts and is repayable on demand at prime less .875%; interest is paid monthly). In addition, the Division has a line of credit with The Gimli Credit Union Limited of \$4,350,000 by way of overdraft for a capital project totaling approximately \$4,284,000 which will be submitted to PSFB for debenture funding. Overdrafts are secured by a temporary borrowing by-law.

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. 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 \$18,210.

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 1990 to 2030. Payment of principal and interest is funded entirely by grants from the Province of Manitoba. The debentures carry interest rates that range from 4.875% to 11.75%. Debenture interest expense payable as at June 30, 2011, 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
2012	\$ 885,451	\$ 957,826	\$ 1,843,277
2013	941,131	902,154	1,843,285
2014	965,364	842,861	1,808,225
2015	987,970	782,918	1,770,888
2016	1,031,960	722,484	1,754,444
	<u>\$ 4,811,876</u>	<u>\$ 4,208,243</u>	<u>\$ 9,020,119</u>

**EVERGREEN SCHOOL DIVISION**  
**Notes to Consolidated Financial Statements**  
**Year Ended June 30, 2011**

**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

	<u>Gross Amount</u>	<u>Accumulated Amortization</u>	<u>2011 Net Book Value</u>	<u>2010 Net Book Value</u>
Owned-tangible capital assets	\$ 33,734,056	\$ 14,500,764	\$ 19,233,292	\$ 19,797,170
Capital lease	-	-	-	-
	<u>\$ 33,734,056</u>	<u>\$ 14,500,764</u>	<u>\$ 19,233,292</u>	<u>\$ 19,797,170</u>

**9. ACCUMULATED SURPLUS**

The consolidated accumulated surplus is comprised of the following:

	<u>2011</u>	<u>2010</u>
<b>Operating Fund</b>		
Designated Surplus	720,870	405,396
Undesignated Surplus	298,535	264,912
	<u>1,019,405</u>	<u>670,308</u>
<b>Capital Fund</b>		
Reserve Accounts	1,422,826	1,343,647
Equity in Tangible Capital Assets	2,530,440	2,370,140
	<u>3,953,266</u>	<u>3,713,787</u>
<b>Special Purpose Fund</b>		
School Generated Funds	129,292	123,279
Other Special Purpose Funds	166,701	165,523
	<u>295,993</u>	<u>288,802</u>
<b>Total Accumulated Surplus</b>	<u>\$ 5,268,664</u>	<u>\$ 4,672,897</u>

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.

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

Education property tax or Special Levy is raised as the Division's contribution to the cost of providing public education for the students' resident in the division. The Municipal Government-Property Tax shown on the consolidated revenue and expense is raised over the two calendar (tax) years; 43% from 2010 tax year and 57% from 2011 tax year. Below are the related revenue and receivable amounts:

	<u>2011</u>	<u>2010</u>
Revenue-Municipal Government-Property Tax	\$ 5,485,411	\$ 5,536,310
Receivable-Due from Municipal-Property Tax	<u>\$ 3,085,619</u>	<u>\$ 3,181,119</u>

**EVERGREEN SCHOOL DIVISION**  
**Notes to Consolidated Financial Statements**  
**Year Ended June 30, 2011**

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**11. INTEREST RECEIVED AND PAID**

The Division received interest during the year of \$22,059 (2010 - \$12,942); interest paid during the year was \$988,915 (2010 - \$977,744).

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

	<u>2011</u>	<u>2010</u>
Operating Fund		
Fiscal-short term loan, interest and bank charges	\$ 2,078	\$ 1,871
Capital Fund		
Debenture debt interest	986,837	975,873
Other interest	-	-
	<u>\$ 988,915</u>	<u>\$ 977,744</u>

The accrual portion of debenture debt interest expense of \$462,677 (2010 - \$488,036) included under the Capital Fund-Debenture debt interest, is offset by an accrual of the debt servicing grant from the Province of Manitoba.

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**12. BUDGET FIGURES AND NON-FINANCIAL INFORMATION**

The 2011 budget figures, student enrolments (FRAME) and transportation statistics, full-time equivalent personnel and senior allocations are unaudited and have been presented for information purposes only.

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# 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 Board of Trustees 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 sheets as at June 30, 2011 and 2010, and the statements of operations, changes in net assets 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 financial statements in accordance with Canadian generally accepted accounting principles, 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 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 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, 2011 and 2010 and its operations and cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Our examination also included supplemental schedules of revenue and expenditure details for the year ended June 30, 2011. In our opinion, supplemental schedules when considered in relation to the basic financial statements, presents fairly in all material respects, the information shown therein.

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

Flin Flon, Manitoba  
October 11, 2011

*Kendall & Pandya*  
CHARTERED ACCOUNTANTS

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

Oct. 11, 2011  
Date



**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

as at June 30

Notes		2011	2010
	<b>Financial Assets</b>		
	Cash and Bank	-	477,692
	Short Term Investments	-	-
	Due from - Provincial Government	938,410	510,841
	- Federal Government	-	36,899
	- Municipal Government	1,369,023	1,393,949
	- Other School Divisions	-	110,343
	- First Nations	-	-
	Accounts Receivable	167,212	69,486
	Accrued Investment Income	-	-
	Other Investments	-	-
		<u>2,474,645</u>	<u>2,599,210</u>
	<b>Liabilities</b>		
*	Overdraft	161,977	-
	Accounts Payable	173,221	67,698
	Accrued Liabilities	1,389,044	1,054,099
*	Employee Future Benefits	69,063	76,245
	Accrued Interest Payable	20,277	21,608
	Due to - Provincial Government	-	-
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
*	Deferred Revenue	29,499	539,307
*	Debenture Debt	1,567,937	1,645,117
	Other Borrowings	-	874
	School Generated Funds Liability	145,580	145,580
		<u>3,556,598</u>	<u>3,550,528</u>
	<b>Net Debt</b>	<u>(1,081,953)</u>	<u>(951,318)</u>
	<b>Non-Financial Assets</b>		
*	Net Tangible Capital Assets (TCA Schedule)	2,958,909	2,790,120
	Inventories	-	-
	Prepaid Expenses	19,046	136,360
		<u>2,977,955</u>	<u>2,926,480</u>
*	<b>Accumulated Surplus</b>	<u>1,896,002</u>	<u>1,975,162</u>

See accompanying notes to the Financial Statements

# CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes		2011	2010
	<b>Revenue</b>		
	Provincial Government	9,359,604	8,908,165
	Federal Government	51,765	43,186
	Municipal Government - Property Tax	2,762,969	2,826,694
	- Other	-	-
	Other School Divisions	207,039	189,373
	First Nations	-	-
	Private Organizations and Individuals	256,029	300,944
	Other Sources	69,924	83,050
	School Generated Funds	349,659	324,866
	Other Special Purpose Funds	-	-
		<u>13,056,989</u>	<u>12,676,278</u>
	<b>Expenses</b>		
	Regular Instruction	6,940,159	6,731,600
	Student Support Services	1,916,378	1,842,125
	Adult Learning Centres	94,377	91,570
	Community Education and Services	11,700	9,845
	Divisional Administration	651,585	642,783
	Instructional and Other Support Services	374,903	317,214
	Transportation of Pupils	294,583	274,626
	Operations and Maintenance	1,973,290	1,771,774
*	Fiscal - Interest	103,597	106,497
	- Other	183,830	209,971
	Amortization	248,978	228,412
	Other Capital Items	3,211	-
	School Generated Funds	327,526	342,615
	Other Special Purpose Funds	-	-
		<u>13,124,117</u>	<u>12,569,032</u>
	Current Year Surplus (Deficit)	<u>(67,128)</u>	<u>107,246</u>
	Opening Accumulated Surplus	1,975,162	1,876,773
*	Adjustments: Tangible Cap. Assets and Accum. Amort.	(12,032)	(8,857)
	Other than Tangible Cap. Assets	-	-
	Opening Accumulated Surplus, as adjusted	<u>1,963,130</u>	<u>1,867,916</u>
	<b>Closing Accumulated Surplus</b>	<u>1,896,002</u>	<u>1,975,162</u>

See accompanying notes to the Financial Statements

\* NOTE REQUIRED

## CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2011

	2011	2010
Current Year Surplus (Deficit)	<u>(67,128)</u>	<u>107,246</u>
Amortization of Tangible Capital Assets	248,978	228,412
Acquisition of Tangible Capital Assets	(435,469)	-
(Gain) / Loss on Disposal of Tangible Capital Assets	5,670	-
Proceeds on Disposal of Tangible Capital Assets	<u>-</u>	<u>-</u>
	<u>(180,821)</u>	<u>228,412</u>
Inventories (Increase)/Decrease	-	-
Prepaid Expenses (Increase)/Decrease	<u>117,314</u>	<u>(34,234)</u>
	<u>117,314</u>	<u>(34,234)</u>
(Increase)/Decrease in Net Debt	<u>(130,635)</u>	<u>301,424</u>
Net Debt at Beginning of Year	(951,318)	(1,252,742)
Adjustments Other than Tangible Cap. Assets	<u>-</u>	<u>-</u>
Net Debt at Beginning of Year as Adjusted	<u>(951,318)</u>	<u>(1,252,742)</u>
<b>Net Debt at End of Year</b>	<u><b>(1,081,953)</b></u>	<u><b>(951,318)</b></u>

**CONSOLIDATED STATEMENT OF CASH FLOW**

For the Year Ended June 30, 2011

	2011	2010
<b>Operating Transactions</b>		
Current Year Surplus/(Deficit)	(67,128)	107,246
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	248,978	228,412
(Gain)/Loss on Disposal of Tangible Capital Assets	5,670	-
Employee Future Benefits Increase/(Decrease)	(7,182)	7,135
Short Term Investments (Increase)/Decrease	-	-
Due from Other Organizations (Increase)/Decrease	(255,401)	(207,666)
Accounts Receivable & Accrued Income (Increase)/Decrease	(97,726)	93,019
Inventories and Prepaid Expenses - (Increase)/Decrease	117,314	(34,234)
Due to Other Organizations Increase/(Decrease)	-	-
Accounts Payable & Accrued Liabilities Increase/(Decrease)	439,137	107,961
Deferred Revenue Increase/(Decrease)	(509,808)	105,267
School Generated Funds Liability Increase/(Decrease)	-	-
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by Operating Transactions	(126,146)	407,140
<b>Capital Transactions</b>		
Acquisition of Tangible Capital Assets	(435,469)	-
Proceeds on Disposal of Tangible Capital Assets	-	-
Cash (Applied to)/Provided by Capital Transactions	(435,469)	-
<b>Investing Transactions</b>		
Other Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
<b>Financing Transactions</b>		
Debenture Debt Increase/(Decrease)	(77,180)	(72,884)
Other Borrowings Increase/(Decrease)	(874)	(10,900)
Cash Provided by (Applied to) Financing Transactions	(78,054)	(83,784)
Cash and Bank / Overdraft (Increase)/Decrease	(639,669)	323,356
Cash and Bank (Overdraft) at Beginning of Year	477,692	154,336
<b>Cash and Bank (Overdraft) at End of Year</b>	<b>(161,977)</b>	<b>477,692</b>

## SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2011

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	2011 TOTALS	2010 TOTALS
	School	Non-School									
<b>Tangible Capital Asset Cost</b>											
Opening Cost, as previously reported	9,595,575	373,249	-	79,745	267,246	-	379,113	-	-	10,694,928	10,694,928
Adjustments	(296,483)	-	-	-	-	-	-	-	-	(296,483)	-
Opening Cost adjusted	9,299,092	373,249	-	79,745	267,246	-	379,113	-	-	10,398,445	10,694,928
Add:											
Additions during the year	32,650	-	-	159,968	62,441	35,610	102,600	42,200	-	435,469	-
Less:											
Disposals and write downs	-	-	-	-	-	-	5,670	-	-	5,670	-
Closing Cost	9,331,742	373,249	-	239,713	329,687	35,610	476,043	42,200	-	10,828,244	10,694,928
<b>Accumulated Amortization</b>											
Opening, as previously reported	7,359,366	340,749	-	51,515	153,178	-	-	-	-	7,904,808	7,667,539
Adjustments	(284,451)	-	-	-	-	-	-	-	-	(284,451)	8,857
Opening adjusted	7,074,915	340,749	-	51,515	153,178	-	-	-	-	7,620,357	7,676,396
Add:											
Current period Amortization	186,020	5,000	-	17,779	34,508	3,561	-	2,110	-	248,978	228,412
Less:											
Accumulated Amortization on Disposals and Writedowns	-	-	-	-	-	-	-	-	-	-	-
Closing Accumulated Amortization	7,260,935	345,749	-	69,294	187,686	3,561	-	2,110	-	7,869,335	7,904,808
<b>Net Tangible Capital Asset</b>	2,070,807	27,500	-	170,419	142,001	32,049	476,043	40,090	-	2,958,909	2,790,120
<b>Proceeds from Disposal of Capital Assets</b>	-	-	-	-	-	-	-	-	-	-	-

\* Includes network infrastructure.

**FLIN FLON SCHOOL DIVISION**  
**NOTES TO THE FINANCIAL STATEMENT**  
For the Year Ended June 30, 2011

**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.



**FLIN FLON SCHOOL DIVISION**  
**NOTES TO THE FINANCIAL STATEMENT**  
For the Year Ended June 30, 2011

**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	\$ 25,000	10
Buildings – brick, mortar, 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, 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.

**FLIN FLON SCHOOL DIVISION**  
**NOTES TO THE FINANCIAL STATEMENT**  
For the Year Ended June 30, 2011

**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 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 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 \$50,000 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.

**FLIN FLON SCHOOL DIVISION**  
**NOTES TO THE FINANCIAL STATEMENT**  
For the Year Ended June 30, 2011

**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, 2011.
- (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 31<sup>st</sup> of each year. The Division receives funding from the province on the 10<sup>th</sup> and 25<sup>th</sup> 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.

The Division's Operating Fund was overdrawn by \$335,587 at June 30, 2011.

**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, 2011	Balance June 30, 2010
\$ 62,000	8.375%	15/12/2013	\$ 16,618.13	\$ 21,324.29
\$ 90,000	8.875%	30/09/2015	\$ 38,131.40	\$ 43,998.09
\$ 74,000	6.125%	30/04/2019	\$ 40,271.50	\$ 44,088.37
\$ 170,000	6.625%	31/01/2022	\$ 119,059.31	\$ 126,275.67
\$ 563,500	5.375%	30/06/2025	\$ 451,046.23	\$ 472,324.29
\$ 119,200	5.000%	28/02/2026	\$ 99,280.60	\$ 103,662.40
\$ 257,100	4.875%	15/02/2027	\$ 223,205.08	\$ 232,293.08
\$ 372,300	5.125%	15/05/2027	\$ 324,319.44	\$ 337,228.25
\$ 271,400	5.875%	15/02/2029	\$ 256,005.46	\$ 263,922.36
			<b><u>\$1,567,937.15</u></b>	<b><u>\$ 1,645,116.79</u></b>

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

2012	\$ 81,739
2013	\$ 86,579
2014	\$ 91,716
2015	\$ 90,681
2016	\$ 95,932

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

**FLIN FLON SCHOOL DIVISION**  
**NOTES TO THE FINANCIAL STATEMENT**  
For the Year Ended June 30, 2011

**7. DEFERRED REVENUE**

Deferred Revenue valued at \$ 29,499 at June 30, 2011 consists of the following:

- a) An amount of \$ 10,225, 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 first quarter payment of \$5,000 for the 2011/2012 school year for the Parent/Child Room at Ruth Betts Community School was received in advance in May 2011.
- c) The above items sit on the Operating Fund.
- d) Playground Equipment purchased by the McIsaac Playground Committee has been recognized as a donation in accordance with rules as per the Public Sector Accounting Board. The original value of the donation recorded as Deferred Revenue in 2006/2007 was \$ 71,367. The equipment is considered to have a useful life of 5 years. An amount of \$ 14,274 was recognized as revenue in 2010/2011, reducing the Deferred Revenue balance to \$ 14,274 at June 30, 2011. This item sits on the Capital 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:

	<u>2011</u>	<u>2010</u>
Bank Balance at Beginning	\$117,447	\$133,159
Add:		
Contributions	\$1,100	\$1,000
Interest/Change In Investments	<u>\$7,607</u>	<u>\$12,092</u>
	\$126,154	\$146,251
Deduct: Scholarships Paid/Transferred	<u>(\$5,500)</u>	<u>\$28,804)</u>
Ending Bank Balance	\$120,654	\$117,447
Deduct: Scholarships Payable	(\$7,850)	(\$7,450)
Due to (from) Operating	<u>\$950</u>	<u>(\$450)</u>
Ending Fund Balance	<u>\$113,754</u>	<u>\$ 109,547</u>

**9. FISCAL INTEREST**

Fiscal interest is recorded at June 30, 2011 in the amount of \$ 103,597. This is comprised of the following:

Interest on Short Term borrowing	\$ 13,487
Interest on Debenture Debt	\$ 90,110

**FLIN FLON SCHOOL DIVISION**  
**NOTES TO THE FINANCIAL STATEMENT**  
**For the Year Ended June 30, 2011**

**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 \$49,585.
- (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.

	<u>Gross Amount</u>	<u>Accumulated Amortization</u>	<u>June 2011 Net Book Value</u>
Owned-tangible Capital Assets	\$ 10,828,244	\$ 7,869,335	\$ 2,958,909

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

**13. OTHER BORROWINGS**

The Division purchased a new maintenance truck in August of 2007 for \$ 30,012 with a borrowing cost of 2.99% over three years. The balance of the loan outstanding at June 30, 2010 was \$874; with the final payment being made in July 2010.

**14. ACCUMULATED SURPLUS – JUNE 30, 2011**

The operating surplus at June 30, 2011 was \$ 444,795 or 3.57% of operating expenditures for the 2010/2011 school year. Carryovers of professional development and bulk budgets in accordance with Policy 7:9 are valued at \$ 51,145, and if fully expended in the current year would reduce the surplus by a similar amount. The Board also approved accessing surplus in the amount of \$ 93,254 to balance the 2011/2012 budget and will reduce the operating surplus by a similar amount.

The accumulated surplus is comprised of the following:

Operating Fund	
Designated Surplus	\$ 145,159
Undesignated Surplus	<u>\$ 300,547</u>
Total Operating Fund	<u>\$ 445,706</u>
Capital Fund	
Reserve Accounts	\$ 40,000
Equity in Tangible Capital Assets	<u>\$1,382,266</u>
Total Capital Fund	<u>\$1,422,266</u>
Special Purpose Fund	
School Generated Funds	\$ 28,030
Other Special Purpose Funds	<u>\$ 0</u>
Total Special Purpose Fund	<u>\$ 28,030</u>
<b>Total Accumulated Assets</b>	<b><u>\$1,896,002</u></b>

## **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.

\_\_\_\_\_  
Chairperson

\_\_\_\_\_  
Secretary-Treasurer

**October 24, 2011**



## Independent Auditors' Report

(In accordance with subsection 41 (11) of the Public Schools Act)

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

We have audited the accompanying financial statements of Fort La Bosse School Division, which comprise the consolidated statement of financial position as at June 30, 2011, 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 generally accepted accounting principles, 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 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 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 consolidated financial position of Fort La Bosse School Division as at June 30, 2011 and the consolidated results of its operations, changes in net assets and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Brandon, Manitoba

October 24, 2011

**MNP LLP**  
Chartered Accountants

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

as at June 30

Notes		2011	2010
	<b>Financial Assets</b>		
	Cash and Bank	-	-
	Short Term Investments	-	-
	Due from - Provincial Government	1,153,381	693,851
	- Federal Government	84,809	56,684
	- Municipal Government	3,238,337	3,127,127
	- Other School Divisions	-	-
	- First Nations	257,574	226,400
	Accounts Receivable	56,042	7,022
	Accrued Investment Income	-	-
6	Other Investments	84,520	74,836
		<u>4,874,663</u>	<u>4,185,920</u>
	<b>Liabilities</b>		
5	Overdraft	3,282,375	2,210,648
	Accounts Payable	350,811	410,458
	Accrued Liabilities	357,572	105,110
	Employee Future Benefits	-	-
	Accrued Interest Payable	199,351	209,309
	Due to - Provincial Government	-	-
	- Federal Government	-	-
	- Municipal Government	-	26,576
	- Other School Divisions	-	-
	- First Nations	-	-
7	Deferred Revenue	54,459	211,054
8	Debenture Debt	8,752,242	7,068,947
	Other Borrowings	-	-
	School Generated Funds Liability	8,641	12,871
		<u>13,005,451</u>	<u>10,254,973</u>
	<b>Net Debt</b>	<u>(8,130,788)</u>	<u>(6,069,053)</u>
	<b>Non-Financial Assets</b>		
9	Net Tangible Capital Assets (TCA Schedule)	13,066,398	10,981,056
	Inventories	36,863	36,863
	Prepaid Expenses	50,014	84,371
		<u>13,153,275</u>	<u>11,102,290</u>
10	<b>Accumulated Surplus</b>	<u>5,022,487</u>	<u>5,033,237</u>

See accompanying notes to the Financial Statements

# **CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS**

For the Year Ended June 30

Notes		2011	2010
	<b>Revenue</b>		
	Provincial Government	10,533,034	10,429,540
	Federal Government	-	-
	Municipal Government - Property Tax	5,703,196	5,489,301
	- Other	-	-
	Other School Divisions	12,800	32,350
	First Nations	766,487	769,670
	Private Organizations and Individuals	-	-
	Other Sources	56,753	51,329
	School Generated Funds	570,892	577,895
	Other Special Purpose Funds	47,582	16,067
		<u>17,690,744</u>	<u>17,366,152</u>
	<b>Expenses</b>		
	Regular Instruction	8,953,377	8,798,537
	Student Support Services	2,123,111	1,856,588
	Adult Learning Centres	-	-
	Community Education and Services	269,570	268,406
	Divisional Administration	727,334	578,732
	Instructional and Other Support Services	357,198	344,113
	Transportation of Pupils	1,223,607	1,205,094
	Operations and Maintenance	1,800,714	1,858,201
12	Fiscal - Interest	522,209	511,557
	- Other	246,261	239,387
	Amortization	910,064	861,052
	Other Capital Items	-	46,000
	School Generated Funds	521,317	600,759
	Other Special Purpose Funds	46,732	21,953
		<u>17,701,494</u>	<u>17,190,379</u>
	Current Year Surplus (Deficit)	<u>(10,750)</u>	<u>175,773</u>
	Opening Accumulated Surplus	5,033,237	4,857,464
	Adjustments: Tangible Cap. Assets and Accum. Amort.	-	-
	Other than Tangible Cap. Assets	-	-
	Opening Accumulated Surplus, as adjusted	<u>5,033,237</u>	<u>4,857,464</u>
	<b>Closing Accumulated Surplus</b>	<u>5,022,487</u>	<u>5,033,237</u>

See accompanying notes to the Financial Statements

**CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT**

For the Year Ended June 30, 2011

	2011	2010
Current Year Surplus (Deficit)	<u>(10,750)</u>	<u>175,773</u>
Amortization of Tangible Capital Assets	910,064	861,052
Acquisition of Tangible Capital Assets	(3,077,576)	(929,034)
(Gain) / Loss on Disposal of Tangible Capital Assets	6,470	(3,400)
Proceeds on Disposal of Tangible Capital Assets	<u>75,700</u>	<u>3,400</u>
	<u>(2,085,342)</u>	<u>(67,982)</u>
Inventories (Increase)/Decrease	-	2,681
Prepaid Expenses (Increase)/Decrease	<u>34,357</u>	<u>28,342</u>
	<u>34,357</u>	<u>31,023</u>
(Increase)/Decrease in Net Debt	<u>(2,061,735)</u>	<u>138,814</u>
Net Debt at Beginning of Year	(6,069,053)	(6,207,867)
Adjustments Other than Tangible Cap. Assets	<u>-</u>	<u>-</u>
Net Debt at Beginning of Year as Adjusted	<u>(6,069,053)</u>	<u>(6,207,867)</u>
<b>Net Debt at End of Year</b>	<u><u>(8,130,788)</u></u>	<u><u>(6,069,053)</u></u>

**CONSOLIDATED STATEMENT OF CASH FLOW**

For the Year Ended June 30, 2011

	2011	2010
<b>Operating Transactions</b>		
Current Year Surplus/(Deficit)	(10,750)	175,773
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	910,064	861,052
(Gain)/Loss on Disposal of Tangible Capital Assets	6,470	(3,400)
Employee Future Benefits Increase/(Decrease)	-	-
Short Term Investments (Increase)/Decrease	-	-
Due from Other Organizations (Increase)/Decrease	(630,039)	112,859
Accounts Receivable & Accrued Income (Increase)/Decrease	(49,020)	1,535
Inventories and Prepaid Expenses - (Increase)/Decrease	34,357	31,023
Due to Other Organizations Increase/(Decrease)	(26,576)	(2,864)
Accounts Payable & Accrued Liabilities Increase/(Decrease)	182,857	53,346
Deferred Revenue Increase/(Decrease)	(156,595)	(90,302)
School Generated Funds Liability Increase/(Decrease)	(4,230)	12,871
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by Operating Transactions	256,538	1,151,893
<b>Capital Transactions</b>		
Acquisition of Tangible Capital Assets	(3,077,576)	(929,034)
Proceeds on Disposal of Tangible Capital Assets	75,700	3,400
Cash (Applied to)/Provided by Capital Transactions	(3,001,876)	(925,634)
<b>Investing Transactions</b>		
Other Investments (Increase)/Decrease	(9,684)	3,971
Cash Provided by (Applied to) Investing Transactions	(9,684)	3,971
<b>Financing Transactions</b>		
Debenture Debt Increase/(Decrease)	1,683,295	(463,994)
Other Borrowings Increase/(Decrease)	-	-
Cash Provided by (Applied to) Financing Transactions	1,683,295	(463,994)
Cash and Bank / Overdraft (Increase)/Decrease	(1,071,727)	(233,764)
Cash and Bank (Overdraft) at Beginning of Year	(2,210,648)	(1,976,884)
<b>Cash and Bank (Overdraft) at End of Year</b>	<b>(3,282,375)</b>	<b>(2,210,648)</b>

# **SCHEDULE OF TANGIBLE CAPITAL ASSETS**

at June 30, 2011

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	2011 TOTALS	2010 TOTALS
	School	Non-School									
<b>Tangible Capital Asset Cost</b>											
Opening Cost, as previously reported	19,435,530	582,416	2,797,608	145,078	423,891	119,160	240,881	-	585,188	24,329,752	23,400,718
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	19,435,530	582,416	2,797,608	145,078	423,891	119,160	240,881	-	585,188	24,329,752	23,400,718
Add:											
Additions during the year	2,933,469	-	283,702	-	68,231	93,951	-	-	(301,777)	3,077,576	929,034
Less:											
Disposals and write downs	-	-	96,671	-	-	-	-	-	-	96,671	-
Closing Cost	22,368,999	582,416	2,984,639	145,078	492,122	213,111	240,881	-	283,411	27,310,657	24,329,752
<b>Accumulated Amortization</b>											
Opening, as previously reported	11,001,695	488,911	1,487,369	62,220	241,171	87,330	-	-	-	13,348,696	12,487,644
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening adjusted	11,001,695	488,911	1,487,369	62,220	241,171	87,330	-	-	-	13,348,696	12,487,644
Add:											
Current period Amortization	544,900	14,713	225,872	25,497	77,280	21,802	-	-	-	910,064	861,052
Less:											
Accumulated Amortization on Disposals and Writedowns	-	-	14,501	-	-	-	-	-	-	14,501	-
Closing Accumulated Amortization	11,546,595	483,624	1,698,740	87,717	318,451	109,132	-	-	-	14,244,259	13,348,696
<b>Net Tangible Capital Asset</b>	10,822,404	98,792	1,285,899	57,361	173,671	103,979	240,881	-	283,411	13,066,398	10,981,056
<b>Proceeds from Disposal of Capital Assets</b>	-	-	75,700	-	-	-	-	-	-	75,700	3,400

\* Includes network infrastructure.

**FORT LA BOSSE SCHOOL DIVISION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2011**

**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 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 & 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.

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.

**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.

#### **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 authorized line of credit with CIBC of \$4,000,000 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 2011 and 2012. Other investments are recorded at the lower of cost or market. As at June 30, 2011, the cost of short term investments was \$84,520; investment income earned during the year was \$652.

## 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, 2010	Additions in the period	Revenue recognized In the period	Balance as at June 30, 2011
Education Property Tax Credit	197,010		197,010	
Donated Capital Assets	14,044	55,309	14,894	54,459
	211,054	55,309	211,904	54,459

## 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 2012 to 2031. Payment of principal and interest is funded entirely by grants from the Province of Manitoba. The debentures carry interest rates that range from 5.000% to 11.750%. Debenture interest expense payable as at June 30, 2011, 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
2012	674,206	533,327	1,207,533
2013	605,759	483,025	1,088,784
2014	551,247	440,783	992,030
2015	578,320	404,823	983,143
2016	577,183	367,264	944,447
	2,986,715	2,229,222	5,215,937

## 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	2011 Net Book Value
Owned-tangible capital assets	27,310,657	14,244,259	13,066,398
Capital Lease	0	0	0
	<hr/> 27,310,657	<hr/> 14,244,259	<hr/> 13,066,398

## 10. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2011
Operating Fund	
Designated Surplus	162,000
Undesignated Surplus	639,250
	<hr/> 801,250
Capital Fund	
Reserve Accounts	322,200
Equity in Tangible Capital Assets	3,503,317
	<hr/> 3,825,517
Special Purpose Fund	
School Generated Funds	297,644
Other Special Purpose Funds	98,076
	<hr/> 395,720
Total Accumulated Surplus	<hr/> <hr/> 5,022,487

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.

	2011
Board approved appropriation by motion	162,000
School budget carryovers by board policy	
	<hr/> 162,000
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.

	2011
Bus reserves	2,970
Other reserves	319,230
	<hr/>
	322,200

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

	2011
Foundation Scholarship	98,076
Other	0
	<hr/>
Other Special Purpose Funds	98,076

# **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 2010 tax year and 57% from 2011 tax year. Below are the related revenue and receivable amounts:

	2011	2010
Revenue-Municipal Government-Property Tax	5,703,196	5,489,301
Receivable-Due from Municipal-Property Tax	3,238,337	3,127,127



## 12. Interest Received and Paid

The Division received interest during the year of \$872 (2010 - \$79); interest paid during the year was \$522,209 (2010 - \$511,557).

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

	2011
Operating Fund	
Fiscal-short term loan, interest and bank charges	67,163
Capital Fund	
Debenture debt interest	455,046
Other interest	
	<hr/>
	522,209

The accrual portion of debenture debt interest expense of \$199,351 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 2011	Budget 2011	Actual 2010
Salaries	11,659,469	11,722,656	11,137,899
Employee benefits & allowances	809,960	831,007	759,499
Services	1,571,926	1,615,439	1,492,851
Supplies, materials & minor equipment	1,164,644	1,241,137	1,305,157
Interest	522,209	54,000	511,557
Bad debts	0	0	0
Payroll tax	246,261	252,000	239,387
Tuition and transfers	248,912	209,600	214,265
Amortization	910,064	0	861,052
Other Capital Items	0	0	46,000
School generated funds	521,317	0	600,759
Other special purpose funds	46,732	0	21,953
	<hr/>	<hr/>	<hr/>
	17,701,494	15,925,839	17,190,379

## 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 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 Deloitte and Touche 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.

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Chairperson

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Secretary-Treasurer

November 18, 2011

## 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, 2011, 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.

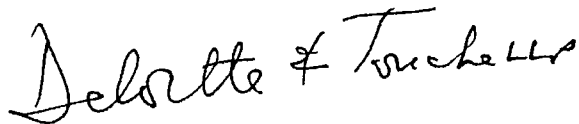
*Audit Opinion*

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Frontier School Division as at June 30, 2011 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.

A handwritten signature in black ink that reads "Deloitte & Touche LLP". The signature is written in a cursive, flowing style.

Chartered Accountants  
Winnipeg, Manitoba  
November 18, 2011

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

as at June 30

Notes		2011	2010
	<b>Financial Assets</b>		
	Cash and Bank	-	-
	Short Term Investments	-	-
	Due from - Provincial Government	2,246,312	2,495,031
	- Federal Government	1,160,256	2,207,738
	- Municipal Government	2,003,488	1,773,120
	- Other School Divisions	3,029	1,300
	- First Nations	39,592,649	27,583,483
	Accounts Receivable	132,325	386,705
	Accrued Investment Income	-	-
	Other Investments	-	-
		<u>45,138,059</u>	<u>34,447,377</u>
	<b>Liabilities</b>		
*	Overdraft	20,887,828	8,473,496
	Accounts Payable	8,997,181	7,733,454
	Accrued Liabilities	6,650,489	8,911,461
*	Employee Future Benefits	978,099	1,025,954
	Accrued Interest Payable	751,058	742,475
	Due to - Provincial Government	-	-
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	1,603	42,620
	- First Nations	-	-
*	Deferred Revenue	2,650,759	1,712,080
*	Debenture Debt	30,938,476	30,628,998
*	Other Borrowings	1,639,743	1,361,926
	School Generated Funds Liability	<u>383,772</u>	<u>356,204</u>
		<u>73,879,008</u>	<u>60,988,668</u>
	<b>Net Debt</b>	<u>(28,740,949)</u>	<u>(26,541,291)</u>
	<b>Non-Financial Assets</b>		
*	Net Tangible Capital Assets (TCA Schedule)	46,878,720	43,636,453
	Inventories	-	-
	Prepaid Expenses	<u>272,784</u>	<u>236,187</u>
		<u>47,151,504</u>	<u>43,872,640</u>
*	<b>Accumulated Surplus</b>	<u>18,410,555</u>	<u>17,331,349</u>

See accompanying notes to the Financial Statements

# **CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS**

For the Year Ended June 30

Notes		2011	2010
	<b>Revenue</b>		
	Provincial Government	48,627,077	47,156,501
	Federal Government	10,924,266	10,082,591
	Municipal Government - Property Tax	2,572,294	2,605,061
	- Other	194,400	148,534
	Other School Divisions	20,150	6,500
	First Nations	48,303,838	47,111,650
	Private Organizations and Individuals	4,097,144	3,965,355
	Other Sources	1,909,923	7,455,472
	School Generated Funds	669,089	757,603
	Other Special Purpose Funds	-	-
		<u>117,318,181</u>	<u>119,289,267</u>
	<b>Expenses</b>		
	Regular Instruction	48,579,678	46,805,303
	Student Support Services	16,639,902	16,217,518
	Adult Learning Centres	3,209,160	3,672,958
	Community Education and Services	2,342,263	1,977,499
	Divisional Administration	5,861,145	5,948,858
	Instructional and Other Support Services	6,457,887	5,789,832
	Transportation of Pupils	8,836,698	8,174,427
	Operations and Maintenance	17,417,165	17,296,306
*	Fiscal - Interest	2,191,165	1,824,868
	- Other	1,605,367	1,539,191
	Amortization	2,448,985	2,182,496
	Other Capital Items	-	-
	School Generated Funds	649,560	740,273
	Other Special Purpose Funds	-	-
		<u>116,238,975</u>	<u>112,169,529</u>
	Current Year Surplus (Deficit)	<u>1,079,206</u>	<u>7,119,738</u>
	Opening Accumulated Surplus	17,331,349	10,211,611
	Adjustments: Tangible Cap. Assets and Accum. Amort.	-	-
	Other than Tangible Cap. Assets	-	-
	Opening Accumulated Surplus, as adjusted	<u>17,331,349</u>	<u>10,211,611</u>
	<b>Closing Accumulated Surplus</b>	<u><u>18,410,555</u></u>	<u><u>17,331,349</u></u>

See accompanying notes to the Financial Statements

\* NOTE REQUIRED

## CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2011

	2011	2010
Current Year Surplus (Deficit)	1,079,206	7,119,738
Amortization of Tangible Capital Assets	2,448,985	2,182,496
Acquisition of Tangible Capital Assets	(5,691,252)	(10,574,304)
(Gain) / Loss on Disposal of Tangible Capital Assets	(900)	(1,321)
Proceeds on Disposal of Tangible Capital Assets	900	1,321
	(3,242,267)	(8,391,808)
Inventories (Increase)/Decrease	-	-
Prepaid Expenses (Increase)/Decrease	(36,597)	4,481
	(36,597)	4,481
(Increase)/Decrease in Net Debt	(2,199,658)	(1,267,589)
Net Debt at Beginning of Year	(26,541,291)	(25,273,702)
Adjustments Other than Tangible Cap. Assets	-	-
Net Debt at Beginning of Year as Adjusted	(26,541,291)	(25,273,702)
<b>Net Debt at End of Year</b>	<b>(28,740,949)</b>	<b>(26,541,291)</b>



**CONSOLIDATED STATEMENT OF CASH FLOW**

For the Year Ended June 30, 2011

	2011	2010
<b>Operating Transactions</b>		
Current Year Surplus/(Deficit)	1,079,206	7,119,738
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	2,448,985	2,182,496
(Gain)/Loss on Disposal of Tangible Capital Assets	(900)	(1,321)
Employee Future Benefits Increase/(Decrease)	(47,855)	73,648
Short Term Investments (Increase)/Decrease	-	-
Due from Other Organizations (Increase)/Decrease	(10,945,062)	(14,574,599)
Accounts Receivable & Accrued Income (Increase)/Decrease	254,380	(99,725)
Inventories and Prepaid Expenses - (Increase)/Decrease	(36,597)	4,481
Due to Other Organizations Increase/(Decrease)	(41,017)	(77,550)
Accounts Payable & Accrued Liabilities Increase/(Decrease)	(988,662)	965,620
Deferred Revenue Increase/(Decrease)	938,679	(5,509,509)
School Generated Funds Liability Increase/(Decrease)	27,568	21,894
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by Operating Transactions	(7,311,275)	(9,894,827)
<b>Capital Transactions</b>		
Acquisition of Tangible Capital Assets	(5,691,252)	(10,574,304)
Proceeds on Disposal of Tangible Capital Assets	900	1,321
Cash (Applied to)/Provided by Capital Transactions	(5,690,352)	(10,572,983)
<b>Investing Transactions</b>		
Other Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
<b>Financing Transactions</b>		
Debenture Debt Increase/(Decrease)	309,478	1,975,645
Other Borrowings Increase/(Decrease)	277,817	(245,861)
Cash Provided by (Applied to) Financing Transactions	587,295	1,729,784
Cash and Bank / Overdraft (Increase)/Decrease	(12,414,332)	(18,738,026)
Cash and Bank (Overdraft) at Beginning of Year	(8,473,496)	10,264,530
<b>Cash and Bank (Overdraft) at End of Year</b>	<b>(20,887,828)</b>	<b>(8,473,496)</b>

# **SCHEDULE OF TANGIBLE CAPITAL ASSETS**

at June 30, 2011

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	2011 TOTALS	2010 TOTALS
	School	Non-School									
<b>Tangible Capital Asset Cost</b>											
Opening Cost, as previously reported	83,684,687	13,122,457	6,293,697	175,918	1,572,295	-	1,462,248	-	11,412,234	117,723,536	107,289,069
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	83,684,687	13,122,457	6,293,697	175,918	1,572,295	-	1,462,248	-	11,412,234	117,723,536	107,289,069
Add:											
Additions during the year	14,123,837	624,302	1,166,245	17,817	87,184	-	-	-	(10,328,133)	5,691,252	10,574,304
Less:											
Disposals and write downs	-	-	-	-	-	-	-	-	-	-	139,837
Closing Cost	97,808,524	13,746,759	7,459,942	193,735	1,659,479	-	1,462,248	-	1,084,101	123,414,788	117,723,536
<b>Accumulated Amortization</b>											
Opening, as previously reported	58,434,402	11,280,593	3,164,347	50,682	1,157,059	-	-	-	-	74,087,083	72,044,424
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening adjusted	58,434,402	11,280,593	3,164,347	50,682	1,157,059	-	-	-	-	74,087,083	72,044,424
Add:											
Current period Amortization	1,507,242	174,378	565,186	36,965	165,214	-	-	-	-	2,448,985	2,182,496
Less:											
Accumulated Amortization on Disposals and Writedowns	-	-	-	-	-	-	-	-	-	-	139,837
Closing Accumulated Amortization	59,941,644	11,454,971	3,729,533	87,647	1,322,273	-	-	-	-	76,536,068	74,087,083
<b>Net Tangible Capital Asset</b>	37,866,880	2,291,788	3,730,409	106,088	337,206	-	1,462,248	-	1,084,101	46,878,720	43,636,453
<b>Proceeds from Disposal of Capital Assets</b>	-	-	900	-	-	-	-	-	-	900	1,321

\* Includes network infrastructure.

# FRONTIER SCHOOL DIVISION

## Notes to the Consolidated Financial Statements

June 30, 2011

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### 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 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 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.

**FRONTIER SCHOOL DIVISION**  
**Notes to the Consolidated Financial Statements**  
**June 30, 2011**

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**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 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.

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.

**FRONTIER SCHOOL DIVISION**  
**Notes to the Consolidated Financial Statements**  
**June 30, 2011**

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**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

*f) Tangible Capital Assets (continued)*

Asset Description	Capitalization <u>Threshold</u>	Estimated <u>Useful Life</u> (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 and 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, 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.

**FRONTIER SCHOOL DIVISION**  
**Notes to the Consolidated Financial Statements**  
**June 30, 2011**

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**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.

**FRONTIER SCHOOL DIVISION**  
**Notes to the Consolidated Financial Statements**  
**June 30, 2011**

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**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 (2011, 7.6%, 2010, 7.6%). The plan is evaluated using both the "Going Concern Valuation" and the "Solvency Valuation". The last review was as at December 31, 2009.

The Employee contribution for 2011 was \$1,951,325 (2010 contribution was \$1,660,699). 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 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.



**FRONTIER SCHOOL DIVISION**  
**Notes to the Consolidated Financial Statements**  
**June 30, 2011**

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**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

*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 a potential risk any time credit is granted. The carrying amounts of the financial instruments approximate their fair value, unless otherwise noted.

**3. OVERDRAFT**

The Division has an authorized Line of Credit with the Royal Bank of \$20,000,000 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:

	<u>2011</u>	<u>2010</u>
Employee Future Benefit Liability (EFBL)		
Retirement Insurance Plan	\$ 93,068	\$ 113,312
Superintendent Retirement	581,852	683,752
Special Leave	303,179	228,890
	<u>\$ 978,099</u>	<u>\$ 1,025,954</u>

The defined benefit plan provided to non-teaching staff is actuarially valued every three years 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, 2009. 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.

**FRONTIER SCHOOL DIVISION**  
**Notes to the Consolidated Financial Statements**  
June 30, 2011

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**4. EMPLOYEE FUTURE BENEFITS (continued)**

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 \$ 383,772 (2010 \$356,204).

	<u>2011</u>	<u>2010</u>
Student Council funds	\$ 47,386	\$ 87,449
Travel clubs	59,586	40,668
Graduation	17,478	38,688
Music enhancement	12,146	14,766
Community development	67,396	68,880
Other	179,780	105,753
	<u>\$ 383,772</u>	<u>\$ 356,204</u>

**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 2012 to 2031. 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 4.625% to 11.75%. Debenture interest expense payable as at June 30, 2011 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:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 1,537,481	\$ 1,716,017	\$ 3,253,498
2013	1,620,629	1,623,690	3,244,319
2014	1,638,711	1,526,531	3,165,242
2015	1,722,994	1,430,730	3,153,724
2016	1,799,892	1,330,105	3,129,997
	<u>\$ 8,319,707</u>	<u>\$ 7,627,073</u>	<u>\$ 15,946,780</u>

**FRONTIER SCHOOL DIVISION**  
**Notes to the Consolidated Financial Statements**  
**June 30, 2011**

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**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 3.78 % to 5.5 % per annum, due between 2012 and 2015. Payments are monthly, quarterly and annually and include principal and interest.

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 572,048	\$ 55,339	\$ 627,387
2013	479,125	33,055	512,180
2014	334,804	16,252	351,056
2015	194,547	6,319	200,866
2016	59,219	710	59,929
	<u>\$ 1,639,743</u>	<u>\$ 111,675</u>	<u>\$ 1,751,418</u>

**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.

	<u>Gross Amount</u>	<u>2011 Accumulated Amortization</u>	<u>2011 Net Book Value</u>	<u>2010 Net Book Value</u>
Owned tangible capital assets	\$ 118,453,005	\$ 74,091,585	\$44,361,420	\$ 41,505,210
Capital lease	4,961,783	2,444,483	2,517,300	2,131,243
	<u>\$ 123,414,788</u>	<u>\$ 76,536,068</u>	<u>\$46,878,720</u>	<u>\$ 43,636,453</u>

**FRONTIER SCHOOL DIVISION**  
**Notes to the Consolidated Financial Statements**  
**June 30, 2011**

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**9. ACCUMULATED FUNDS**

The consolidated accumulated surplus is comprised of the following:

	<u>2011</u>	<u>2010</u>
Operating Fund		
Designated		
Undesignated	\$ 4,153,990	\$ 3,458,852
Capital Fund		
Reserve Accounts	1,635,594	1,200,023
Equity in Tangible Assets	12,550,648	12,621,680
Special Purpose Funds	70,323	50,794
<b>Total Accumulated Surplus</b>	<b>\$ 18,410,555</b>	<b>\$ 17,331,349</b>

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.

	<u>2011</u>	<u>2010</u>
Bus Reserves	\$ 1,235,594	\$ 1,000,023
Renovation to Hanger – Cranberry Portage	400,000	200,000

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

Education property tax or Special Levy is raised as the Division's contribution to the cost of providing public education for the students 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 2010 tax year and 40% from 2011 tax year. Below are the related revenue and receivable amounts:

	<u>2011</u>	<u>2010</u>
Revenue – Municipal Government – Property Tax	\$ 2,572,294	\$ 2,605,061
Receivable – Due from Municipal – Property Tax	2,003,488	1,773,120

**FRONTIER SCHOOL DIVISION**  
**Notes to the Consolidated Financial Statements**  
**June 30, 2011**

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**11. INTEREST RECEIVED AND PAID**

The Division received interest during the year of \$ 1,184,562 (2010- \$ 796,662); interest paid during the year was \$ 2,191,165 (2010-\$ 1,824,868).

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

	<u>2011</u>
Operating Fund	
Fiscal – short term loan, interest and bank charges	\$ 403,651
Capital Fund	
Debenture debt interest	1,729,488
Other interest	58,026
	<u>\$ 2,191,165</u>

The accrual portion of debenture debt interest expense of \$ 751,058 (2010-742,475) 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. Below is the total allowance for doubtful accounts as at June 30, 2011:

	<u>2011</u>	<u>2010</u>
Allowance for doubtful accounts deducted from		
Receivables below:		
Due from First Nations	\$ 282,681	\$ 282,681
Accounts Receivable	8,529	8,529
	<u>\$ 291,210</u>	<u>\$ 291,210</u>
Bad debts expense (included in fiscal-Other)	\$ -	\$ 21,892

**FRONTIER SCHOOL DIVISION**  
**Notes to the Consolidated Financial Statements**  
June 30, 2011

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**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:

	<u>Actual</u> <u>2011</u>	<u>Budget</u> <u>2011</u>	<u>Actual</u> <u>2010</u>
Salaries	\$ 72,473,592	\$ 72,156,902	\$ 69,395,775
Employees benefits & allowances	6,926,501	7,566,057	6,709,586
Services	17,072,631	16,387,061	16,218,291
Supplies, materials & minor equipment	8,674,489	9,899,499	8,916,147
Interest	403,651	300,000	140,263
Bad debts	-	-	21,892
Payroll tax & Transfers	5,802,052	5,908,370	6,160,201
Amortization	2,448,985	-	2,182,496
Other capital items	1,787,514	-	1,684,605
School generated funds	649,560	-	740,273
Other special purpose funds	-	-	-
	<u>\$ 116,238,975</u>	<u>\$ 112,217,889</u>	<u>\$ 112,169,529</u>

**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.

**FRONTIER SCHOOL DIVISION**  
**Appendix 1 to the Consolidated Financial Statements**  
**June 30, 2011**

FRONTIER SCHOOL DIVISION - INFORMATION FOR NOTES TO FS

BENEFIT PLAN ASSETS - PENSION PLAN:

	12 mos proj 30/06/2010 6.00%	12 mos proj 31/12/2010 6.00%	12 mos proj 31/03/2011 6.00%	12 mos proj 30/06/2011 6.00%
Fair value open - smoothed value	\$ 62,493,848	\$ 67,180,244	\$ 68,173,080	\$ 65,017,043
Expected return	4,034,289	4,025,929	4,001,189	4,043,846
Actuarial investment gain/(loss)	(2,278,183)	(3,217,135)	(1,646,584)	901,061
Employer contributions	1,660,699	1,803,718	1,827,582	1,978,919
Employee contributions	1,660,699	1,803,718	1,827,582	1,978,919
Benefits paid	(2,554,309)	(3,219,556)	(3,353,338)	(3,281,207)
Other - expenses	-	-	-	-
Fair value close	\$ 65,017,043	\$ 68,376,918	\$ 70,829,511	\$ 70,638,581

ACCRUED BENEFIT PLAN OBLIGATIONS - PENSION PLAN:

Balance open	\$ 63,113,665	\$ 65,297,200	\$ 66,501,924	\$ 67,919,685
Current service costs	3,423,467	3,936,456	4,091,956	4,430,800
Interest costs	3,999,934	4,062,688	4,095,671	4,173,263
Benefits paid	(2,554,309)	(3,219,556)	(3,353,338)	(3,281,207)
Actuarial (gain)/loss	(399,572)	(203,500)	(203,500)	-
Actuarial asmp chg (gain)/loss	336,500	336,500	336,500	-
Balance close	\$ 67,919,685	\$ 70,209,788	\$ 71,469,213	\$ 73,242,541

SURPLUS OF PENSION PLAN:	(2,902,642)	(1,832,870)	(639,702)	(2,603,960)
INVESTMENT RESERVE		1,690,024	1,690,024	
SURPLUS ON A MARKET VALUE BASIS		\$ (3,522,894)	\$ (2,329,726)	

SURPLUS OF PENSION PLAN ASSETS VERSUS PLAN OBLIGATIONS:

Surplus	(2,902,642)	(1,832,870)	(639,702)	(2,603,960)
Unamortized net actuarial (gains)/losses	-	-	-	-
Less: valuation allowance	2,902,642	1,832,870	639,702	2,603,960
NET ACCRUED BENEFITS PLAN ASSET	\$ -	\$ -	\$ -	\$ -

THE TOTAL NET COST FOR THE DIVISION'S PENSION PLAN IS:

Net defined benefit plans costs:

Current service cost less employee contributions	\$ 1,762,768	\$ 2,132,738	\$ 2,264,374	\$ 2,451,881
Interest on plan obligations	3,999,934	4,062,688	4,095,671	4,173,263
Expected return on plan assets	(4,034,289)	(4,025,929)	(4,001,189)	(4,043,846)
Amortization of actuarial (gains)/losses	-	-	-	-
Valuation allowance increase/(decrease): -{(NC-C) less ext int(F-L)}	(67,714)	(365,779)	(531,274)	(602,379)
Net defined benefit plans cost	\$ 1,660,699	\$ 1,803,718	\$ 1,827,582	\$ 1,978,919
ck.	1,660,699	1,803,718	1,827,582	1,978,919



# FRONTIER SCHOOL DIVISION

## Appendix 1 to the Consolidated Financial Statements

### June 30, 2011

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#### Actuarial Assumptions used to measure pension obligations

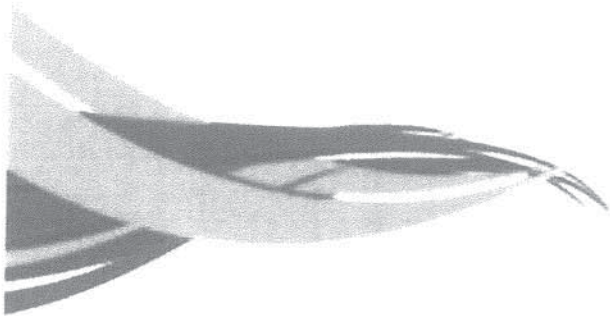
Discount Rate	6.00%	6.00%	6.00%	6.00%
Rate of compensation increase	4.25%	4.25%	4.25%	4.25%

#### Actuarial Assumptions used to measure pension costs

Discount Rate	6.00%	6.00%	6.00%	6.00%
Expected long-term rate of return on plan assets	6.00%	6.00%	6.00%	6.00%
Rate of compensation increase	4.25%	4.25%	4.25%	4.25%

#### Plan assets are held in trust and invested as follows:

Equities	63.00%	67.90%	67.60%	66.60%
Bonds	22.40%	22.10%	22.40%	23.00%
Real Estate	14.60%	10.00%	10.00%	10.40%
Cash and cash equivalents	0.00%	0.00%	0.00%	0.00%



## GARDEN VALLEY SCHOOL DIVISION

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### MANAGEMENT REPORT

#### Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of Garden Valley School Division are the responsibility of the Division management and have been prepared in compliance with legislation, and in accordance with Canadian 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 auditor 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.

\_\_\_\_\_  
Chairperson

\_\_\_\_\_  
Secretary-Treasurer

October 25, 2011

Senior Administration: Vern Reimer, Todd Monster, Debra Loewen, Terry R. Penner, Ken Bergen  
Board of Trustees: Sam Berg, Laurie Dyck, Edwin Guenther, Leah Klassen, Tash Olfert,  
Ed Rempel, Cindy Smart, Darrel Wiebe, Brenda Willey







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

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## Independent Auditor's Report

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To the Chairperson and Board of Trustees of Garden Valley School Division

We have audited the accompanying consolidated financial statements of **Garden Valley School Division** ("Division"), which comprise the consolidated statement of financial position as at June 30, 2011, 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 qualified audit opinion.

### Basis for Qualified Opinion

The School Division offers sick pay benefits that accumulate but do not vest to several of its employee groups. Under generally accepted accounting principles for public sector organizations, the Division should recognize a liability and an expense for sick pay benefits in the period in which employees render services to the Division in return for the benefits. The Division has not recorded employee future benefits liabilities relating to sick pay benefits that accumulate but do not vest. Because the Division did not determine the amount of the liability at year end, we were unable to verify by alternate means whether sick pay benefits liabilities are fairly stated. Accordingly, we were not able to determine whether any adjustments might be necessary to employee future benefits liabilities, employee benefits expense, and accumulated surplus.



#### Qualified Opinion

In our opinion, except for the possible effect of the matter described in the Basis for Qualified Opinion paragraph, the consolidated financial statements present fairly, in all material respects, the financial position of **Garden Valley School Division** as at June 30, 2011, 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 Accountants

Winnipeg, Manitoba  
October 25, 2011

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 25, 2011  
Date

\_\_\_\_\_  
Chairperson

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

as at June 30

Notes		2011	2010
	<b>Financial Assets</b>		
	Cash and Bank	-	-
	Short Term Investments	25,000	25,000
	Due from - Provincial Government	1,771,312	1,085,909
	- Federal Government	723,257	183,420
10	- Municipal Government	5,991,680	4,939,017
	- Other School Divisions	272,101	346,913
	- First Nations	-	-
	Accounts Receivable	78,764	72,737
	Accrued Investment Income	-	-
	Other Investments	-	-
		<u>8,862,114</u>	<u>6,652,996</u>
	<b>Liabilities</b>		
3	Overdraft	3,633,844	3,619,052
	Accounts Payable	3,067,820	1,463,577
	Accrued Liabilities	910,349	275,357
4	Employee Future Benefits	-	104,346
	Accrued Interest Payable	766,042	525,210
	Due to - Provincial Government	122,032	122,918
	- Federal Government	1,772,055	1,519,769
	- Municipal Government	154,920	152,807
	- Other School Divisions	294,158	234,195
	- First Nations	-	-
5	Deferred Revenue	1,474,056	1,338,863
6	Debenture Debt	36,302,673	22,080,340
7	Other Borrowings	1,971,572	2,132,859
	School Generated Funds Liability	-	-
		<u>50,469,521</u>	<u>33,569,293</u>
	<b>Net Debt</b>	<u>(41,607,407)</u>	<u>(26,916,297)</u>
	<b>Non-Financial Assets</b>		
8	Net Tangible Capital Assets (TCA Schedule)	56,531,922	38,773,616
	Inventories	-	-
	Prepaid Expenses	409,509	412,233
		<u>56,941,431</u>	<u>39,185,849</u>
9	<b>Accumulated Surplus</b>	<u>15,334,024</u>	<u>12,269,552</u>

See accompanying notes to the Financial Statements

# CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes		2011	2010
	<b>Revenue</b>		
	Provincial Government	28,635,346	26,426,010
	Federal Government	-	-
10	Municipal Government - Property Tax	12,451,337	9,912,320
	- Other	-	-
	Other School Divisions	277,598	352,967
	First Nations	-	-
	Private Organizations and Individuals	25,566	105,560
	Other Sources	457,251	262,037
	School Generated Funds	257,873	348,754
	Other Special Purpose Funds	-	-
		<u>42,104,971</u>	<u>37,407,648</u>
12	<b>Expenses</b>		
	Regular Instruction	21,618,236	20,677,636
	Student Support Services	6,429,899	6,229,630
	Adult Learning Centres	-	-
	Community Education and Services	49,767	46,869
	Divisional Administration	1,236,401	1,116,513
	Instructional and Other Support Services	807,929	805,205
	Transportation of Pupils	1,725,363	1,592,571
	Operations and Maintenance	2,855,005	2,821,054
11	Fiscal - Interest	1,606,337	1,274,023
	- Other	595,720	604,241
	Amortization	1,873,692	1,733,745
	Other Capital Items	-	-
	School Generated Funds	242,150	370,239
	Other Special Purpose Funds	-	-
		<u>39,040,499</u>	<u>37,271,726</u>
	Current Year Surplus (Deficit)	<u>3,064,472</u>	<u>135,922</u>
	Opening Accumulated Surplus	12,269,552	11,774,514
	Adjustments: Tangible Cap. Assets and Accum. Amort.	-	359,116
	Other than Tangible Cap. Assets	-	-
	Opening Accumulated Surplus, as adjusted	<u>12,269,552</u>	<u>12,133,630</u>
9	<b>Closing Accumulated Surplus</b>	<u>15,334,024</u>	<u>12,269,552</u>

See accompanying notes to the Financial Statements

**CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT**

For the Year Ended June 30, 2011

	2011	2010
Current Year Surplus (Deficit)	3,064,472	135,922
Amortization of Tangible Capital Assets	1,873,692	1,733,745
Acquisition of Tangible Capital Assets	(19,631,998)	(5,923,751)
(Gain) / Loss on Disposal of Tangible Capital Assets	-	-
Proceeds on Disposal of Tangible Capital Assets	-	-
	(17,758,306)	(4,190,006)
Inventories (Increase)/Decrease	-	-
Prepaid Expenses (Increase)/Decrease	2,724	(14,413)
	2,724	(14,413)
(Increase)/Decrease in Net Debt	(14,691,110)	(4,068,497)
Net Debt at Beginning of Year	(26,916,297)	(22,847,800)
Adjustments Other than Tangible Cap. Assets	-	-
Net Debt at Beginning of Year as Adjusted	(26,916,297)	(22,847,800)
<b>Net Debt at End of Year</b>	<b>(41,607,407)</b>	<b>(26,916,297)</b>



**CONSOLIDATED STATEMENT OF CASH FLOW**

For the Year Ended June 30, 2011

	2011	2010
<b>Operating Transactions</b>		
Current Year Surplus/(Deficit)	3,064,472	135,922
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	1,873,692	1,733,745
(Gain)/Loss on Disposal of Tangible Capital Assets	-	-
Employee Future Benefits Increase/(Decrease)	(104,346)	20,425
Short Term Investments (Increase)/Decrease	-	-
Due from Other Organizations (Increase)/Decrease	(2,203,091)	(895,720)
Accounts Receivable & Accrued Income (Increase)/Decrease	(6,027)	(28,615)
Inventories and Prepaid Expenses - (Increase)/Decrease	2,724	(14,413)
Due to Other Organizations Increase/(Decrease)	313,476	(166,554)
Accounts Payable & Accrued Liabilities Increase/(Decrease)	2,480,067	(1,066,248)
Deferred Revenue Increase/(Decrease)	135,193	37,912
School Generated Funds Liability Increase/(Decrease)	-	-
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by Operating Transactions	5,556,160	(243,546)
<b>Capital Transactions</b>		
Acquisition of Tangible Capital Assets	(19,631,998)	(5,923,751)
Proceeds on Disposal of Tangible Capital Assets	-	-
Cash (Applied to)/Provided by Capital Transactions	(19,631,998)	(5,923,751)
<b>Investing Transactions</b>		
Other Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
<b>Financing Transactions</b>		
Debenture Debt Increase/(Decrease)	14,222,333	2,318,079
Other Borrowings Increase/(Decrease)	(161,287)	(253,427)
Cash Provided by (Applied to) Financing Transactions	14,061,046	2,064,652
Cash and Bank / Overdraft (Increase)/Decrease	(14,792)	(4,102,645)
Cash and Bank (Overdraft) at Beginning of Year	(3,619,052)	483,593
<b>Cash and Bank (Overdraft) at End of Year</b>	<b>(3,633,844)</b>	<b>(3,619,052)</b>

# **SCHEDULE OF TANGIBLE CAPITAL ASSETS**

at June 30, 2011

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	2011 TOTALS	2010 TOTALS
	School	Non-School									
<b>Tangible Capital Asset Cost</b>											
Opening Cost, as previously reported	52,821,513	2,862,492	2,421,632	32,200	1,348,697	163,061	2,291,535	-	3,796,908	65,738,038	59,814,287
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	52,821,513	2,862,492	2,421,632	32,200	1,348,697	163,061	2,291,535	-	3,796,908	65,738,038	59,814,287
Add:											
Additions during the year	2,608,600	-	315,147	72,324	159,669	222,970	-	-	16,253,288	19,631,998	5,923,751
Less:											
Disposals and write downs	-	-	-	-	-	-	-	-	-	-	-
Closing Cost	55,430,113	2,862,492	2,736,779	104,524	1,508,366	386,031	2,291,535	-	20,050,196	85,370,036	65,738,038
<b>Accumulated Amortization</b>											
Opening, as previously reported	23,999,078	684,595	1,176,177	32,200	979,488	92,884	-	-	-	26,964,422	25,589,793
Adjustments	-	-	-	-	-	-	-	-	-	-	(359,116)
Opening adjusted	23,999,078	684,595	1,176,177	32,200	979,488	92,884	-	-	-	26,964,422	25,230,677
Add:											
Current period Amortization	1,414,207	67,614	201,096	7,232	135,654	47,889	-	-	-	1,873,692	1,733,745
Less:											
Accumulated Amortization on Disposals and Writedowns	-	-	-	-	-	-	-	-	-	-	-
Closing Accumulated Amortization	25,413,285	752,209	1,377,273	39,432	1,115,142	140,773	-	-	-	28,838,114	26,964,422
<b>Net Tangible Capital Asset</b>	30,016,828	2,110,283	1,359,506	65,092	393,224	245,258	2,291,535	-	20,050,196	56,531,922	38,773,616
<b>Proceeds from Disposal of Capital Assets</b>	-	-	-	-	-	-	-	-	-	-	-

\* Includes network infrastructure.

**Garden Valley School Division  
Notes to Consolidated Financial Statements  
For the Year Ended June 30, 2011**

**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 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 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 (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 and charitable foundations controlled by the Division.



**Garden Valley School Division  
Notes to Consolidated Financial Statements  
For the Year Ended June 30, 2011**

**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.

<u>Asset Description</u>	<u>Capitalization Threshold (\$)</u>	<u>Estimated Useful Life</u>
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	5,000	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.

**Garden Valley School Division  
Notes to Consolidated Financial Statements  
For the Year Ended June 30, 2011**

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.

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 are sick.



**Garden Valley School Division  
Notes to Consolidated Financial Statements  
For the Year Ended June 30, 2011**

**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, debenture debt and other borrowings) that may affect the amount, timing and certainty of future cash flows. The Division is exposed to credit risk from the potential non-payment of accounts receivable. However, the majority of the receivables are from local, provincial and federal governments, and therefore, the credit risk is minimal. The carrying amounts of the financial instruments approximate their carrying values, unless otherwise noted.

**3. Bank Overdraft**

The Division has authorized lines of credit with the Access Credit Union Ltd. totalling \$23,700,000 by way of overdrafts and is repayable on demand. The various overdrafts bear interest ranging at the credit union's prime rate minus 2.0% to 0.5% (1.0% to 2.5% respectively at June 30, 2011); interest is paid monthly. Included in the overdraft are capital projects totalling approximately \$6,901,064 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.

**4. Employee Future Benefits**

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

The employee future benefit expense is a part of the Employee Benefits and Allowances expense account. The total pension expense for the year ended June 30, 2011 is \$350,882 (\$365,239 in 2010).

**Garden Valley School Division**  
**Notes to Consolidated Financial Statements**  
**For the Year Ended June 30, 2011**

**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, 2010	Additions in year	Revenue recognized in year	Balance as at June 30, 2011
Education Property Tax Credit (EPTC)	\$ 1,330,663	2,952,171	2,810,576	1,472,258
Other	8,200	1,798	8,200	1,798
	<u>\$ 1,338,863</u>	<u>2,953,969</u>	<u>2,818,776</u>	<u>1,474,056</u>

**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 2012 to 2031. Payment of principal and interest is funded entirely by grants from the Province of Manitoba. The debentures carry interest rates that range from 4.625% to 12.125%. Debenture interest expense payable as at June 30, 2011, 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:

2012	\$ 3,675,168
2013	3,531,592
2014	3,407,078
2015	3,210,512
2016	3,203,816

**7. Other Borrowings**

Other borrowings are debts other than overdrafts or debentures. This includes a loan payable for administrative offices.

	2011	2010
Access Credit Union, demand loan, prime less .50% (2.50% at June 30, 2011); 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. Matures June 2022.	<u>\$ 1,971,572</u>	<u>2,132,859</u>

Scheduled principal and interest repayments of total Other Borrowings in the next five fiscal years ending are as follows:

	Principal	Interest	Total
2012	\$ 163,293	\$ 47,427	\$ 210,720
2013	167,423	43,297	210,720
2014	171,657	39,063	210,720
2015	175,998	34,722	210,720
2016	180,448	30,272	210,720



**Garden Valley School Division  
Notes to Consolidated Financial Statements  
For the Year Ended June 30, 2011**

**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 year included in School Buildings was nil.

**9. Accumulated Surplus**

The consolidated accumulated surplus is comprised of the following:

	<u>2011</u>	<u>2010</u>
Operating Fund		
Designated Surplus	\$ 487,916	307,317
Undesignated Surplus	<u>1,398,753</u>	<u>56,695</u>
	<u>\$ 1,886,669</u>	<u>364,012</u>
Capital Fund		
Reserve Accounts	\$ 1,190,237	50,384
Equity in Tangible Capital Assets	<u>12,168,298</u>	<u>11,781,518</u>
	<u>\$ 13,358,535</u>	<u>11,831,902</u>
Special Purpose Fund		
School Generated Funds	\$ 88,820	73,638
Other Special Purpose Funds	<u>-</u>	<u>-</u>
	<u>\$ 88,820</u>	<u>73,638</u>
Total Accumulated Surplus	<u>\$ 15,334,024</u>	<u>12,269,552</u>

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:

	<u>2011</u>	<u>2010</u>
School budget carryovers by board policy	\$ 340,829	307,317
Applied to 2011/2012 operating budget deficit	147,087	-
Board approved appropriation by motion	<u>1,125,000</u>	<u>-</u>
Designated Surplus	<u>\$ 1,612,916</u>	<u>307,317</u>

**Garden Valley School Division  
Notes to Consolidated Financial Statements  
For the Year Ended June 30, 2011**

Reserve Accounts under the Capital Fund represents internally restricted reserves for specific purposes approved by the Board of Trustees and PSFB. Pending PSFB approval, the Board of Trustees has approved the establishment of a capital reserve for a major expansion of Garden Valley Collegiate in the amount of \$800,000, and for relocation the Maintenance Shop in the amount of \$325,000. A Schedule of Capital Reserve Accounts is provided on page 24 of the consolidated financial statements.

	<u>2011</u>	<u>2010</u>
Bus reserves	\$ 65,237	50,384
High School Renovation reserve	800,000	-
Maintenance Shop Relocation reserve	<u>325,000</u>	<u>-</u>
Capital Reserve	<u>\$ 1,190,237</u>	<u>50,384</u>

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; 50% from 2010 tax year and 50% from 2011 tax year. Below are the related revenue and receivable amounts:

	<u>2011</u>	<u>2010</u>
Revenue – Municipal Government – Property Tax	<u>\$ 12,451,337</u>	<u>9,912,320</u>
Receivable – Due from Municipal – Property Tax	<u>\$ 5,991,680</u>	<u>4,939,017</u>

**11. Interest Received and Paid**

The Division received interest during the year of \$1,533,504 (\$1,216,274 in 2010); interest paid during the year was \$1,606,337 (\$1,273,889 in 2010).

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

	<u>2011</u>	<u>2010</u>
Operating Fund		
Fiscal-short term loan, interest and bank charges	\$ 20,399	7,429
Capital Fund		
Debenture interest	1,512,933	1,209,254
Other interest	<u>73,005</u>	<u>57,206</u>
	<u>\$1,606,337</u>	<u>1,273,889</u>

The accrual portion of debenture debt interest expense of \$766,042 at June 30, 2011 (\$525,210 at June 30, 2010) included under the Capital Fund-Debenture debt interest is offset by an accrual of the debt servicing grant from the Province of Manitoba.

**Garden Valley School Division  
Notes to Consolidated Financial Statements  
For the Year Ended June 30, 2011**

**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:

	<u>2011</u>	<u>2010</u>
Salaries	\$ 27,338,555	26,140,542
Employees benefits and allowances	2,342,024	2,348,367
Services	2,681,237	2,553,128
Supplies, materials and minor equipment	1,934,462	1,963,276
Interest	1,606,337	1,273,889
Bad debt expense	534	134
Payroll tax	595,186	604,241
Transfers	426,322	284,165
Amortization	1,873,692	1,733,745
School generated funds	242,150	370,239
	<u>\$ 39,040,499</u>	<u>37,271,726</u>

**13. Commitments**

Commitments of Operating Fund Surplus at year end are detailed in the Analysis of Consolidated Accumulated Surplus. Designated Operating Fund Accumulated Surplus is \$487,916 at June 30, 2011 (\$307,317 at June 30, 2010). The details of the Designated Surplus are disclosed at page 5 and note 9 of the consolidated financial statements

The Division has a building lease agreement expiring in the year ending June 30, 2012 with future lease payment of \$30,000.

The Division has signed an offer to purchase 30 acres of land in Winkler, Manitoba in the amount of \$902,880 plus applicable taxes for the construction of a new high school. This offer to purchase has been approved by the PSFB. The deposit of \$902,880 is presented as cash and bank on the consolidated statement of financial position at June 30, 2011. Possession is anticipated in September 2011.

The Division has signed an offer to purchase approximately 8 acres of land in Winkler, Manitoba in the amount of \$675,000 plus applicable taxes for construction of a new middle years school. This Offer to Purchase has been approved by the PSFB. A deposit amount of \$50,000 is presented as cash and bank on the consolidated statement of financial position at June 30, 2011. Possession is anticipated in December 2011.



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**Independent Auditors' Report**

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To the Chairperson and Board of Trustees of Hanover School Division

We have audited the accompanying consolidated financial statements of Hanover School Division ("Division"), which comprise the consolidated statement of financial position as at June 30, 2011, 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 qualified audit opinion.

**Basis for Qualified Opinion**

The School Division offers sick pay benefits that accumulate but do not vest to several of its employee groups. Under generally accepted accounting principles for public sector organizations, the Division should recognize a liability and an expense for sick pay benefits in the period in which employees render services to the Division in return for the benefits. The Division has not recorded employee future benefits liabilities relating to sick pay benefits that accumulate but do not vest. Because the Division did not determine the amount of the liability at year end, we were unable to verify by alternate means whether sick pay benefits liabilities are fairly stated. Accordingly, we were not able to determine whether any adjustments might be necessary to employee future benefits liabilities, employee benefits expense, and accumulated surplus.

**Qualified Opinion**

In our opinion, except for the possible effect of the matter described in the Basis for Qualified Opinion paragraph, the consolidated financial statements present fairly, in all material respects, the financial position of Hanover School Division as at June 30, 2011, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Accountants

*BDO Canada LLP*

Winnipeg, Manitoba  
October 18, 2011

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.

Date

*Nov 8, 2011*

Chairperson

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

as at June 30

Notes		2011	2010
	<b>Financial Assets</b>		
	Cash and Bank	-	-
*	Short Term Investments	10	10
	Due from - Provincial Government	3,445,792	1,759,648
	- Federal Government	201,842	87,857
	- Municipal Government	9,993,024	10,338,811
	- Other School Divisions	833	-
	- First Nations	-	-
	Accounts Receivable	201,083	209,079
	Accrued Investment Income	-	-
	Other Investments	-	-
		<u>13,842,584</u>	<u>12,395,405</u>
	<b>Liabilities</b>		
*	Overdraft	10,939,482	3,478,551
	Accounts Payable	2,485,401	2,990,853
	Accrued Liabilities	3,581,004	4,116,262
*	Employee Future Benefits	421,403	267,018
	Accrued Interest Payable	701,055	764,298
	Due to - Provincial Government	-	-
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
*	Deferred Revenue	2,254,559	1,991,512
*	Debenture Debt	26,049,361	27,745,892
*	Other Borrowings	1,620,000	1,890,000
	School Generated Funds Liability	162,906	111,227
		<u>48,215,171</u>	<u>43,355,613</u>
	<b>Net Debt</b>	<u>(34,372,587)</u>	<u>(30,960,208)</u>
	<b>Non-Financial Assets</b>		
*	Net Tangible Capital Assets (TCA Schedule)	47,294,820	42,288,586
	Inventories	100,369	90,694
	Prepaid Expenses	320,254	327,660
		<u>47,715,443</u>	<u>42,706,940</u>
*	<b>Accumulated Surplus</b>	<u>13,342,856</u>	<u>11,746,732</u>

See accompanying notes to the Financial Statements

# CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes		2011	2010
	<b>Revenue</b>		
	Provincial Government	49,551,658	47,082,844
	Federal Government	-	-
	Municipal Government - Property Tax	17,127,224	16,825,838
	- Other	-	-
	Other School Divisions	99,780	101,000
	First Nations	-	-
	Private Organizations and Individuals	346,584	376,043
	Other Sources	120,783	157,449
	School Generated Funds	1,832,928	1,898,549
	Other Special Purpose Funds	-	-
		<u>69,078,957</u>	<u>66,441,723</u>
	<b>Expenses</b>		
	Regular Instruction	38,478,426	37,003,849
	Student Support Services	8,733,501	8,152,599
	Adult Learning Centres	-	-
	Community Education and Services	103,542	89,600
	Divisional Administration	1,695,990	1,682,488
	Instructional and Other Support Services	1,879,035	1,771,860
	Transportation of Pupils	3,097,588	2,916,598
	Operations and Maintenance	6,255,910	6,164,278
*	Fiscal - Interest	1,939,419	1,906,755
	- Other	1,024,433	1,045,729
	Amortization	2,427,407	2,343,817
	Other Capital Items	-	-
	School Generated Funds	1,847,582	1,897,914
	Other Special Purpose Funds	-	-
		<u>67,482,833</u>	<u>64,975,487</u>
	Current Year Surplus (Deficit)	<u>1,596,124</u>	<u>1,466,236</u>
	Opening Accumulated Surplus	11,746,732	10,280,496
	Adjustments: Tangible Cap. Assets and Accum. Amort.	-	-
	Other than Tangible Cap. Assets	-	-
	Opening Accumulated Surplus, as adjusted	<u>11,746,732</u>	<u>10,280,496</u>
	<b>Closing Accumulated Surplus</b>	<u>13,342,856</u>	<u>11,746,732</u>

See accompanying notes to the Financial Statements

\* NOTE REQUIRED

**CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT**

For the Year Ended June 30, 2011

	2011	2010
Current Year Surplus (Deficit)	1,596,124	1,466,236
Amortization of Tangible Capital Assets	2,427,407	2,343,817
Acquisition of Tangible Capital Assets	(7,439,308)	(6,642,961)
(Gain) / Loss on Disposal of Tangible Capital Assets	(37,856)	(7,810)
Proceeds on Disposal of Tangible Capital Assets	43,523	7,810
	(5,006,234)	(4,299,144)
Inventories (Increase)/Decrease	(9,675)	42,888
Prepaid Expenses (Increase)/Decrease	7,406	208,873
	(2,269)	251,761
(Increase)/Decrease in Net Debt	(3,412,379)	(2,581,147)
Net Debt at Beginning of Year	(30,960,208)	(28,379,061)
Adjustments Other than Tangible Cap. Assets	-	-
Net Debt at Beginning of Year as Adjusted	(30,960,208)	(28,379,061)
<b>Net Debt at End of Year</b>	<b>(34,372,587)</b>	<b>(30,960,208)</b>



**CONSOLIDATED STATEMENT OF CASH FLOW**

For the Year Ended June 30, 2011

	2011	2010
<b>Operating Transactions</b>		
Current Year Surplus/(Deficit)	1,596,124	1,466,236
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	2,427,407	2,343,817
(Gain)/Loss on Disposal of Tangible Capital Assets	(37,856)	(7,810)
Employee Future Benefits Increase/(Decrease)	154,385	108,018
Short Term Investments (Increase)/Decrease	-	-
Due from Other Organizations (Increase)/Decrease	(1,455,175)	(748,738)
Accounts Receivable & Accrued Income (Increase)/Decrease	7,996	30,050
Inventories and Prepaid Expenses - (Increase)/Decrease	(2,269)	251,761
Due to Other Organizations Increase/(Decrease)	-	(64,196)
Accounts Payable & Accrued Liabilities Increase/(Decrease)	(1,103,953)	1,943,973
Deferred Revenue Increase/(Decrease)	263,047	86,815
School Generated Funds Liability Increase/(Decrease)	51,679	(3,804)
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by Operating Transactions	1,901,385	5,406,122
<b>Capital Transactions</b>		
Acquisition of Tangible Capital Assets	(7,439,308)	(6,642,961)
Proceeds on Disposal of Tangible Capital Assets	43,523	7,810
Cash (Applied to)/Provided by Capital Transactions	(7,395,785)	(6,635,151)
<b>Investing Transactions</b>		
Other Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
<b>Financing Transactions</b>		
Debenture Debt Increase/(Decrease)	(1,696,531)	1,749,110
Other Borrowings Increase/(Decrease)	(270,000)	(270,000)
Cash Provided by (Applied to) Financing Transactions	(1,966,531)	1,479,110
Cash and Bank / Overdraft (Increase)/Decrease	(7,460,931)	250,081
Cash and Bank (Overdraft) at Beginning of Year	(3,478,551)	(3,728,632)
<b>Cash and Bank (Overdraft) at End of Year</b>	<b>(10,939,482)</b>	<b>(3,478,551)</b>

**SCHEDULE OF TANGIBLE CAPITAL ASSETS**

at June 30, 2011

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	2011 TOTALS	2010 TOTALS
	School	Non-School									
<b>Tangible Capital Asset Cost</b>											
Opening Cost, as previously reported	59,579,873	4,564,608	7,204,619	197,591	1,616,209	153,424	1,518,470	-	3,213,272	78,048,066	71,497,084
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Operating Cost adjusted	59,579,873	4,564,608	7,204,619	197,591	1,616,209	153,424	1,518,470	-	3,213,272	78,048,066	71,497,084
Add:											
Additions during the year	1,776,865	-	533,361	20,045	132,929	130,487	-	-	4,845,621	7,439,308	6,642,961
Less:											
Disposals and write downs	-	-	492,269	17,543	5,667	-	-	-	-	515,479	91,979
Closing Cost	61,356,738	4,564,608	7,245,711	200,093	1,743,471	283,911	1,518,470	-	8,058,893	84,971,895	78,048,066
<b>Accumulated Amortization</b>											
Opening, as previously reported	28,369,386	1,161,031	4,659,125	169,563	1,284,670	115,705	-	-	-	35,759,480	33,507,642
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Operating adjusted	28,369,386	1,161,031	4,659,125	169,563	1,284,670	115,705	-	-	-	35,759,480	33,507,642
Add:											
Current period Amortization	1,682,549	98,589	508,998	10,115	100,101	27,055	-	-	-	2,427,407	2,343,817
Less:											
Accumulated Amortization on Disposals and Writedowns	-	-	492,269	17,543	-	-	-	-	-	509,812	91,979
Closing Accumulated Amortization	30,051,935	1,259,620	4,675,854	162,135	1,384,771	142,760	-	-	-	37,677,075	35,759,480
<b>Net Tangible Capital Asset</b>	31,304,803	3,304,988	2,569,857	37,958	358,700	141,151	1,518,470	-	8,058,893	47,294,820	42,288,586
<b>Proceeds from Disposal of Capital Assets</b>	-	-	43,283	240	-	-	-	-	-	43,523	7,810

\* Includes network infrastructure.

**HANOVER SCHOOL DIVISION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2011

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

The Hanover 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.

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 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 Division. The Division reporting entity includes school generated funds controlled by the Division.

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

**Basis of Accounting**

Revenues and expenses are reported on the accrual basis of accounting except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable. The accrual basis of accounting recognizes revenues as they are earned and measurable; expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay. Expenses also include the amortization of tangible capital assets.

**Fund Accounting**

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

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

### School Generated Funds

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

Only revenue and expenses of school generated funds controlled by the Division are included in the 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.

<u>Asset Description</u>	<u>Capitalization Threshold (\$)</u>	<u>Estimated Useful Life</u>
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	5,000	5 years
Network Infrastructure	25,000	10 years
Computer Hardware, Servers, Peripherals	5,000	4 years
Computer Software	10,000	4 years
Furniture & Fixtures	5,000	10 years
Leasehold Improvements	25,000	Over term of lease

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

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, 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 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 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.

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 are sick.

### **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, 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 Royal Bank of \$ 31,000,000 by way of overdrafts and is repayable on demand at the bank's prime rate less 0.75%; interest is paid monthly. Overdrafts are secured by a borrowing by-law.

**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 \$643,951 in 2011 (\$718,675 in 2010).

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, 2010	Additions in period	Revenue recognized in period	Balance as at June 30, 2011
Education Property Tax Credit (EPTC)	\$ 1,991,512	\$ 5,428,466	\$ 5,227,468	\$ 2,192,510
Special grant	-	60,000	-	60,000
Other amounts	-	2,049	-	2,049
	<u>\$ 1,991,512</u>	<u>\$ 5,490,515</u>	<u>\$ 5,227,468</u>	<u>\$ 2,254,559</u>

**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 \$ 162,906 (\$111,227 in 2010).

**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 2011 to 2030. 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 4.625% to 11.75%. Debenture interest expense payable as at June 30, 2011, 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
2012	\$ 3,136,256
2013	3,045,518
2014	2,982,246
2015	2,966,682
2016	<u>2,865,750</u>
	<u>\$ 14,996,452</u>

**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.

	2011	2010
RBC Term Loan, unsecured, payable at 5.35%, due January 2017 Interest is paid monthly with annual principal repayments of \$200,000.	\$ 1,200,000	\$ 1,400,000
RBC Term Loan, unsecured, payable at 4.79%, due January 2017 Interest is paid monthly with annual principal repayments of \$70,000	<u>420,000</u>	<u>490,000</u>
	<u>\$ 1,620,000</u>	<u>\$ 1,890,000</u>

Principal repayments for the next five years and thereafter are as follows:

	Total
2012	\$ 270,000
2013	270,000
2014	270,000
2015	270,000
2016	270,000
Thereafter	<u>270,000</u>
	<u>\$ 1,620,000</u>

The Division has an authorized advance with Royal Bank of \$ 10,000,000 for the purpose of making progress payments on projects as they fall due. Advance is secured by a borrowing by-law.



**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 \$89,004 (\$28,961 in 2010).

**10. Accumulated Surplus**

The consolidated accumulated surplus is comprised of the following:

	2011	2010
Operating Fund		
Designated Surplus	\$ 0	\$ 0
Undesignated Surplus	3,363,866	2,299,667
	<u>3,363,866</u>	<u>2,229,667</u>
Capital Fund		
Reserve Accounts	0	0
Equity in Tangible Capital Assets	9,642,891	9,095,745
	<u>9,642,891</u>	<u>9,095,745</u>
Special Purpose Fund		
School Generated Funds	336,666	351,320
	<u>336,666</u>	<u>351,320</u>
Total Accumulated Surplus	<u>\$13,343,423</u>	<u>\$11,746,732</u>

**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 statement of revenue and expense is raised over the two calendar (tax) years; 40% from 2010 tax year and 60% from 2011 tax year. Below are the related revenue and receivable amounts:

	2011	2010
Revenue – Municipal Government – Property Tax	\$ 23,632,519	\$ 22,203,107
Receivable – Due from Municipal – Property Tax	<u>\$ 9,993,024</u>	<u>\$ 10,338,811</u>

**12. Interest Received and Paid**

The Division received interest during the year of \$5,874 (previous year \$1,342); interest paid during the year was \$1,939,419 (previous year \$1,906,755).

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

	2011	2010
Operating Fund		
Fiscal-short term loan, interest and bank charges	\$ 73,981	\$ 73,725
Capital Fund		
Debenture interest	1,772,396	1,725,855
Other interest	<u>93,042</u>	<u>107,175</u>
	<u>\$1,939,419</u>	<u>\$1,906,755</u>

**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 2011	Budget 2011	Actual 2010
Salaries	\$ 47,669,028	\$47,344,700	\$ 45,689,418
Employees benefits and allowances	3,492,080	3,533,800	3,350,392
Services	3,625,087	3,820,500	3,654,394
Supplies, materials & minor equipment	4,749,722	5,445,600	4,544,013
Interest	1,939,419	150,000	1,906,755
Bad debts	0	0	0
Payroll tax	1,024,433	1,014,600	1,045,729
Amortization	2,427,407	0	2,343,817
Transfers	708,075	581,600	543,055
Other capital items	0	0	0
School generated funds	1,847,582	0	1,897,914
Other special purpose funds	0	1,500	0
	<u>\$ 67,482,833</u>	<u>\$ 61,892,300</u>	<u>\$ 64,975,487</u>

**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, 2011 the amount of this special levy was \$191,681 (2010 - \$191,795). These amounts are not included in the Division's consolidated financial statements.

**15. Commitments**

The school division has equipment lease agreements. Future annual minimum operating lease commitments as at June 30, 2011 are as follows:

2012	\$ 208,516
2013	168,857
2014	143,382
2015	90,784
2016	58,840
Thereafter	8,024

The School Division is committed to constructing a new middle school, which is scheduled to be operating in the fall of September 2012. The committed cost of the project is \$27.6 million. As at June 30, 2011, the construction costs to date are \$6,969,907.

ROSS H. METCALFE  
Superintendent/CEO

CHRISTINE PENNER  
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 are the responsibility of the School Division 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 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. 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 School 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 Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the School Division's consolidated financial statements.

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Chairperson

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Secretary-Treasurer

October 24, 2011



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**Independent Auditor's Report**

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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, 2011, 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 qualified audit opinion.

**Basis for Qualified Opinion**

The School Division offers sick pay benefits that accumulate but do not vest to several of its employee groups. Under generally accepted accounting principles for public sector organizations, the Division should recognize a liability and an expense for sick pay benefits in the period in which employees render services to the Division in return for the benefits. The Division has not recorded employee future benefits liabilities relating to sick pay benefits that accumulate but do not vest. Because the Division did not determine the amount of the liability at year end, we were unable to verify by alternate means whether sick pay benefits liabilities are fairly stated. Accordingly, we were not able to determine whether any adjustments might be necessary to employee future benefits liabilities, employee benefits expense, and accumulated surplus.

**Qualified Opinion**

In our opinion, except for the possible effect of the matter described in the Basis for Qualified Opinion paragraph, the consolidated financial statements present fairly, in all material respects, the financial position of Interlake School Division as at June 30, 2011, 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 Accountants

Winnipeg, Manitoba  
October 24, 2011

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 24-2011  
Date

Chairperson

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**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

as at June 30

Notes		2011	2010
	<b>Financial Assets</b>		
	Cash and Bank	-	-
	Short Term Investments	7,602	8,310
	Due from - Provincial Government	1,407,135	1,039,029
	- Federal Government	38,384	48,678
10	- Municipal Government	4,600,462	4,534,968
	- Other School Divisions	-	-
	- First Nations	-	-
	Accounts Receivable	94,083	52,524
	Accrued Investment Income	-	-
	Other Investments	-	-
		<u>6,147,666</u>	<u>5,683,509</u>
	<b>Liabilities</b>		
3	Overdraft	883,000	886,739
	Accounts Payable	58,493	60,864
	Accrued Liabilities	925,790	383,034
4	Employee Future Benefits	1,141,879	1,109,252
	Accrued Interest Payable	249,335	271,151
	Due to - Provincial Government	-	-
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
5	Deferred Revenue	1,636,587	1,495,310
7	Debenture Debt	10,696,688	11,410,225
	Other Borrowings	-	-
6	School Generated Funds Liability	167,809	226,973
		<u>15,759,581</u>	<u>15,843,548</u>
	<b>Net Debt</b>	<u>(9,611,915)</u>	<u>(10,160,039)</u>
	<b>Non-Financial Assets</b>		
8	Net Tangible Capital Assets (TCA Schedule)	14,178,764	14,822,684
	Inventories	83,847	74,490
	Prepaid Expenses	58,568	56,308
		<u>14,321,179</u>	<u>14,953,482</u>
9	<b>Accumulated Surplus</b>	<u>4,709,264</u>	<u>4,793,443</u>

See accompanying notes to the Financial Statements

# **CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS**

For the Year Ended June 30

Notes		2011	2010
	<b>Revenue</b>		
	Provincial Government	23,251,193	22,206,819
	Federal Government	10,000	-
10	Municipal Government - Property Tax	9,014,674	8,861,459
	- Other	7,500	-
	Other School Divisions	62,697	47,512
	First Nations	7,000	-
	Private Organizations and Individuals	285,845	336,103
	Other Sources	229,881	133,089
	School Generated Funds	417,094	513,934
	Other Special Purpose Funds	1,381	1,485
		<u>33,287,265</u>	<u>32,100,401</u>
	<b>Expenses</b>		
	Regular Instruction	17,082,615	16,808,261
	Student Support Services	5,469,665	4,909,334
	Adult Learning Centres	-	-
	Community Education and Services	177,098	166,981
	Divisional Administration	1,151,529	1,161,671
	Instructional and Other Support Services	1,232,923	1,136,730
	Transportation of Pupils	1,971,188	1,960,614
	Operations and Maintenance	3,536,026	3,336,582
11	Fiscal - Interest	671,718	640,451
	- Other	510,792	488,225
	Amortization	1,074,579	1,015,679
	Other Capital Items	-	-
	School Generated Funds	491,930	520,882
	Other Special Purpose Funds	1,381	1,485
		<u>33,371,444</u>	<u>32,146,895</u>
	Current Year Surplus (Deficit)	<u>(84,179)</u>	<u>(46,494)</u>
	Opening Accumulated Surplus	4,793,443	4,839,937
	Adjustments: Tangible Cap. Assets and Accum. Amort.	-	-
	Other than Tangible Cap. Assets	-	-
	Opening Accumulated Surplus, as adjusted	<u>4,793,443</u>	<u>4,839,937</u>
	<b>Closing Accumulated Surplus</b>	<u>4,709,264</u>	<u>4,793,443</u>

See accompanying notes to the Financial Statements



## CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2011

	2011	2010
Current Year Surplus (Deficit)	<u>(84,179)</u>	<u>(46,494)</u>
Amortization of Tangible Capital Assets	1,074,579	1,015,679
Acquisition of Tangible Capital Assets	(431,217)	(3,647,726)
(Gain) / Loss on Disposal of Tangible Capital Assets	(2,842)	(2,441)
Proceeds on Disposal of Tangible Capital Assets	<u>3,400</u>	<u>7,045</u>
	<u>643,920</u>	<u>(2,627,443)</u>
Inventories (Increase)/Decrease	(9,357)	(6,417)
Prepaid Expenses (Increase)/Decrease	<u>(2,260)</u>	<u>4,189</u>
	<u>(11,617)</u>	<u>(2,228)</u>
(Increase)/Decrease in Net Debt	<u>548,124</u>	<u>(2,676,165)</u>
Net Debt at Beginning of Year	(10,160,039)	(7,483,874)
Adjustments Other than Tangible Cap. Assets	<u>-</u>	<u>-</u>
Net Debt at Beginning of Year as Adjusted	<u>(10,160,039)</u>	<u>(7,483,874)</u>
<b>Net Debt at End of Year</b>	<u><u>(9,611,915)</u></u>	<u><u>(10,160,039)</u></u>

**CONSOLIDATED STATEMENT OF CASH FLOW**

For the Year Ended June 30, 2011

	2011	2010
<b>Operating Transactions</b>		
Current Year Surplus/(Deficit)	(84,179)	(46,494)
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	1,074,579	1,015,679
(Gain)/Loss on Disposal of Tangible Capital Assets	(2,842)	(2,441)
Employee Future Benefits Increase/(Decrease)	32,627	205,372
Short Term Investments (Increase)/Decrease	708	684
Due from Other Organizations (Increase)/Decrease	(423,306)	734,818
Accounts Receivable & Accrued Income (Increase)/Decrease	(41,559)	(30,800)
Inventories and Prepaid Expenses - (Increase)/Decrease	(11,617)	(2,228)
Due to Other Organizations Increase/(Decrease)	-	-
Accounts Payable & Accrued Liabilities Increase/(Decrease)	518,569	(86,644)
Deferred Revenue Increase/(Decrease)	141,277	(1,389)
School Generated Funds Liability Increase/(Decrease)	(59,164)	20,487
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by Operating Transactions	1,145,093	1,807,044
<b>Capital Transactions</b>		
Acquisition of Tangible Capital Assets	(431,217)	(3,647,726)
Proceeds on Disposal of Tangible Capital Assets	3,400	7,045
Cash (Applied to)/Provided by Capital Transactions	(427,817)	(3,640,681)
<b>Investing Transactions</b>		
Other Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
<b>Financing Transactions</b>		
Debenture Debt Increase/(Decrease)	(713,537)	2,587,577
Other Borrowings Increase/(Decrease)	-	-
Cash Provided by (Applied to) Financing Transactions	(713,537)	2,587,577
Cash and Bank / Overdraft (Increase)/Decrease	3,739	753,940
Cash and Bank (Overdraft) at Beginning of Year	(886,739)	(1,640,679)
<b>Cash and Bank (Overdraft) at End of Year</b>	<b>(883,000)</b>	<b>(886,739)</b>

# **SCHEDULE OF TANGIBLE CAPITAL ASSETS**

at June 30, 2011

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	2011 TOTALS	2010 TOTALS
	School	Non-School									
<b>Tangible Capital Asset Cost</b>											
Opening Cost, as previously reported	19,274,074	1,214,424	4,890,612	192,374	453,935	-	170,631	-	3,248,716	29,444,766	26,047,924
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	19,274,074	1,214,424	4,890,612	192,374	453,935	-	170,631	-	3,248,716	29,444,766	26,047,924
Add:											
Additions during the year	3,248,775	-	219,005	28,955	47,766	-	-	-	(3,113,284)	431,217	3,647,726
Less:											
Disposals and write downs	-	-	109,275	14,210	46,385	-	-	-	-	169,870	250,884
Closing Cost	22,522,849	1,214,424	5,000,342	207,119	455,316	-	170,631	-	135,432	29,706,113	29,444,766
<b>Accumulated Amortization</b>											
Opening, as previously reported	11,064,729	405,099	2,723,338	167,972	260,944	-	-	-	-	14,622,082	13,852,683
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening adjusted	11,064,729	405,099	2,723,338	167,972	260,944	-	-	-	-	14,622,082	13,852,683
Add:											
Current period Amortization	596,416	44,043	359,745	13,575	60,800	-	-	-	-	1,074,579	1,015,679
Less:											
Accumulated Amortization on Disposals and Writedowns	-	-	109,275	14,210	45,827	-	-	-	-	169,312	246,280
Closing Accumulated Amortization	11,661,145	449,142	2,973,808	167,337	275,917	-	-	-	-	15,527,349	14,622,082
<b>Net Tangible Capital Asset</b>	10,861,704	765,282	2,026,534	39,782	179,399	-	170,631	-	135,432	14,178,764	14,822,684
<b>Proceeds from Disposal of Capital Assets</b>	-	-	3,100	300	-	-	-	-	-	3,400	7,045

\* Includes network infrastructure.

**INTERLAKE SCHOOL DIVISION**  
**Notes to Consolidated Financial Statements**  
**For the year ended June 30, 2011**

**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 generally accepted accounting principles established by the Public Sector Accounting Board (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 Division. The Division reporting entity includes school generated funds controlled by the Division.

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

**Basis of Accounting**

Revenues and expenses are reported on the accrual basis of accounting except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable. The accrual basis of accounting recognizes revenues as they are earned and measurable; expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay. Expenses also include the amortization of tangible capital assets.

**Fund Accounting**

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

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

**School Generated Funds**

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

Only revenue and expenses of school generated funds controlled by the Division are included in the 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.

**INTERLAKE SCHOOL DIVISION**  
**Notes to Consolidated Financial Statements**  
**For the year ended June 30, 2011**

**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.

<u>Asset Description</u>	<u>Capitalization Threshold (\$)</u>	<u>Estimated Useful Life</u>
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	5,000	5 years
Network Infrastructure	25,000	10 years
Computer Hardware, Servers, Peripherals	5,000	4 years
Computer Software	10,000	4 years
Furniture & 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, 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 2<sup>nd</sup> 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.

For those defined benefit plans that accumulate but do not vest such as sick pay, the benefit costs are recognized only in the period when employees are sick.

The Division adopted the following policy with respect to accounting for these employee future benefits:

Defined Contribution Plan

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.



**INTERLAKE SCHOOL DIVISION**  
**Notes to Consolidated Financial Statements**  
**For the year ended June 30, 2011**

**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 9.0% to 11.65%, 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 Plan**

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 85 – 120, depending upon the employee group. 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 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 are sick.

**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.



**INTERLAKE SCHOOL DIVISION**  
**Notes to Consolidated Financial Statements**  
**For the year ended June 30, 2011**

**3. Overdraft**

The Division has an authorized revolving demand facility with South Interlake 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

**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 \$342,160 (\$382,697 in 2010).

Employee future benefits recorded as a liability represents sick leave payable and Supplemental Employment Benefits Plan payable for eligible employees of \$1,141,879 (\$1,109,252 in 2010).

**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, 2010	Additions in period	Revenue recognized in period	Balance as at June 30, 2011
Education Property Tax Credit (EPTC)	\$ 1,489,997	\$ 3,389,159	\$ 3,252,359	\$ 1,626,797

**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 \$167,809.

**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 2011 to 2030. 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 5.00% to 12.125%. Debenture interest expense payable as at June 30, 2011, 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
2011 / 2012	\$ 634,226	\$ 739,936	\$ 1,374,162
2012 / 2013	582,488	670,613	1,253,101
2013 / 2014	539,710	713,391	1,253,101
2014 / 2015	494,122	690,809	1,184,931
2015 / 2016	451,231	717,652	1,168,883
Thereafter	2,390,792	7,164,286	9,555,078
	<u>\$ 5,092,569</u>	<u>\$ 10,696,687</u>	<u>\$15,789,256</u>

**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 (2010 nil).

**INTERLAKE SCHOOL DIVISION**  
**Notes to Consolidated Financial Statements**  
**For the year ended June 30, 2011**

**9. Accumulated Surplus**

The consolidated accumulated surplus is comprised of the following:

	2011	2010
Operating Fund		
Designated Surplus	\$ -	\$ -
Undesignated Surplus	1,036,985	1,076,715
	<u>1,036,985</u>	<u>1,076,715</u>
Capital Fund		
Reserve Accounts	112,183	151,413
Equity in Tangible Capital Assets	3,482,075	3,412,458
	<u>3,594,258</u>	<u>3,563,871</u>
Special Purpose Fund		
School Generated Funds	78,021	152,857
Other Special Purpose Funds	-	-
	<u>78,021</u>	<u>152,857</u>
Total Accumulated Surplus	<u>\$ 4,709,264</u>	<u>\$ 4,793,443</u>

**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 2010 tax year and 52% from 2011 tax year. Below are the related revenue and receivable amounts:

	2011	2010
Revenue – Municipal Government – Property Tax	<u>\$ 9,014,674</u>	<u>\$ 8,861,459</u>
Receivable – Due from Municipal – Property Tax	<u>\$ 4,600,462</u>	<u>\$ 4,534,968</u>

**11. Interest Received and Paid**

The Division received interest during the year of \$14,188 (previous year \$3,618); interest paid during the year was \$671,718 (previous year \$640,451).

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

	2011	2010
Operating Fund		
Fiscal-short term loan, interest and bank charges	\$ 8,704	\$ 12,950
Capital Fund		
Debenture interest	663,014	627,501
	<u>\$ 671,718</u>	<u>\$ 640,451</u>

The accrual portion of debenture debt interest expense of \$249,335 (\$271,151 in 2010) included under the Capital Fund-Debenture debt interest is offset by an accrual of the debt servicing grant from the Province of Manitoba.

**INTERLAKE SCHOOL DIVISION**  
**Notes to Consolidated Financial Statements**  
**For the year ended June 30, 2011**

**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:

	2011 Actual	2011 Budget	2010 Actual
Salaries	\$ 23,675,238	\$ 23,901,962	\$ 22,729,821
Employees benefits and allowances	1,628,095	1,676,899	1,639,450
Services	2,805,130	2,580,218	2,555,743
Supplies, materials & minor equipment	2,187,402	1,973,751	2,217,856
Interest	671,718	50,000	640,451
Bad debts	-	-	-
Payroll tax	510,792	510,000	488,225
Amortization	1,074,579	-	1,015,679
Transfers	325,179	393,170	337,303
School generated funds	491,930	-	520,882
Other special purpose funds	1,381	-	1,485
	<u>\$ 33,371,444</u>	<u>\$ 31,086,000</u>	<u>\$ 32,146,895</u>

**13. 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 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 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 Haugen Morrish Angers, 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.

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Vaughn Wadelius  
Chairperson

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Jeannette Freese  
Secretary-Treasurer

November 14, 2011





Experienced Leadership.  
Entrepreneurial Thinking.  
Exceptional Results.

CHARTERED ACCOUNTANTS

## INDEPENDENT AUDITORS' REPORT

To The Board of Trustees  
Kelsey School Division

We have audited the accompanying financial statements of Kelsey School Division, which comprise the consolidated statement of financial position as at June 30, 2011 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 generally accepted accounting principles 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 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 consolidated financial position of Kelsey School Division as at June 30, 2011 and its consolidated financial performance and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*Hauger Monist Angers*  
CHARTERED ACCOUNTANTS

The Pas, Manitoba  
November 14, 2011

#### THE PAS

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**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

as at June 30

Notes		2011	2010
	<b>Financial Assets</b>		
	Cash and Bank	-	-
	Short Term Investments	-	-
	Due from - Provincial Government	698,946	650,909
	- Federal Government	96,717	41,439
	- Municipal Government	2,357,253	2,349,653
	- Other School Divisions	11,298	15,400
	- First Nations	326,787	382,357
	Accounts Receivable	48,197	74,203
	Accrued Investment Income	-	-
	Other Investments	-	-
		<u>3,539,198</u>	<u>3,513,961</u>
	<b>Liabilities</b>		
*	Overdraft	1,742,139	1,302,434
	Accounts Payable	1,489,417	817,589
	Accrued Liabilities	576,838	722,739
	Employee Future Benefits	-	-
	Accrued Interest Payable	-	-
	Due to - Provincial Government	-	-
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
	Deferred Revenue	-	4,000
*	Debenture Debt	3,421,590	3,624,055
	Other Borrowings	-	-
	School Generated Funds Liability	41,202	51,573
		<u>7,271,186</u>	<u>6,522,390</u>
	<b>Net Debt</b>	<u>(3,731,988)</u>	<u>(3,008,429)</u>
	<b>Non-Financial Assets</b>		
*	Net Tangible Capital Assets (TCA Schedule)	4,365,744	4,008,038
	Inventories	-	-
	Prepaid Expenses	15,695	26,932
		<u>4,381,439</u>	<u>4,034,970</u>
*	<b>Accumulated Surplus</b>	<u>649,451</u>	<u>1,026,541</u>

See accompanying notes to the Financial Statements



# CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes		2011	2010
	<b>Revenue</b>		
	Provincial Government	15,049,111	14,022,249
	Federal Government	21,919	-
	Municipal Government - Property Tax	2,901,751	2,989,412
	- Other	-	-
	Other School Divisions	11,298	15,400
	First Nations	27,825	91,120
	Private Organizations and Individuals	73,726	76,615
	Other Sources	103,071	108,235
	School Generated Funds	585,736	583,781
	Other Special Purpose Funds	-	-
		<u>18,774,437</u>	<u>17,886,812</u>
	<b>Expenses</b>		
	Regular Instruction	8,715,698	8,414,317
	Student Support Services	4,065,433	3,744,470
	Adult Learning Centres	573,477	563,396
	Community Education and Services	55,496	54,614
	Divisional Administration	679,318	651,402
	Instructional and Other Support Services	499,674	474,598
	Transportation of Pupils	536,518	537,217
	Operations and Maintenance	2,520,164	2,194,126
*	Fiscal - Interest	240,096	238,278
	- Other	294,932	281,706
	Amortization	353,221	327,576
	Other Capital Items	-	9,647
	School Generated Funds	617,500	561,628
	Other Special Purpose Funds	-	-
		<u>19,151,527</u>	<u>18,052,975</u>
	Current Year Surplus (Deficit)	<u>(377,090)</u>	<u>(166,163)</u>
	Opening Accumulated Surplus	1,026,541	1,192,704
	Adjustments: Tangible Cap. Assets and Accum. Amort.	-	-
	Other than Tangible Cap. Assets	-	-
	Opening Accumulated Surplus, as adjusted	<u>1,026,541</u>	<u>1,192,704</u>
	<b>Closing Accumulated Surplus</b>	<u>649,451</u>	<u>1,026,541</u>

See accompanying notes to the Financial Statements

\* NOTE REQUIRED

## CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2011

	2011	2010
Current Year Surplus (Deficit)	<u>(377,090)</u>	<u>(166,163)</u>
Amortization of Tangible Capital Assets	353,221	327,576
Acquisition of Tangible Capital Assets	(710,927)	(440,048)
(Gain) / Loss on Disposal of Tangible Capital Assets	-	-
Proceeds on Disposal of Tangible Capital Assets	<u>-</u>	<u>-</u>
	<u>(357,706)</u>	<u>(112,472)</u>
Inventories (Increase)/Decrease	-	-
Prepaid Expenses (Increase)/Decrease	<u>11,237</u>	<u>(2,600)</u>
	<u>11,237</u>	<u>(2,600)</u>
(Increase)/Decrease in Net Debt	<u>(723,559)</u>	<u>(281,235)</u>
Net Debt at Beginning of Year	(3,008,429)	(2,727,194)
Adjustments Other than Tangible Cap. Assets	<u>-</u>	<u>-</u>
Net Debt at Beginning of Year as Adjusted	<u>(3,008,429)</u>	<u>(2,727,194)</u>
<b>Net Debt at End of Year</b>	<u><u>(3,731,988)</u></u>	<u><u>(3,008,429)</u></u>

**CONSOLIDATED STATEMENT OF CASH FLOW**

For the Year Ended June 30, 2011

	2011	2010
<b>Operating Transactions</b>		
Current Year Surplus/(Deficit)	(377,090)	(166,163)
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	353,221	327,576
(Gain)/Loss on Disposal of Tangible Capital Assets	-	-
Employee Future Benefits Increase/(Decrease)	-	-
Short Term Investments (Increase)/Decrease	-	-
Due from Other Organizations (Increase)/Decrease	(51,243)	(626,372)
Accounts Receivable & Accrued Income (Increase)/Decrease	26,006	(49,667)
Inventories and Prepaid Expenses - (Increase)/Decrease	11,237	(2,600)
Due to Other Organizations Increase/(Decrease)	-	-
Accounts Payable & Accrued Liabilities Increase/(Decrease)	525,927	305,520
Deferred Revenue Increase/(Decrease)	(4,000)	(985)
School Generated Funds Liability Increase/(Decrease)	(10,371)	6,186
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by Operating Transactions	473,687	(206,505)
<b>Capital Transactions</b>		
Acquisition of Tangible Capital Assets	(710,927)	(440,048)
Proceeds on Disposal of Tangible Capital Assets	-	-
Cash (Applied to)/Provided by Capital Transactions	(710,927)	(440,048)
<b>Investing Transactions</b>		
Other Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
<b>Financing Transactions</b>		
Debenture Debt Increase/(Decrease)	(202,465)	149,704
Other Borrowings Increase/(Decrease)	-	-
Cash Provided by (Applied to) Financing Transactions	(202,465)	149,704
Cash and Bank / Overdraft (Increase)/Decrease	(439,705)	(496,849)
Cash and Bank (Overdraft) at Beginning of Year	(1,302,434)	(805,585)
<b>Cash and Bank (Overdraft) at End of Year</b>	<b>(1,742,139)</b>	<b>(1,302,434)</b>

# **SCHEDULE OF TANGIBLE CAPITAL ASSETS**

at June 30, 2011

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	2011 TOTALS	2010 TOTALS
	School	Non-School									
<b>Tangible Capital Asset Cost</b>											
Opening Cost, as previously reported	14,592,328	303,458	946,813	83,792	232,900	104,700	196,213	-	741,553	17,201,757	16,819,444
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	14,592,328	303,458	946,813	83,792	232,900	104,700	196,213	-	741,553	17,201,757	16,819,444
Add:											
Additions during the year	756,942	-	-	-	97,411	9,288	-	-	(152,714)	710,927	440,048
Less:											
Disposals and write downs	-	-	-	-	-	-	-	-	-	-	57,735
Closing Cost	15,349,270	303,458	946,813	83,792	330,311	113,988	196,213	-	588,839	17,912,684	17,201,757
<b>Accumulated Amortization</b>											
Opening, as previously reported	12,099,894	303,458	449,770	74,278	175,120	91,199	-	-	-	13,193,719	12,923,878
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening adjusted	12,099,894	303,458	449,770	74,278	175,120	91,199	-	-	-	13,193,719	12,923,878
Add:											
Current period Amortization	235,574	-	86,344	2,718	24,424	4,161	-	-	-	353,221	327,576
Less:											
Accumulated Amortization on Disposals and Writedowns	-	-	-	-	-	-	-	-	-	-	57,735
Closing Accumulated Amortization	12,335,468	303,458	536,114	76,996	199,544	95,360	-	-	-	13,546,940	13,193,719
<b>Net Tangible Capital Asset</b>	3,013,802	-	410,699	6,796	130,767	18,628	196,213	-	588,839	4,365,744	4,008,038
<b>Proceeds from Disposal of Capital Assets</b>	-	-	-	-	-	-	-	-	-	-	-

\* 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 PSAB 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

# KELSEY SCHOOL DIVISION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2011

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	5,000	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.



# KELSEY SCHOOL DIVISION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2011

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.

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.

# KELSEY SCHOOL DIVISION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2011

### 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, 2010	Additions in the period	Time Expired Funding Lost	Transferred to Revenue	Balance as at June 30, 2011
Kelsey Recreation Commission	\$ 4,000	\$	\$	\$ 4,000	\$
	\$ 4,000	\$ Nil	\$ Nil	\$ 4,000	\$ Nil

### 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 \$235,097 (2010 - \$277,233).

### 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 2011 to 2030. Payment of principal and interest is funded entirely by grants from the Province of Manitoba. The debentures carry interest rates that range from 5% to 12.5%. Debenture interest expense payable as at June 30, 2011 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
2012	\$ 243,879	\$ 208,713	\$ 452,592
2013	262,377	213,452	475,829
2014	274,119	197,470	471,589
2015	249,838	178,849	428,687
2016	228,130	162,959	391,089
	<u>\$ 1,258,343</u>	<u>\$ 961,443</u>	<u>\$ 2,219,786</u>

### 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	2011 Net Book Value	2010 Net Book Value
Owned-tangible capital assets	\$ 17,912,684	\$ 13,546,940	\$ 4,365,744	\$ 4,008,038

# KELSEY SCHOOL DIVISION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2011

### 8. ACCUMULATED SURPLUS (DEFICIT)

The consolidated accumulated surplus is comprised of the following:

	<u>2011</u>	<u>2010</u>
Operating Fund		
Designated Surplus	-	-
Undesignated Surplus	100,240	473,550
	<u>100,240</u>	<u>473,550</u>
Capital Fund		
Reserve Accounts	-	-
Equity in Tangible Capital Assets	355,315	327,331
	<u>355,315</u>	<u>327,331</u>
Special Purpose Fund		
School Generated Funds	193,896	225,660
Other Special Purpose Funds	-	-
	<u>193,896</u>	<u>225,660</u>
Total Accumulated Surplus (Deficit)	<u>\$ 649,451</u>	<u>\$ 1,026,541</u>

### 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% for 2010 and 60% for 2011. Below are the related revenue and receivable amounts:

	<u>2011</u>	<u>2010</u>
Revenue-Municipal Government-Property Tax	\$ 2,901,751	\$ 2,989,412
Receivable-Due from Municipal-Property Tax	\$ 2,357,253	\$ 2,349,653

### 10. INTEREST RECEIVED AND PAID

The Division received interest during the year of \$1,234 (previous year \$1,927); interest paid during the year was \$240,096 (previous year \$238,278).

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

	<u>2011</u>	<u>2010</u>
Operating Fund		
Fiscal-short term loan, interest and bank charges	\$ 12,903	\$ 11,318
Capital Fund		
Debenture debt	227,193	226,960
Interest	-	-
Other interest	-	-
	<u>\$ 240,096</u>	<u>\$ 238,278</u>

The accrual portion of debenture debt interest expense of \$84,245 (2010 - \$92,841) included under the capital fund - debenture debt interest is offset by an accrual of the debt servicing grant from the Province of Manitoba.

# KELSEY SCHOOL DIVISION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2011

### 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 <u>2011</u>	Budget <u>2011</u>	Actual <u>2010</u>
Salaries	\$ 13,719,411	\$ 13,462,671	\$ 13,062,099
Employees benefits & allowances	1,098,680	1,168,095	1,086,271
Services	1,702,885	1,651,315	1,384,725
Supplies, materials & minor equipment	1,105,208	868,699	1,090,915
Interest	12,903	30,000	11,318
Bad debts			
Payroll tax	294,932	285,000	281,706
Amortization	353,221		329,338
Other capital items			9,647
School generated funds	617,500		558,135
Transfers	19,594	52,090	10,130
	<u>\$ 18,924,334</u>	<u>\$ 17,517,870</u>	<u>\$ 17,824,284</u>

## **MANAGEMENT REPORT**

### **Management's Responsibility for the Financial Statements**

The accompanying consolidated financial statements of Lakeshore 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.

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Chairperson

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Secretary-Treasurer

**October 25, 2011**

## Independent Auditors' Report

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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, 2011, 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, 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, 2011 and the results of its operations, changes in net debt and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles established by the Public Sector Accounting Board.

### *Other matter*

Further, in our opinion, the other statements and reports, when considered in relation to the aforementioned consolidated financial statements, present fairly, in all material respects, the supplemental information shown.

Winnipeg, Manitoba

October 25, 2011

*MNP LLP*

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 Lakeshore School Division

*October 25, 2011*

DATE

CHAIRPERSON



**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

as at June 30

Notes		2011	2010
	<b>Financial Assets</b>		
	Cash and Bank	1,303,249	365,972
	Short Term Investments	-	-
	Due from - Provincial Government	537,111	543,133
	- Federal Government	18,055	17,639
	- Municipal Government	2,044,885	1,884,910
	- Other School Divisions	12,749	12,029
	- First Nations	295,253	139,588
	Accounts Receivable	33,170	5,102
	Accrued Investment Income	-	-
	Other Investments	-	-
		<u>4,244,472</u>	<u>2,968,373</u>
	<b>Liabilities</b>		
	Overdraft	-	-
	Accounts Payable	578,423	181,580
	Accrued Liabilities	1,517,451	1,099,851
*	Employee Future Benefits	102,979	99,988
	Accrued Interest Payable	323,062	337,406
	Due to - Provincial Government	-	-
	- Federal Government	-	-
	- Municipal Government	12,755	-
	- Other School Divisions	-	-
	- First Nations	-	-
*	Deferred Revenue	159,674	242,603
*	Debenture Debt	12,903,038	13,009,484
	Other Borrowings	-	-
	School Generated Funds Liability	-	-
		<u>15,597,382</u>	<u>14,970,912</u>
	<b>Net Debt</b>	<u>(11,352,910)</u>	<u>(12,002,539)</u>
	<b>Non-Financial Assets</b>		
*	Net Tangible Capital Assets (TCA Schedule)	14,624,856	14,942,394
	Inventories	-	-
	Prepaid Expenses	40,407	16,994
		<u>14,665,263</u>	<u>14,959,388</u>
*	<b>Accumulated Surplus</b>	<u>3,312,353</u>	<u>2,956,849</u>

See accompanying notes to the Financial Statements

# CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes		2011	2010
	<b>Revenue</b>		
	Provincial Government	12,174,737	11,325,375
	Federal Government	-	-
	Municipal Government - Property Tax	3,070,564	2,938,926
	- Other	-	-
	Other School Divisions	91,567	93,630
	First Nations	1,045,231	990,963
	Private Organizations and Individuals	260,182	261,454
	Other Sources	95,240	135,204
	School Generated Funds	332,971	310,938
	Other Special Purpose Funds	16,227	12,166
		<u>17,086,719</u>	<u>16,068,656</u>
	<b>Expenses</b>		
	Regular Instruction	7,783,161	7,706,240
	Student Support Services	2,516,258	2,532,555
	Adult Learning Centres	243,272	238,001
	Community Education and Services	280,468	294,237
	Divisional Administration	564,101	474,764
	Instructional and Other Support Services	424,866	397,677
	Transportation of Pupils	1,388,316	1,288,511
	Operations and Maintenance	1,422,891	1,261,245
*	Fiscal - Interest	728,346	738,175
	- Other	231,321	231,399
	Amortization	821,013	827,424
	Other Capital Items	-	-
	School Generated Funds	321,652	293,943
	Other Special Purpose Funds	5,550	14,150
		<u>16,731,215</u>	<u>16,298,321</u>
	Current Year Surplus (Deficit)	<u>355,504</u>	<u>(229,665)</u>
	Opening Accumulated Surplus	2,956,849	3,186,514
	Adjustments: Tangible Cap. Assets and Accum. Amort.	-	-
	Other than Tangible Cap. Assets	-	-
	Opening Accumulated Surplus, as adjusted	<u>2,956,849</u>	<u>3,186,514</u>
	<b>Closing Accumulated Surplus</b>	<u><u>3,312,353</u></u>	<u><u>2,956,849</u></u>

See accompanying notes to the Financial Statements

\* NOTE REQUIRED

**CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT**

For the Year Ended June 30, 2011

	2011	2010
Current Year Surplus (Deficit)	355,504	(229,665)
Amortization of Tangible Capital Assets	821,013	827,424
Acquisition of Tangible Capital Assets	(503,475)	(550,541)
(Gain) / Loss on Disposal of Tangible Capital Assets	-	-
Proceeds on Disposal of Tangible Capital Assets	-	-
	317,538	276,883
Inventories (Increase)/Decrease	-	-
Prepaid Expenses (Increase)/Decrease	(23,413)	(397)
	(23,413)	(397)
(Increase)/Decrease in Net Debt	649,629	46,821
Net Debt at Beginning of Year	(12,002,539)	(12,049,360)
Adjustments Other than Tangible Cap. Assets	-	-
Net Debt at Beginning of Year as Adjusted	(12,002,539)	(12,049,360)
<b>Net Debt at End of Year</b>	<b>(11,352,910)</b>	<b>(12,002,539)</b>

**CONSOLIDATED STATEMENT OF CASH FLOW**

For the Year Ended June 30, 2011

	2011	2010
<b>Operating Transactions</b>		
Current Year Surplus/(Deficit)	355,504	(229,665)
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	821,013	827,424
(Gain)/Loss on Disposal of Tangible Capital Assets	-	-
Employee Future Benefits Increase/(Decrease)	2,991	(14,268)
Short Term Investments (Increase)/Decrease	-	-
Due from Other Organizations (Increase)/Decrease	(310,754)	(131,995)
Accounts Receivable & Accrued Income (Increase)/Decrease	(28,068)	44,905
Inventories and Prepaid Expenses - (Increase)/Decrease	(23,413)	(397)
Due to Other Organizations Increase/(Decrease)	12,755	-
Accounts Payable & Accrued Liabilities Increase/(Decrease)	800,099	(62,141)
Deferred Revenue Increase/(Decrease)	(82,929)	17,875
School Generated Funds Liability Increase/(Decrease)	-	-
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by Operating Transactions	1,547,198	451,738
<b>Capital Transactions</b>		
Acquisition of Tangible Capital Assets	(503,475)	(550,541)
Proceeds on Disposal of Tangible Capital Assets	-	-
Cash (Applied to)/Provided by Capital Transactions	(503,475)	(550,541)
<b>Investing Transactions</b>		
Other Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
<b>Financing Transactions</b>		
Debenture Debt Increase/(Decrease)	(106,446)	(145,053)
Other Borrowings Increase/(Decrease)	-	-
Cash Provided by (Applied to) Financing Transactions	(106,446)	(145,053)
Cash and Bank / Overdraft (Increase)/Decrease	937,277	(243,856)
Cash and Bank (Overdraft) at Beginning of Year	365,972	609,828
<b>Cash and Bank (Overdraft) at End of Year</b>	<b>1,303,249</b>	<b>365,972</b>

**SCHEDULE OF TANGIBLE CAPITAL ASSETS**

at June 30, 2011

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	2011 TOTALS	2010 TOTALS
	School	Non-School									
<b>Tangible Capital Asset Cost</b>											
Opening Cost, as previously reported	22,108,975	498,069	2,587,732	25,738	443,157	-	36,265	-	39,267	25,739,203	25,188,662
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	22,108,975	498,069	2,587,732	25,738	443,157	-	36,265	-	39,267	25,739,203	25,188,662
Add:											
Additions during the year	-	-	-	-	49,031	-	-	-	454,444	503,475	550,541
Less:											
Disposals and write downs	-	-	-	-	-	-	-	-	-	-	-
Closing Cost	22,108,975	498,069	2,587,732	25,738	492,188	-	36,265	-	493,711	26,242,678	25,739,203
<b>Accumulated Amortization</b>											
Opening, as previously reported	8,476,654	483,442	1,521,290	12,870	302,553	-	-	-	-	10,796,809	9,969,385
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening adjusted	8,476,654	483,442	1,521,290	12,870	302,553	-	-	-	-	10,796,809	9,969,385
Add:											
Current period Amortization	563,317	1,393	206,360	5,148	44,795	-	-	-	-	821,013	827,424
Less:											
Accumulated Amortization on Disposals and Writedowns	-	-	-	-	-	-	-	-	-	-	-
Closing Accumulated Amortization	9,039,971	484,835	1,727,650	18,018	347,348	-	-	-	-	11,617,822	10,796,809
<b>Net Tangible Capital Asset</b>	13,069,004	13,234	860,082	7,720	144,840	-	36,265	-	493,711	14,624,856	14,942,394
<b>Proceeds from Disposal of Capital Assets</b>	-	-	-	-	-	-	-	-	-	-	-

\* Includes network infrastructure.

**LAKESHORE SCHOOL DIVISION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2011**

**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 the Public Sector Accounting Board 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 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 (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 and charitable foundations controlled by the Division.



**LAKESHORE SCHOOL DIVISION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**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.

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	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 Division where further information was available.

**LAKESHORE SCHOOL DIVISION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**6. 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.

	<u>Gross Amount</u>	<u>Accumulated Amortization</u>	<u>2011 Net Book Value</u>	<u>2010 Net Book Value</u>
Owned-tangible capital assets	<u>\$ 26,242,678</u>	<u>\$ 11,617,822</u>	<u>\$ 14,624,856</u>	<u>\$ 14,942,394</u>

**7. Accumulated Surplus**

The consolidated accumulated surplus is comprised of the following:

	<u>2011</u>	<u>2010</u>
Operating Fund		
Designated Surplus	\$ 61,871	\$ 92,690
Undesignated Surplus	<u>684,096</u>	<u>455,104</u>
	<u>745,967</u>	<u>547,794</u>
Capital Fund		
Reserve Accounts	703,966	395,966
Equity in Tangible Capital Assets	<u>1,696,322</u>	<u>1,868,987</u>
	<u>2,400,288</u>	<u>2,264,953</u>
Special Purpose Fund		
School Generated Funds	142,633	131,314
Other Special Purpose Funds	<u>23,465</u>	<u>12,788</u>
	<u>166,098</u>	<u>144,102</u>
Total Accumulated Surplus	<u>\$ 3,312,353</u>	<u>\$ 2,956,849</u>

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.

**8. 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 2010 tax year and 60% from 2011 tax year. Below are the related revenue and receivable amounts:

	<u>2011</u>	<u>2010</u>
Revenue-Municipal Government-Property Tax	<u>\$3,070,564</u>	<u>\$2,938,926</u>
Receivable-Due from Municipal-Property Tax	<u>\$2,044,885</u>	<u>\$1,884,910</u>

**LAKESHORE SCHOOL DIVISION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**9. Interest Received and Paid**

The Division received interest during the year of \$9,051 (2010; \$2,224); interest paid during the year was \$728,346 (2010; \$738,175).

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

	<u>2011</u>	<u>2010</u>
Operating Fund		
Fiscal-short term loan, interest and bank charges	\$ 4,017	\$ 3,233
Capital Fund		
Debenture debt interest	<u>724,329</u>	<u>734,942</u>
	<u>\$ 728,346</u>	<u>\$ 738,175</u>

The accrual portion of debenture debt interest expense of \$323,062 (2010; \$337,406) 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:

	<u>Actual 2011</u>	<u>Budget 2011</u>	<u>Actual 2010</u>
Salaries	\$ 11,145,850	\$ 11,067,425	\$ 10,721,680
Employees benefits and allowances	871,576	923,350	859,863
Services	1,526,073	1,294,700	1,274,855
Supplies, materials and minor equipment	1,043,259	1,246,820	1,296,061
Interest	728,346	5,000	738,175
Payroll tax	231,321	225,000	231,399
Transfers	36,575	36,100	40,771
Amortization	821,013	-	827,424
Loss (Gain) and disposal of capital assets	-	-	-
School generated funds	321,652	-	293,943
Other special purpose funds	<u>5,550</u>	<u>-</u>	<u>14,150</u>
	<u>\$ 16,731,215</u>	<u>\$ 14,179,185</u>	<u>\$ 16,298,321</u>

**11. Budget Figures and Non Financial Information**

The 2011 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.

**12. 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 \$3,312,353 (2010; \$2,956,849). 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.

## MANAGEMENT REPORT

### Management's Responsibility for the Financial Statements

The accompanying consolidated financial statements of Lord Selkirk School Division are the responsibility of the Division 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 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 BDO Canada 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.

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Chairperson

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Secretary-Treasurer

October 17, 2011



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**Independent Auditor's Report**

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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, 2011, 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 qualified audit opinion.

**Basis for Qualified Opinion**

The School Division offers sick pay benefits that accumulate but do not vest to several of its employee groups. Under generally accepted accounting principles for public sector organizations, the Division should recognize a liability and an expense for sick pay benefits in the period in which employees render services to the Division in return for the benefits. The Division has not recorded employee future benefits liabilities relating to sick pay benefits that accumulate but do not vest. Because the Division did not determine the amount of the liability at year end, we were unable to verify by alternate means whether sick pay benefits liabilities are fairly stated. Accordingly, we were not able to determine whether any adjustments might be necessary to employee future benefits liabilities, employee benefits expense, and accumulated surplus.

**Qualified Opinion**

In our opinion, except for the possible effect of the matter described in the Basis for Qualified Opinion paragraph, the consolidated financial statements present fairly, in all material respects, the financial position of Lord Selkirk School Division as at June 30, 2011, 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 Accountants

Winnipeg, Manitoba  
October 17, 2011

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. 28, 2011*  
Date

\_\_\_\_\_  
Chairperson

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

as at June 30

Notes	2011	2010
	<b>Financial Assets</b>	
	Cash and Bank	189,323
	Short Term Investments	-
	Due from - Provincial Government	2,446,544
	- Federal Government	96,380
	- Municipal Government	8,626,333
	- Other School Divisions	19,624
	- First Nations	130,419
	Accounts Receivable	67,931
	Accrued Investment Income	-
	Other Investments	-
	<u>11,605,456</u>	<u>11,576,554</u>
	<b>Liabilities</b>	
*	Overdraft	-
	Accounts Payable	3,384,174
	Accrued Liabilities	3,009,573
	Employee Future Benefits	-
	Accrued Interest Payable	536,706
	Due to - Provincial Government	-
	- Federal Government	-
	- Municipal Government	-
	- Other School Divisions	-
	- First Nations	-
*	Deferred Revenue	2,353,909
*	Debenture Debt	20,387,823
	Other Borrowings	-
	School Generated Funds Liability	86,202
	<u>28,748,335</u>	<u>29,758,387</u>
	<b>Net Debt</b>	<b>(17,142,879)</b>
	<b>Non-Financial Assets</b>	
*	Net Tangible Capital Assets (TCA Schedule)	28,255,994
	Inventories	33,094
	Prepaid Expenses	76,660
	<u>27,543,450</u>	<u>28,365,748</u>
*	<b>Accumulated Surplus</b>	<b>10,183,915</b>

See accompanying notes to the Financial Statements



# CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes		2011	2010
	<b>Revenue</b>		
	Provincial Government	34,687,671	33,350,948
	Federal Government	17,925	121,446
	Municipal Government - Property Tax	14,735,138	14,632,615
	- Other	-	-
	Other School Divisions	214,800	221,050
	First Nations	408,690	479,501
	Private Organizations and Individuals	606,923	627,566
	Other Sources	270,883	320,991
	School Generated Funds	1,055,184	1,090,877
	Other Special Purpose Funds	-	-
		<u>51,997,214</u>	<u>50,844,994</u>
	<b>Expenses</b>		
	Regular Instruction	27,866,386	27,024,778
	Student Support Services	7,737,441	7,720,830
	Adult Learning Centres	329,081	330,057
	Community Education and Services	448,095	555,004
	Divisional Administration	1,610,644	1,616,924
	Instructional and Other Support Services	1,348,387	1,326,100
	Transportation of Pupils	2,201,196	2,117,169
	Operations and Maintenance	4,931,601	4,677,174
*	Fiscal - Interest	1,142,295	1,183,340
	- Other	804,446	771,174
	Amortization	2,283,237	2,295,671
	Other Capital Items	33,020	-
	School Generated Funds	1,044,729	1,042,815
	Other Special Purpose Funds	-	-
		<u>51,780,558</u>	<u>50,661,036</u>
	Current Year Surplus (Deficit)	<u>216,656</u>	<u>183,958</u>
	Opening Accumulated Surplus	10,183,915	9,999,957
	Adjustments: Tangible Cap. Assets and Accum. Amort.	-	-
	Other than Tangible Cap. Assets	-	-
	Opening Accumulated Surplus, as adjusted	<u>10,183,915</u>	<u>9,999,957</u>
	<b>Closing Accumulated Surplus</b>	<u><u>10,400,571</u></u>	<u><u>10,183,915</u></u>

See accompanying notes to the Financial Statements

\* NOTE REQUIRED

## CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2011

	2011	2010
Current Year Surplus (Deficit)	216,656	183,958
Amortization of Tangible Capital Assets	2,283,237	2,295,671
Acquisition of Tangible Capital Assets	(1,471,825)	(2,272,106)
(Gain) / Loss on Disposal of Tangible Capital Assets	(11,862)	14,426
Proceeds on Disposal of Tangible Capital Assets	15,932	37,561
	815,482	75,552
Inventories (Increase)/Decrease	(4,250)	1,126
Prepaid Expenses (Increase)/Decrease	11,066	(1,330)
	6,816	(204)
(Increase)/Decrease in Net Debt	1,038,954	259,306
Net Debt at Beginning of Year	(18,181,833)	(18,441,139)
Adjustments Other than Tangible Cap. Assets	-	-
Net Debt at Beginning of Year as Adjusted	(18,181,833)	(18,441,139)
<b>Net Debt at End of Year</b>	<b>(17,142,879)</b>	<b>(18,181,833)</b>

**CONSOLIDATED STATEMENT OF CASH FLOW**

For the Year Ended June 30, 2011

	2011	2010
<b>Operating Transactions</b>		
Current Year Surplus/(Deficit)	216,656	183,958
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	2,283,237	2,295,671
(Gain)/Loss on Disposal of Tangible Capital Assets	(11,862)	14,426
Employee Future Benefits Increase/(Decrease)	-	-
Short Term Investments (Increase)/Decrease	-	-
Due from Other Organizations (Increase)/Decrease	(202,140)	(439,050)
Accounts Receivable & Accrued Income (Increase)/Decrease	(16,085)	4,637
Inventories and Prepaid Expenses - (Increase)/Decrease	6,816	(204)
Due to Other Organizations Increase/(Decrease)	-	-
Accounts Payable & Accrued Liabilities Increase/(Decrease)	1,015,575	70,345
Deferred Revenue Increase/(Decrease)	(1,237,359)	1,313,719
School Generated Funds Liability Increase/(Decrease)	(15,735)	37,045
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by Operating Transactions	2,039,103	3,480,547
<b>Capital Transactions</b>		
Acquisition of Tangible Capital Assets	(1,471,825)	(2,272,106)
Proceeds on Disposal of Tangible Capital Assets	15,932	37,561
Cash (Applied to)/Provided by Capital Transactions	(1,455,893)	(2,234,545)
<b>Investing Transactions</b>		
Other Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
<b>Financing Transactions</b>		
Debenture Debt Increase/(Decrease)	(840,674)	(297,273)
Other Borrowings Increase/(Decrease)	-	-
Cash Provided by (Applied to) Financing Transactions	(840,674)	(297,273)
Cash and Bank / Overdraft (Increase)/Decrease	(257,464)	948,729
Cash and Bank (Overdraft) at Beginning of Year	189,323	(759,406)
<b>Cash and Bank (Overdraft) at End of Year</b>	<b>(68,141)</b>	<b>189,323</b>

# **SCHEDULE OF TANGIBLE CAPITAL ASSETS**

at June 30, 2011

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	2011 TOTALS	2010 TOTALS
	School	Non-School									
<b>Tangible Capital Asset Cost</b>											
Opening Cost, as previously reported	41,930,041	3,704,682	5,000,427	153,383	2,305,214	1,153,263	279,518	1,676,288	55,541	56,258,357	54,686,986
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	41,930,041	3,704,682	5,000,427	153,383	2,305,214	1,153,263	279,518	1,676,288	55,541	56,258,357	54,686,986
Add:											
Additions during the year	173,630	-	501,765	20,377	199,671	-	-	274,142	302,240	1,471,825	2,272,106
Less:											
Disposals and write downs	-	-	247,132	14,840	97,764	50,313	-	-	-	410,049	700,735
Closing Cost	42,103,671	3,704,682	5,255,060	158,920	2,407,121	1,102,950	279,518	1,950,430	357,781	57,320,133	56,258,357
<b>Accumulated Amortization</b>											
Opening, as previously reported	20,367,680	2,034,059	2,650,104	93,081	1,227,981	765,927		863,531		28,002,363	26,355,440
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening adjusted	20,367,680	2,034,059	2,650,104	93,081	1,227,981	765,927		863,531		28,002,363	26,355,440
Add:											
Current period Amortization	1,118,280	92,990	471,247	21,467	304,838	93,079		181,336		2,283,237	2,295,671
Less:											
Accumulated Amortization on Disposals and Writedowns	-	-	247,132	14,840	93,694	50,313		-		405,979	648,748
Closing Accumulated Amortization	21,485,960	2,127,049	2,874,219	99,708	1,439,125	808,693		1,044,867		29,879,621	28,002,363
<b>Net Tangible Capital Asset</b>	20,617,711	1,577,633	2,380,841	59,212	967,996	294,257	279,518	905,563	357,781	27,440,512	28,255,994
<b>Proceeds from Disposal of Capital Assets</b>	-	-	10,492	5,440	-	-				15,932	37,561

\* Includes network infrastructure.

**LORD SELKIRK SCHOOL DIVISION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
As at June 30, 2011

**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 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 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.



**LORD SELKIRK SCHOOL DIVISION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
As at June 30, 2011

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.

<u>Asset Description</u>	<u>Capitalization Threshold (\$)</u>	<u>Estimated Useful Life</u>
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	5,000	5 years
Network Infrastructure	25,000	10 years
Computer Hardware, Servers, Peripherals	5,000	4 years
Computer Software	10,000	4 years
Furniture & 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, 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

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 are sick.

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 as a defined contribution plan, under the Manitoba School Boards Association Pension Plan (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.

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.



**LORD SELKIRK SCHOOL DIVISION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
As at June 30, 2011

Use of Estimates

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

Financial Instruments

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

**3. Bank Overdraft**

The Division has an authorized line of credit with TD Canada Trust of \$6,015,000 by way of overdrafts and is repayable on demand at prime less .75%; interest is paid monthly. Overdrafts are secured by 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 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 \$573,018 in 2011 (\$661,114 in 2010).

**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, 2010	Additions in period	Revenue recognized in period	Balance as at June 30, 2011
<u>Operating Fund</u>				
Education Property				
Tax Credit (EPTC)	\$ 2,016,275	\$ 3,995,709	\$ 5,284,874	\$ 727,110
START	27,036	52,075	65,603	13,508
Breakfast Programs	12,888	5,640	7,343	11,185
International Students Program	108,777	248,963	177,553	180,187
Community Stadium	29,307	293	-	29,600
Other	44,970	65,488	61,658	48,800
	<u>2,239,253</u>	<u>4,368,168</u>	<u>5,597,031</u>	<u>1,010,390</u>
<u>Capital Fund</u>				
Capital Fund Donations	114,656	-	8,496	106,160
Total	<u>\$ 2,353,909</u>	<u>\$ 4,368,168</u>	<u>\$ 5,605,527</u>	<u>\$ 1,116,550</u>

**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 \$70,467.

**LORD SELKIRK SCHOOL DIVISION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
As at June 30, 2011

**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 2011 to 2030. 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 4.75% to 12%. Debenture interest expense payable as at June 30, 2011, 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:

2012	\$ 2,205,987
2013	2,194,151
2014	2,153,906
2015	2,143,339
2016	<u>2,101,851</u>
	<u>\$ 10,799,234</u>

**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:

	2011	2010
Operating Fund		
Designated Surplus	\$ -	-
Undesignated Surplus	<u>2,139,232</u>	<u>1,876,889</u>
	<u>2,139,232</u>	<u>1,876,889</u>
Capital Fund		
Reserve Accounts	403,003	253,609
Equity in Tangible Capital Assets	<u>7,506,197</u>	<u>7,711,733</u>
	<u>7,909,200</u>	<u>7,965,342</u>
Special Purpose Fund		
School Generated Funds	352,139	341,684
Other Special Purpose Funds	<u>-</u>	<u>-</u>
	<u>352,139</u>	<u>341,684</u>
Total Accumulated Surplus	<u>\$ 10,400,571</u>	<u>10,183,915</u>

**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 2010 tax year and 60% from 2011 tax year. Below are the related revenue and receivable amounts:

	2011	2010
Revenue – Municipal Government – Property Tax	<u>\$ 20,020,012</u>	<u>\$ 19,658,301</u>
Receivable – Due from Municipal – Property Tax	<u>\$ 8,595,670</u>	<u>\$ 8,626,333</u>

**LORD SELKIRK SCHOOL DIVISION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
As at June 30, 2011

**11. Interest Received and Paid**

The Division received interest during the year of \$9,024 (previous year \$3,080); interest paid during the year was \$1,142,295 (previous year \$1,183,340).

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

	2011	2010
Operating Fund		
Fiscal-short term loan, interest and bank charges	\$ 23,406	\$ 23,759
Capital Fund		
Debenture interest	1,118,889	1,159,581
	<u>\$ 1,142,295</u>	<u>\$ 1,183,340</u>

The accrual portion of debenture debt interest expense of \$ 506,289 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 2011	Budget 2011	Actual 2010
Salaries	\$36,627,286	\$36,512,550	\$ 35,555,351
Employees benefits and allowances	3,029,565	3,029,030	2,992,796
Services	3,534,862	3,941,175	3,362,222
Supplies, materials & minor equipment	3,055,182	3,185,319	3,224,947
Interest	1,142,295	55,000	1,183,340
Bad debts	-	-	-
Payroll tax	804,446	764,900	771,174
Amortization	2,283,237	-	2,295,671
Transfers	225,936	205,000	232,720
Other capital items	33,020	-	-
School generated funds	1,044,729	-	1,042,815
	<u>\$51,780,558</u>	<u>\$47,692,974</u>	<u>\$50,661,036</u>

## **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 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. 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.

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Chairperson

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Secretary-Treasurer

October 25, 2011





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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, 2011, 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 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 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, 2011, and its consolidated results of operations and its consolidated 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 made 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 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.



Chartered Accountants

October 25, 2011

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.

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Chairperson of the Board

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OCT 25 2011  
Date



**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

as at June 30

Notes		2011	2010
	<b>Financial Assets</b>		
	Cash and Bank	-	-
	Short Term Investments	-	-
	Due from - Provincial Government	5,654,815	5,310,256
	- Federal Government	264,662	278,686
10	- Municipal Government	25,121,003	25,835,349
	- Other School Divisions	44,054	3,828
	- First Nations	-	-
	Accounts Receivable	513,394	305,325
	Accrued Investment Income	-	-
	Other Investments	-	-
		<u>31,597,928</u>	<u>31,733,444</u>
	<b>Liabilities</b>		
	Overdraft	3,966,148	4,384,547
	Accounts Payable	11,373,195	10,288,354
	Accrued Liabilities	2,722,152	3,047,981
	Employee Future Benefits	-	-
	Accrued Interest Payable	458,170	524,764
	Due to - Provincial Government	101,395	10,121
	- Federal Government	5,125	4,861
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
5	Deferred Revenue	8,556,066	7,790,268
7	Debenture Debt	20,871,815	22,800,915
14	Other Borrowings	940,302	1,161,272
6	School Generated Funds Liability	1,080,249	923,181
		<u>50,074,617</u>	<u>50,936,264</u>
	<b>Net Debt</b>	<u>(18,476,689)</u>	<u>(19,202,820)</u>
	<b>Non-Financial Assets</b>		
8	Net Tangible Capital Assets (TCA Schedule)	41,998,930	41,897,054
	Inventories	14,802	56,028
	Prepaid Expenses	506,928	802,700
		<u>42,520,660</u>	<u>42,755,782</u>
9	<b>Accumulated Surplus</b>	<u>24,043,971</u>	<u>23,552,962</u>

See accompanying notes to the Financial Statements

**CONSOLIDATED STATEMENT  
OF REVENUE, EXPENSES  
AND ACCUMULATED SURPLUS**

For the Year Ended June 30

Notes		2011	2010
	<b>Revenue</b>		
	Provincial Government	102,155,643	99,105,642
	Federal Government	-	-
10	Municipal Government - Property Tax	42,984,252	43,345,422
	- Other	-	-
	Other School Divisions	472,530	472,412
	First Nations	-	-
	Private Organizations and Individuals	1,771,824	1,517,420
	Other Sources	405,006	254,956
	School Generated Funds	2,031,259	2,167,967
	Other Special Purpose Funds	-	-
		<u>149,820,514</u>	<u>146,863,819</u>
	<b>Expenses</b>		
	Regular Instruction	78,436,258	79,088,449
	Student Support Services	29,925,795	29,677,467
	Adult Learning Centres	-	-
	Community Education and Services	907,120	805,058
	Divisional Administration	4,794,899	4,404,977
	Instructional and Other Support Services	7,001,539	7,153,830
	Transportation of Pupils	2,830,578	2,733,845
	Operations and Maintenance	15,829,489	15,643,784
11	Fiscal - Interest	1,533,918	1,514,395
	- Other	2,375,648	2,607,568
	Amortization	3,283,218	3,037,468
	Other Capital Items	130,982	228,019
	School Generated Funds	2,280,061	2,141,035
	Other Special Purpose Funds	-	-
		<u>149,329,505</u>	<u>149,035,895</u>
	Current Year Surplus (Deficit)	<u>491,009</u>	<u>(2,172,076)</u>
	Opening Accumulated Surplus	23,552,962	25,725,038
	Adjustments: Tangible Cap. Assets and Accum. Amort.	-	-
	Other than Tangible Cap. Assets	-	-
	Opening Accumulated Surplus, as adjusted	<u>23,552,962</u>	<u>25,725,038</u>
	<b>Closing Accumulated Surplus</b>	<u>24,043,971</u>	<u>23,552,962</u>

See accompanying notes to the Financial Statements

**CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT**

For the Year Ended June 30, 2011

	2011	2010
Current Year Surplus (Deficit)	491,009	(2,172,076)
Amortization of Tangible Capital Assets	3,283,218	3,037,468
Acquisition of Tangible Capital Assets	(3,385,094)	(5,214,919)
(Gain) / Loss on Disposal of Tangible Capital Assets	(40,740)	(21,468)
Proceeds on Disposal of Tangible Capital Assets	40,740	21,468
	(101,876)	(2,177,451)
Inventories (Increase)/Decrease	41,226	(3,476)
Prepaid Expenses (Increase)/Decrease	295,772	306,544
	336,998	303,068
(Increase)/Decrease in Net Debt	726,131	(4,046,459)
Net Debt at Beginning of Year	(19,202,820)	(15,156,361)
Adjustments Other than Tangible Cap. Assets	-	-
Net Debt at Beginning of Year as Adjusted	(19,202,820)	(15,156,361)
<b>Net Debt at End of Year</b>	<b>(18,476,689)</b>	<b>(19,202,820)</b>

**CONSOLIDATED STATEMENT OF CASH FLOW**

For the Year Ended June 30, 2011

	2011	2010
<b>Operating Transactions</b>		
Current Year Surplus/(Deficit)	491,009	(2,172,076)
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	3,283,218	3,037,468
(Gain)/Loss on Disposal of Tangible Capital Assets	(40,740)	(21,468)
Employee Future Benefits Increase/(Decrease)	-	-
Short Term Investments (Increase)/Decrease	-	-
Due from Other Organizations (Increase)/Decrease	343,585	(1,919,469)
Accounts Receivable & Accrued Income (Increase)/Decrease	(208,069)	106,597
Inventories and Prepaid Expenses - (Increase)/Decrease	336,998	303,068
Due to Other Organizations Increase/(Decrease)	91,538	(2,272,327)
Accounts Payable & Accrued Liabilities Increase/(Decrease)	692,418	(873,205)
Deferred Revenue Increase/(Decrease)	765,798	174,444
School Generated Funds Liability Increase/(Decrease)	157,068	(14,191)
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by Operating Transactions	5,912,823	(3,651,159)
<b>Capital Transactions</b>		
Acquisition of Tangible Capital Assets	(3,385,094)	(5,214,919)
Proceeds on Disposal of Tangible Capital Assets	40,740	21,468
Cash (Applied to)/Provided by Capital Transactions	(3,344,354)	(5,193,451)
<b>Investing Transactions</b>		
Other Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
<b>Financing Transactions</b>		
Debenture Debt Increase/(Decrease)	(1,929,100)	2,192,451
Other Borrowings Increase/(Decrease)	(220,970)	1,161,272
Cash Provided by (Applied to) Financing Transactions	(2,150,070)	3,353,723
Cash and Bank / Overdraft (Increase)/Decrease	418,399	(5,490,887)
Cash and Bank (Overdraft) at Beginning of Year	(4,384,547)	1,106,340
<b>Cash and Bank (Overdraft) at End of Year</b>	<b>(3,966,148)</b>	<b>(4,384,547)</b>

# **SCHEDULE OF TANGIBLE CAPITAL ASSETS**

at June 30, 2011

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	2011 TOTALS	2010 TOTALS
	School	Non-School									
<b>Tangible Capital Asset Cost</b>											
Opening Cost, as previously reported	99,575,048	3,342,617	2,344,473	198,452	2,179,123	1,035,650	4,229,210	309,405	751,689	113,965,667	108,782,748
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Operating Cost adjusted	99,575,048	3,342,617	2,344,473	198,452	2,179,123	1,035,650	4,229,210	309,405	751,689	113,965,667	108,782,748
Add:											
Additions during the year	1,396,920	-	97,912	48,870	181,238	466,883	-	-	1,193,271	3,385,094	5,214,919
Less:											
Disposals and write downs	-	-	-	-	-	-	-	-	-	-	32,000
Closing Cost	100,971,968	3,342,617	2,442,385	247,322	2,360,361	1,502,533	4,229,210	309,405	1,944,960	117,350,761	113,965,667
<b>Accumulated Amortization</b>											
Opening, as previously reported	66,907,330	2,499,588	1,161,689	102,198	669,253	651,203		77,352		72,068,613	69,063,145
Adjustments	-	-	-	-	-	-		-		-	-
Operating adjusted	66,907,330	2,499,588	1,161,689	102,198	669,253	651,203		77,352		72,068,613	69,063,145
Add:											
Current period Amortization	2,333,094	82,798	218,445	34,284	377,873	205,783		30,941		3,283,218	3,037,468
Less:											
Accumulated Amortization on Disposals and Writedowns	-	-	-	-	-	-		-		-	32,000
Closing Accumulated Amortization	69,240,424	2,582,386	1,380,134	136,482	1,047,126	856,986		108,293		75,351,831	72,068,613
<b>Net Tangible Capital Asset</b>	31,731,544	760,231	1,062,251	110,840	1,313,235	645,547	4,229,210	201,112	1,944,960	41,998,930	41,897,054
<b>Proceeds from Disposal of Capital Assets</b>	-	-	40,740	-	-	-				40,740	21,468

\* Includes network infrastructure.

# LOUIS RIEL SCHOOL DIVISION

## Notes to Consolidated Financial Statements

Year ended June 30, 2011

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### 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, 2011 totaled \$234,941 (2010 - \$196,273).

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.



# LOUIS RIEL SCHOOL DIVISION

Notes to Consolidated Financial Statements (continued)

Year ended June 30, 2011

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## 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 that the related expenses are incurred or services performed.

### (f) School generated funds:

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

Only revenue and expenses of school generated funds controlled by the Division are included in the consolidated statement of revenue, expenses and accumulated surplus. To be deemed as controlled, a school must have the unilateral authority to make the decisions as to when, how and on what the funds are to be spent.

# LOUIS RIEL SCHOOL DIVISION

Notes to Consolidated Financial Statements (continued)

Year ended June 30, 2011

## 2. Significant accounting policies (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.

### (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	\$ 25,000	10
Buildings:		
Bricks, mortar and steel	25,000	40
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 and 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 certain 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.

# LOUIS RIEL SCHOOL DIVISION

Notes to Consolidated Financial Statements (continued)

Year ended June 30, 2011

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## 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.

# LOUIS RIEL SCHOOL DIVISION

Notes to Consolidated Financial Statements (continued)

Year ended June 30, 2011

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## 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.

### (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) Investment income:

Investment income is reported as revenue in the period earned.

### (k) 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, liabilities, revenues and expenditures and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements during the reporting period. Actual results could differ from these estimates.

# LOUIS RIEL SCHOOL DIVISION

Notes to Consolidated Financial Statements (continued)

Year ended June 30, 2011

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## 2. Significant accounting policies (continued):

### (l) Financial instruments:

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

## 3. Overdraft:

The Division has authorized revolving lines of credit with the Royal Bank of Canada (RBC) of \$25,000,000 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. 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 \$1,508,292 for fiscal 2011 (2010 - \$1,711,138).

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).

# LOUIS RIEL SCHOOL DIVISION

Notes to Consolidated Financial Statements (continued)

Year ended June 30, 2011

## 5. Deferred revenue:

	Balance, June 30, 2010	Additions in the year	Revenue recognized in the year	Balance, June 30, 2011
Education property tax credit	\$ 7,617,632	\$ 20,640,381	\$ 20,012,284	\$ 8,245,729
Other	172,636	696,828	559,127	310,337
	<u>\$ 7,790,268</u>	<u>\$ 21,337,209</u>	<u>\$ 20,571,411</u>	<u>\$ 8,556,066</u>

## 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, 2011, school funds held in the Special Purpose Fund totaled \$2,612,698 (2010 - \$2,617,861).

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:

	2011	2010
Parent council funds	\$ 41,461	\$ 19,232
Lunch/snack funds	124,866	113,173
Students council funds	9,793	170,246
Graduation funds	105,430	135,560
Activity/sports fees	25,268	250,790
Other	604,793	99,258
Travel club funds	168,638	134,922
	<u>\$ 1,080,249</u>	<u>\$ 923,181</u>



# LOUIS RIEL SCHOOL DIVISION

Notes to Consolidated Financial Statements (continued)

Year ended June 30, 2011

## 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 2012 to 2030. Payment of principal and interest is funded entirely by grants from the Province of Manitoba. The debentures carry interest rates that range from 5.125 percent to 12.125 percent. The debenture principal and interest repayments in the next five years and thereafter are:

	Principal	Interest	Total
2012	\$ 1,958,143	\$ 1,338,192	\$ 3,296,335
2013	1,709,800	1,184,163	2,893,963
2014	1,761,899	1,059,147	2,821,046
2015	1,713,926	931,370	2,645,296
2016	1,374,903	809,149	2,184,052
Thereafter	12,353,144	3,887,193	16,240,337
	<u>\$ 20,871,815</u>	<u>\$ 9,209,214</u>	<u>\$ 30,081,029</u>

## 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	\$ 116,139,350	\$ 74,988,407	\$ 41,150,943
Capital lease	1,211,411	363,424	847,987
	<u>\$ 117,350,761</u>	<u>\$ 75,351,831</u>	<u>\$ 41,998,930</u>

# LOUIS RIEL SCHOOL DIVISION

Notes to Consolidated Financial Statements (continued)

Year ended June 30, 2011

## 9. Accumulated surplus:

The consolidated accumulated surplus is comprised of the following:

Operating Fund:	
Designated surplus	\$ 938,373
Undesignated surplus	1,807,513
	<u>2,745,886</u>
Capital Fund:	
Reserve accounts	3,246,087
Equity in tangible capital assets	17,126,205
	<u>20,372,292</u>
Special purpose Fund:	
School generated funds	925,793
<b>Total accumulated surplus</b>	<b>\$ 24,043,971</b>

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.

Board approved appreciation by motion	\$ 413,460
School budget carryovers by board policy	524,913
<b>Designated surplus</b>	<b>\$ 938,373</b>

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	\$ 1,408,162
Other reserves	1,837,925
<b>Capital reserve</b>	<b>\$ 3,246,087</b>

School generated funds and other special purpose funds are externally restricted funds for schools.

# LOUIS RIEL SCHOOL DIVISION

Notes to Consolidated Financial Statements (continued)

Year ended June 30, 2011

## 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, expenses and accumulated surplus is raised over the two calendar (tax) years; 40 percent from 2010 tax year and 60 percent from 2011 tax year. Below are the related revenue and receivable amounts:

	2011	2010
Revenue - Municipal Government - property tax	\$ 42,984,252	\$ 43,345,422
Receivable - due from Municipal Government- property tax	25,121,003	25,835,349

## 11. Interest received and paid:

The Division received interest during the year of \$108,055 (2010 - \$20,949); interest paid during the year was \$1,533,918 (2010 - \$1,514,395).

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

	2011	2010
Operating Fund:		
Interest and bank charges	\$ 86,475	\$ 44,528
Capital Fund:		
Debenture debt interest	1,427,121	1,448,667
Other interest	20,322	21,200
	\$ 1,533,918	\$ 1,514,395

## 12. Expenditures by type:

Expenditures by type not otherwise disclosed in these consolidated financial statements are listed on page 11.

# LOUIS RIEL SCHOOL DIVISION

Notes to Consolidated Financial Statements (continued)

Year ended June 30, 2011

## 13. Contractual obligations:

- (i) The Division is committed to payments under an agreement with respect to the transportation of students within the Division. The future annual minimum payments are: 2012 - \$1,648,789; 2013 - \$1,731,228.
- (ii) On August 16, 2010, the Division entered into a construction service agreement with ATI Telecom International for the construction of a high speed fiber optic underground network at a cost of \$3,188,000. Construction of this underground network was expected to be completed August 15, 2011.

On December 17, 2010, a change order was issued for the project to reduce the cost to \$3,002,000 and extend the completion date to October 15, 2011. As of June 30, 2011, \$1,100,000 remains to be spent on the project.

## 14. 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 7.30 percent. Capital lease payments in the next five years are as follows:

	Principal	Interest	Total
2012	\$ 224,835	\$ 16,455	\$ 241,290
2013	228,770	12,520	241,290
2014	232,773	8,517	241,290
2015	188,774	4,444	193,218
2016	65,150	1,785	66,935
	\$ 940,302	\$ 43,721	\$ 984,023

**TRUST FUNDS SCHEDULE**  
For the Year Ended June 30, 2011

Trust Fund Name	Balance June 30, 2010	Contributions	Interest Earned	Transfers or Scholarships Awarded	Balance June 30, 2011
The Lilian Hawn History Award Fund	\$ 5,237	\$	\$ 48	\$ 50	\$ 5,235
The Henry F. Deutscher Scholarship Fund	2,313		20	100	2,233
The David Donald Charles Brown Scholarship Fund	1,200		11		1,211
The Jocelyn Louise Hutton Memorial Fund	1,052		10	50	1,012
The A.J. MacIvor Scholarship Fund	1,396		12	100	1,308
Cory Anderson Scholarship Fund	327		2	100	229
Collège Beiveau Student Recognition	2,219		20		2,239
Damen Bessette Scholarship	2,972		26	150	2,848
Terry Borys Scholarship Fund	500			500	0
Alex Boyes Fund	8,638		80		8,718
Burland Learning Enhancement	0				0
Collège Jeanne-Sauvé Scholarship	9,541		78	1,000	8,619
Concours d'Oratoire Medals	736		7		743
Anne & Donald Scott Cummings Scholarship	480		4		484
Dakota Reunion Scholarship	1,560		10	450	1,120
Prix d'Excellence R. Deleume	3,287		28	200	3,115
Fenwick Award	1,276		12	150	1,138
Findlay Justice Award	1,515		12	200	1,327
Foundation	11,642		107		11,749
Glentown Fine Arts	9,285		83	250	9,118
Glentown Alumni Scholarship	556		5		561
École Guyot Learning Enhancement	0				0
Betty Halstead Language Arts	624		6		630
Hastings Special Needs	352		3		355
H.S. Paul Learning Enhancement	(0)				(0)
Hastings & Marie-Anne-Gaboury Learning Enhancement	3,348		14	3,362	(0)
Humanities	200	200		200	200
ILCS Learning Enhancement	(0)				(0)
R. Jenner Memorial Award	500	500		500	500
École Julie Riel Learning Enhancement	244		2		246
Marie Laroche Memorial Fund	754		7		761
Millennium Scholarship	2,830		26		2,856
Minnetonka Learning Enhancement	(0)				(0)
General Fund	2,576	13,933		11,910	4,599
Muir Scholarship Fund	2,503	2,500	2	2,500	2,505
Carrie Mulder Scholarship	1,321		10	200	1,131
Project Ovoko	72		1		73
John Patricia Memorial Fund	6,651		61		6,712
Glentown Performing Arts	2,758		25		2,783
Per Capita Scholarship Fund	2,206	750	14	750	2,220
Norbert Philippe Scholarship Fund	12,640		108	900	11,848
Prix Curtis Ramsay	1,548		13	100	1,461
Nikki Redekop Scholarship	957		5	400	562
Jeff Spencer Good Cheer	1,354	760	13	150	1,977
St. Amant Trust	4,621		42	200	4,463
St. George Scholarship	3,053		26	200	2,879
École St. Germain Learning Enhancement	0				0
Swain Memorial Award	2,510		18	500	2,028
Retired Teachers Association	9,805	1,575	92	1,500	9,972
Ian Whyte Memorial Scholarship	253		2	100	155
T.J. Wiebe Education Fund	56,024		510	2,471	54,063
Wieler/Kruk Student Achievement Award	9,222		80	500	8,802
Windsor Learning Enhancement	(0)				(0)
Bill Mollison Award WPC	859		7	150	716
WP Sea Scholarship Fund	760		7		767
Ken Dryborough Scholarship		3,443	28		3,471
Norman & Patricia Stanger Performing Arts Fund		25,000	59		25,059
Patricia Stanger Award for Proficiency in Gr12 English		10,000	23		10,023
Music for Life		2,944	1		2,945
EA CUPE 3473 Scholarship		800			800
Derek Twomey Memorial		500			500
Senhil Mehari Memorial		2,000			2,000
Harvey Pearce Award		1,000			1,000
WPC Legacy		875	1		876
<b>Totals</b>	<b>\$ 196,273</b>	<b>\$ 66,780</b>	<b>\$ 1,781</b>	<b>\$ 29,893</b>	<b>\$ 234,941</b>

## MANAGEMENT REPORT

### Management's Responsibility for the 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 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.

\_\_\_\_\_  
Chairperson

\_\_\_\_\_  
Secretary-Treasurer

October 31, 2011



## Independent Auditors' Report

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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, 2011, 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, 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 Mountain View School Division as at June 30, 2011 and the results of its operations, changes in net debt and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Brandon, Manitoba

October 31, 2011

**MNP LLP**  
Chartered Accountants

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

as at June 30

Notes		2011	2010
	<b>Financial Assets</b>		
	Cash and Bank	-	-
	Short Term Investments	-	-
	Due from - Provincial Government	1,147,706	1,563,455
	- Federal Government	285,150	169,348
	- Municipal Government	5,448,018	5,474,625
	- Other School Divisions	120,989	101,432
	- First Nations	131,683	77,381
	Accounts Receivable	525,121	436,970
	Accrued Investment Income	-	-
	Other Investments	-	-
		<u>7,658,667</u>	<u>7,823,211</u>
	<b>Liabilities</b>		
5	Overdraft	5,305,074	3,544,804
	Accounts Payable	1,298,098	1,493,619
	Accrued Liabilities	1,858,402	1,418,911
7	Employee Future Benefits	207,257	191,614
	Accrued Interest Payable	245,654	265,675
	Due to - Provincial Government	-	-
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	41,247	31,461
	- First Nations	-	-
8	Deferred Revenue	900,911	1,458,239
10	Debenture Debt	10,931,042	11,588,856
	Other Borrowings	-	54,485
	School Generated Funds Liability	155,676	169,345
		<u>20,943,361</u>	<u>20,217,009</u>
	<b>Net Debt</b>	<u>(13,284,694)</u>	<u>(12,393,798)</u>
	<b>Non-Financial Assets</b>		
12	Net Tangible Capital Assets (TCA Schedule)	16,715,668	15,259,194
	Inventories	559,404	502,097
	Prepaid Expenses	176,986	496,934
		<u>17,452,058</u>	<u>16,258,225</u>
13	<b>Accumulated Surplus</b>	<u>4,167,364</u>	<u>3,864,427</u>

See accompanying notes to the Financial Statements

# **CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS**

For the Year Ended June 30

Notes		2011	2010
	<b>Revenue</b>		
	Provincial Government	25,676,489	24,823,629
	Federal Government	443,325	389,434
	Municipal Government - Property Tax	9,092,728	9,080,237
	- Other	-	-
	Other School Divisions	365,722	348,310
	First Nations	267,814	214,056
	Private Organizations and Individuals	794,441	546,150
	Other Sources	324,627	247,767
	School Generated Funds	759,131	712,645
	Other Special Purpose Funds	-	-
		<u>37,724,277</u>	<u>36,362,228</u>
	<b>Expenses</b>		
	Regular Instruction	19,695,235	19,196,129
	Student Support Services	4,909,416	4,423,987
	Adult Learning Centres	-	108,163
	Community Education and Services	86,788	75,762
	Divisional Administration	1,139,018	1,031,211
	Instructional and Other Support Services	1,226,513	1,117,956
	Transportation of Pupils	2,704,110	2,463,988
	Operations and Maintenance	4,305,855	4,115,283
16	Fiscal - Interest	768,204	732,448
	- Other	596,379	526,110
	Amortization	1,239,984	1,325,703
	Other Capital Items	-	-
	School Generated Funds	749,838	700,373
	Other Special Purpose Funds	-	-
		<u>37,421,340</u>	<u>35,817,113</u>
	Current Year Surplus (Deficit)	<u>302,937</u>	<u>545,115</u>
	Opening Accumulated Surplus	3,864,427	3,319,312
	Adjustments: Tangible Cap. Assets and Accum. Amort.	-	-
	Other than Tangible Cap. Assets	-	-
	Opening Accumulated Surplus, as adjusted	<u>3,864,427</u>	<u>3,319,312</u>
	<b>Closing Accumulated Surplus</b>	<u><u>4,167,364</u></u>	<u><u>3,864,427</u></u>

See accompanying notes to the Financial Statements

**CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT**

For the Year Ended June 30, 2011

	2011	2010
Current Year Surplus (Deficit)	302,937	545,115
Amortization of Tangible Capital Assets	1,239,984	1,325,703
Acquisition of Tangible Capital Assets	(2,696,458)	(3,073,130)
(Gain) / Loss on Disposal of Tangible Capital Assets	(5,000)	(6,963)
Proceeds on Disposal of Tangible Capital Assets	5,000	6,963
	(1,456,474)	(1,747,427)
Inventories (Increase)/Decrease	(57,307)	(172,955)
Prepaid Expenses (Increase)/Decrease	319,948	(44,243)
	262,641	(217,198)
(Increase)/Decrease in Net Debt	(890,896)	(1,419,510)
Net Debt at Beginning of Year	(12,393,798)	(10,974,288)
Adjustments Other than Tangible Cap. Assets	-	-
Net Debt at Beginning of Year as Adjusted	(12,393,798)	(10,974,288)
<b>Net Debt at End of Year</b>	<b>(13,284,694)</b>	<b>(12,393,798)</b>

**CONSOLIDATED STATEMENT OF CASH FLOW**

For the Year Ended June 30, 2011

	2011	2010
<b>Operating Transactions</b>		
Current Year Surplus/(Deficit)	302,937	545,115
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	1,239,984	1,325,703
(Gain)/Loss on Disposal of Tangible Capital Assets	(5,000)	(6,963)
Employee Future Benefits Increase/(Decrease)	15,643	28,400
Short Term Investments (Increase)/Decrease	-	-
Due from Other Organizations (Increase)/Decrease	252,695	(158,733)
Accounts Receivable & Accrued Income (Increase)/Decrease	(88,151)	(249,001)
Inventories and Prepaid Expenses - (Increase)/Decrease	262,641	(217,198)
Due to Other Organizations Increase/(Decrease)	9,786	(191)
Accounts Payable & Accrued Liabilities Increase/(Decrease)	223,949	(38,537)
Deferred Revenue Increase/(Decrease)	(557,328)	(34,329)
School Generated Funds Liability Increase/(Decrease)	(13,669)	50,947
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by Operating Transactions	1,643,487	1,245,213
<b>Capital Transactions</b>		
Acquisition of Tangible Capital Assets	(2,696,458)	(3,073,130)
Proceeds on Disposal of Tangible Capital Assets	5,000	6,963
Cash (Applied to)/Provided by Capital Transactions	(2,691,458)	(3,066,167)
<b>Investing Transactions</b>		
Other Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
<b>Financing Transactions</b>		
Debenture Debt Increase/(Decrease)	(657,814)	1,345,998
Other Borrowings Increase/(Decrease)	(54,485)	(38,420)
Cash Provided by (Applied to) Financing Transactions	(712,299)	1,307,578
Cash and Bank / Overdraft (Increase)/Decrease	(1,760,270)	(513,376)
Cash and Bank (Overdraft) at Beginning of Year	(3,544,804)	(3,031,428)
<b>Cash and Bank (Overdraft) at End of Year</b>	<b>(5,305,074)</b>	<b>(3,544,804)</b>

**SCHEDULE OF TANGIBLE CAPITAL ASSETS**

at June 30, 2011

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	2011 TOTALS	2010 TOTALS
	School	Non-School									
<b>Tangible Capital Asset Cost</b>											
Opening Cost, as previously reported	32,053,966	2,626,963	4,534,164	466,056	2,293,267	242,835	570,392	91,681	2,923,546	45,802,870	43,042,346
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	32,053,966	2,626,963	4,534,164	466,056	2,293,267	242,835	570,392	91,681	2,923,546	45,802,870	43,042,346
Add:											
Additions during the year	75,292	-	375,524	-	-	-	-	-	2,245,642	2,696,458	3,073,130
Less:											
Disposals and write downs			50,773	-	-	-	-	-	-	50,773	312,606
Closing Cost	32,129,258	2,626,963	4,858,915	466,056	2,293,267	242,835	570,392	91,681	5,169,188	48,448,555	45,802,870
<b>Accumulated Amortization</b>											
Opening, as previously reported	24,224,838	710,041	2,908,145	334,801	2,142,317	181,864		41,670		30,543,676	29,530,579
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening adjusted	24,224,838	710,041	2,908,145	334,801	2,142,317	181,864		41,670		30,543,676	29,530,579
Add:											
Current period Amortization	710,712	92,476	297,528	45,289	54,053	33,258		6,668		1,239,984	1,325,703
Less:											
Accumulated Amortization on Disposals and Writedowns	-	-	50,773	-	-	-	-	-	-	50,773	312,606
Closing Accumulated Amortization	24,935,550	802,517	3,154,900	380,090	2,196,370	215,122		48,338		31,732,887	30,543,676
<b>Net Tangible Capital Asset</b>	7,193,708	1,824,446	1,704,015	85,966	96,897	27,713	570,392	43,343	5,169,188	16,715,668	15,259,194
<b>Proceeds from Disposal of Capital Assets</b>	-	-	5,000	-	-	-	-			5,000	6,963

\* Includes network infrastructure.



**MOUNTAIN VIEW SCHOOL DIVISION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2011**

**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. 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.

**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) 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	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 & 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.

#### **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.

#### **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.

**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 authorized line of credit with the Royal Bank of Canada in the amount of \$10,800,000 by way of overdrafts and is repayable on demand. Interest is paid monthly at prime less .75%.

**6. Short Term Investments**

The Division currently has no short term investments.

## 7. 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.

	<u>Type of Plan</u>	<u>2011</u>
Employee Future Benefit Liabilities (EFBL)		
Vacation accrual	defined contribution	\$ 207,257
Pension plan	defined benefits	
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		<u>\$ 207,257</u>
Employee future benefit expense (EFB)		<u>\$ 207,257</u>
Payment made during the year		<u>\$ 191,614</u>

The Division sponsors a defined contribution and defined benefits. 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).

## 8. 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, 2010	Additions in the period	Revenue recognized in the period	Balance as at June 30, 2011
Manitoba Textbook Bureau	\$ 121,105	\$ -	\$ 85,383	\$ 35,722
Home Town Green Team Grant	1,315	-	1,315	-
Property Tax Credit & Healthy Child	1,335,819	852,189	1,335,819	852,189
Clinician Grant	-	13,000	-	13,000
	<u>\$ 1,458,239</u>	<u>\$ 865,189</u>	<u>\$ 1,422,517</u>	<u>\$ 900,911</u>

## 9. 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 \$155,676.

	<u>2011</u>
Parent council funds	\$ -
Other parent group funds	-
Students council funds	155,676
Travel club funds	-
	<u>\$ 155,676</u>

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, 2011 covers a period of twelve months from April 1, 2010 to March 31, 2011.

## 10. 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 2012 to 2030. 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 4.875% to 11.125%. The debenture principal and interest repayments in the next five years are:

	Principal	Interest	Total
2012	\$ 649,980	\$ 634,756	\$ 1,284,736
2013	648,483	591,801	1,240,284
2014	689,843	550,441	1,240,284
2015	698,481	506,312	1,204,793
2016	686,008	462,162	1,148,170
	<u>\$ 3,372,795</u>	<u>\$ 2,745,472</u>	<u>\$ 6,118,267</u>

## 11. Other Borrowings

Other borrowings are debts other than overdrafts or debentures. This includes short term financing for the loans to purchase division vehicles.

	<u>2011</u>	<u>2010</u>
Division vehicle loan	\$ -	\$ 25,000
Capital finance for video conf systems	-	29,485
	<u>\$ -</u>	<u>\$ 54,485</u>

Final payment for the capital financing of division vehicles was made March 16, 2011. Final payment for the capital financing of the video conferencing system was also made March 16, 2011.

## 12. 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	2011 Net Book Value
Owned-tangible capital assets	\$ 48,448,555	\$ 31,732,887	\$ 16,715,668
Capital lease	-	-	-
	<u>\$ 48,448,555</u>	<u>\$ 31,732,887</u>	<u>\$ 16,715,668</u>

## 13. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	<u>2011</u>
Operating Fund	
Designated Surplus	-
Undesignated Surplus	1,182,122
	<u>1,182,122</u>
Capital Fund	
Reserve Accounts	250,726
Equity in Tangible Capital Assets	2,505,509
	<u>2,756,235</u>
Special Purpose Fund	
School Generated Funds	229,007
Other Special Purpose Funds	-
	<u>229,007</u>
Total Accumulated Surplus	<u>\$ 4,167,364</u>

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.

	<u>2011</u>
Board approved appropriation by motion	-
School budget carryovers by board policy	-
Designated surplus	<u>\$ -</u>

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.

	<u>2011</u>
Bus reserves	62,726
Other reserves	188,000
Capital Reserve	<u>\$ 250,726</u>

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

	<u>2011</u>
Foundation-Scholarship	-
Other - <i>Specify</i>	-
Other Special Purpose Funds	<u>\$ -</u>

#### **14. Restatement of Opening Accumulated Surplus**

*PS 2120.020 (Reference)*

Restatement of Opening Accumulated Surplus is comprised of:

	<u>2011</u>
Operating Fund	
Employee Future Benefits	<u>-</u>
Capital Fund	
Tangible Capital Assets	-
Accumulated Amortization	<u>-</u>
	<u>-</u>
Special Purpose Fund	
School Generated Funds	-
Other Special Purpose Funds	<u>-</u>
	<u>-</u>
Total Restatement of Opening Accumulated Surplus	<u>\$ -</u>

Restatements of the above accounts are prior period cumulative adjustments to the opening balance of the accumulated surplus (deficit) of the current period

#### **15. 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 2010 tax year and 60% from 2011 tax year. Below are the related revenue and receivable amounts:

	<u>2011</u>	<u>2010</u>
Revenue-Municipal Government-Property Tax	\$ 9,092,728	\$ 9,080,237
Receivable-Due from Municipal-Property Tax	\$ 5,448,018	\$ 5,474,625

## 16. Interest Received and Paid

The Division received interest during the year of \$197 (previous year \$941); interest paid during the year was \$768,204 (previous year \$732,448).

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

	<u>2011</u>
Operating Fund	
Fiscal-short term loan, interest and bank charges	\$ 107,032
Capital Fund	
Debenture debt interest	660,520
Other interest	652
	<u>\$ 768,204</u>

## 17. 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, 2011:

	<u>2011</u>
Allowance for doubtful accounts deducted from Receivables below:	
Due from First Nations	\$ -
Accounts Receivable	-
	<u>\$ -</u>
Bad debts expense (included in fiscal-Other)	<u>\$ 60,883</u>

## 18. 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 <u>2011</u>	Budget <u>2011</u>	Actual <u>2010</u>
Salaries	\$ 25,228,256	\$ 25,591,234	\$ 24,400,844
Employees benefits & allowances	1,983,871	2,146,148	1,970,735
Services	3,661,557	2,862,324	3,399,854
Supplies, materials & minor equipment	3,182,216	3,426,306	2,751,682
Interest	768,204	90,000	732,448
Bad debts	60,883	-	-
Payroll tax and transfers	546,531	542,846	535,474
Amortization	1,239,984	-	1,325,703
Other capital items	-	-	-
School generated funds	749,838	-	700,373
Other special purpose funds	-	-	-
	<u>\$ 37,421,340</u>	<u>\$ 34,658,858</u>	<u>\$ 35,817,113</u>

## 19. Contractual Obligations

Currently there are no contractual obligations affecting Mountain View School Division.

## 20. Contingent Liabilities

There have been no legal actions initiated against the Division.

# KENDALL & PANDYA

Chartered Accountants

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118 Cree Road, Thompson, MB R8N 0C1 (204) 778-7312 Fax 778-7919

Partners.... David Kendall, FCA \*  
Manisha Pandya, CA \*

\* Operating as professional corporations

## 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 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 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 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 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.

\_\_\_\_\_  
Chairperson

\_\_\_\_\_  
Secretary – Treasurer

October 24, 2011



# 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 Consolidated Statements of Financial Position, Revenue, Expenses and accumulated Surplus, changes in Net Debt and Cash Flow of MYSTERY LAKE SCHOOL DISTRICT as at June 30, 2011 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 generally accepted accounting principles, and for such internal controls 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 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 judgement, including 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 audit 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 Mystery Lake School District as at June 30, 2011 and its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

THOMPSON, MANITOBA

November 15, 2011  
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 Division/District.

Nov 22 2011  
DATE

\_\_\_\_\_  
CHAIRPERSON

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

as at June 30

Notes	2011	2010
<b>Financial Assets</b>		
Cash and Bank	5,845,119	3,303,176
Short Term Investments	-	-
Due from - Provincial Government	1,167,602	1,136,782
- Federal Government	81,616	207,568
- Municipal Government	4,448,578	4,400,142
- Other School Divisions	-	-
- First Nations	28,240	39,541
Accounts Receivable	44,710	105,426
Accrued Investment Income	-	-
Other Investments	-	-
	<u>11,615,865</u>	<u>9,192,635</u>
<b>Liabilities</b>		
Overdraft	-	-
Accounts Payable	433,491	410,740
Accrued Liabilities	4,181,066	3,658,719
* Employee Future Benefits	2,523,770	2,141,725
Accrued Interest Payable	108,737	110,379
Due to - Provincial Government	43,296	87
- Federal Government	627	365
- Municipal Government	-	-
- Other School Divisions	-	-
- First Nations	-	-
* Deferred Revenue	992,164	988,142
* Debenture Debt	6,831,084	6,033,875
Other Borrowings	-	-
School Generated Funds Liability	247,909	179,454
	<u>15,362,144</u>	<u>13,523,486</u>
<b>Net Debt</b>	<u>(3,746,279)</u>	<u>(4,330,851)</u>
<b>Non-Financial Assets</b>		
* Net Tangible Capital Assets (TCA Schedule)	11,674,319	10,961,234
Inventories	77,009	81,065
Prepaid Expenses	40,305	40,312
	<u>11,791,633</u>	<u>11,082,611</u>
* <b>Accumulated Surplus</b>	<u>8,045,354</u>	<u>6,751,760</u>

See accompanying notes to the Financial Statements

# CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes		2011	2010
	<b>Revenue</b>		
	Provincial Government	30,390,915	29,699,418
	Federal Government	164,668	120,762
	Municipal Government - Property Tax	5,586,593	5,518,198
	- Other	1,681,560	1,698,557
	Other School Divisions	161,833	118,729
	First Nations	233,935	207,794
	Private Organizations and Individuals	215,465	581,343
	Other Sources	114,834	141,333
	School Generated Funds	264,244	265,475
	Other Special Purpose Funds	-	-
		<u>38,814,047</u>	<u>38,351,609</u>
	<b>Expenses</b>		
	Regular Instruction	19,768,436	18,974,998
	Student Support Services	6,685,903	6,661,729
	Adult Learning Centres	-	-
	Community Education and Services	42,327	43,954
	Divisional Administration	1,810,485	1,769,149
	Instructional and Other Support Services	2,413,071	2,188,737
	Transportation of Pupils	206,906	198,387
	Operations and Maintenance	4,615,620	4,676,160
*	Fiscal - Interest	380,939	504,358
	- Other	606,049	570,976
	Amortization	716,835	679,475
	Other Capital Items	-	-
	School Generated Funds	273,883	256,053
	Other Special Purpose Funds	-	-
		<u>37,520,454</u>	<u>36,523,976</u>
	Current Year Surplus (Deficit)	<u>1,293,593</u>	<u>1,827,633</u>
	Opening Accumulated Surplus	6,751,761	4,924,128
	Adjustments: Tangible Cap. Assets and Accum. Amort.	-	-
	Other than Tangible Cap. Assets	-	-
	Opening Accumulated Surplus, as adjusted	<u>6,751,761</u>	<u>4,924,128</u>
	<b>Closing Accumulated Surplus</b>	<u>8,045,354</u>	<u>6,751,761</u>

See accompanying notes to the Financial Statements

**CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT**

For the Year Ended June 30, 2011

	2011	2010
Current Year Surplus (Deficit)	<u>1,293,593</u>	<u>1,827,633</u>
Amortization of Tangible Capital Assets	716,835	679,475
Acquisition of Tangible Capital Assets	(1,429,920)	(996,654)
(Gain) / Loss on Disposal of Tangible Capital Assets	-	-
Proceeds on Disposal of Tangible Capital Assets	<u>-</u>	<u>-</u>
	<u>(713,085)</u>	<u>(317,179)</u>
Inventories (Increase)/Decrease	4,056	(15,800)
Prepaid Expenses (Increase)/Decrease	<u>7</u>	<u>(7,769)</u>
	<u>4,063</u>	<u>(23,569)</u>
(Increase)/Decrease in Net Debt	<u>584,571</u>	<u>1,486,885</u>
Net Debt at Beginning of Year	(4,330,851)	(5,817,734)
Adjustments Other than Tangible Cap. Assets	<u>-</u>	<u>-</u>
Net Debt at Beginning of Year as Adjusted	<u>(4,330,851)</u>	<u>(5,817,734)</u>
<b>Net Debt at End of Year</b>	<u><b>(3,746,280)</b></u>	<u><b>(4,330,849)</b></u>

**CONSOLIDATED STATEMENT OF CASH FLOW**

For the Year Ended June 30, 2011

	2011	2010
<b>Operating Transactions</b>		
Current Year Surplus/(Deficit)	1,293,593	1,827,633
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	716,835	679,475
(Gain)/Loss on Disposal of Tangible Capital Assets	-	-
Employee Future Benefits Increase/(Decrease)	382,045	676,213
Short Term Investments (Increase)/Decrease	-	-
Due from Other Organizations (Increase)/Decrease	57,997	(379,891)
Accounts Receivable & Accrued Income (Increase)/Decrease	60,716	(54,322)
Inventories and Prepaid Expenses - (Increase)/Decrease	4,063	(23,569)
Due to Other Organizations Increase/(Decrease)	43,471	44
Accounts Payable & Accrued Liabilities Increase/(Decrease)	543,456	(287,134)
Deferred Revenue Increase/(Decrease)	4,022	(29,847)
School Generated Funds Liability Increase/(Decrease)	68,455	(7,858)
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by Operating Transactions	3,174,653	2,400,744
<b>Capital Transactions</b>		
Acquisition of Tangible Capital Assets	(1,429,920)	(996,654)
Proceeds on Disposal of Tangible Capital Assets	-	-
Cash (Applied to)/Provided by Capital Transactions	(1,429,920)	(996,654)
<b>Investing Transactions</b>		
Other Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
<b>Financing Transactions</b>		
Debenture Debt Increase/(Decrease)	797,209	147,156
Other Borrowings Increase/(Decrease)	-	-
Cash Provided by (Applied to) Financing Transactions	797,209	147,156
Cash and Bank / Overdraft (Increase)/Decrease	2,541,942	1,551,246
Cash and Bank (Overdraft) at Beginning of Year	3,303,176	1,751,932
<b>Cash and Bank (Overdraft) at End of Year</b>	<b>5,845,118</b>	<b>3,303,178</b>

# **SCHEDULE OF TANGIBLE CAPITAL ASSETS**

at June 30, 2011

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	2011 TOTALS	2010 TOTALS
	School	Non-School									
<b>Tangible Capital Asset Cost</b>											
Opening Cost, as previously reported	26,214,972	2,183,826	-	231,866	1,056,289	229,732	2,914,272	-	150,109	32,981,066	31,984,412
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	26,214,972	2,183,826	-	231,866	1,056,289	229,732	2,914,272	-	150,109	32,981,066	31,984,412
Add:											
Additions during the year	1,338,625	127,000	-	30,647	45,113	38,644	-	-	(150,109)	1,429,920	996,654
Less:											
Disposals and write downs	-	-	-	-	-	-	-	-	-	-	-
Closing Cost	27,553,597	2,310,826	-	262,513	1,101,402	268,376	2,914,272	-	-	34,410,986	32,981,066
<b>Accumulated Amortization</b>											
Opening, as previously reported	19,568,514	1,513,238	-	170,001	573,774	194,305	-	-	-	22,019,832	21,340,357
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening adjusted	19,568,514	1,513,238	-	170,001	573,774	194,305	-	-	-	22,019,832	21,340,357
Add:											
Current period Amortization	504,123	24,514	-	29,449	145,285	13,464	-	-	-	716,835	679,475
Less:											
Accumulated Amortization on Disposals and Writedowns	-	-	-	-	-	-	-	-	-	-	-
Closing Accumulated Amortization	20,072,637	1,537,752	-	199,450	719,059	207,769	-	-	-	22,736,667	22,019,832
<b>Net Tangible Capital Asset</b>	7,480,960	773,074	-	63,063	382,343	60,607	2,914,272	-	-	11,674,319	10,961,234
<b>Proceeds from Disposal of Capital Assets</b>	-	-	-	-	-	-	-	-	-	-	-

\* Includes network infrastructure.



## MYSTERY LAKE SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2011

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#### 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.

##### 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 revenue as they are earned and measurable; expenses are recognized as they are incurred and measurable as a result of the receipt of goods and 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 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. Funds raised for this purpose within the Mystery Lake School District are used for such activities as 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.

## MYSTERY LAKE SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2011

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, and student funds for activities such as year book, prom, graduation and drama. 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 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, 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.

<b>Asset Description</b>	<b>Capitalization Threshold (\$)</b>	<b>Estimate Useful Life (years)</b>
Land Improvement	25,000	10
Buildings – bricks, mortar, 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 & 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 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.

## MYSTERY LAKE SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2011

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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 teachers 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 support staff who belong to the Sunlife 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 support staff.

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%.

## MYSTERY LAKE SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2011

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#### 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, 2011, the pension obligation is not fully funded.

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 District's 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 no amounts set aside in Capital Reserves at this time.

#### 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 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.

**MYSTERY LAKE SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2011**

**3. OVERDRAFT**

The District has an authorized line of credit with the CIBC valued at \$8,000,000. 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 Thompson for the Municipal Special Levy is not paid until November of each year. The District receives funding from the province on the 10<sup>th</sup> and 25<sup>th</sup> 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 was not in an overdraft position at June 30, 2011.

**4. SHORT TERM INVESTMENTS**

The District 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. The balance maintained in the current bank account is earning a comparable interest rate to short term investments.

**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:

<b>Employee Future Benefit Liabilities</b>	<b>Type of Plan</b>	<b>2011</b>
Sick Leave Buyout Teachers	Defined Contribution	<b>\$ 404,834</b>
Early Leave Incentive Plan Teachers	Defined Contribution	<b><u>2,118,936</u></b>
		<b>\$2,523,770</b>

**6. DEFERRED REVENUE**

Deferred revenue valued at \$ 992,164 at June 30, 2011 consisted of the following:

- a) Education Property Tax Credit is valued at \$1,754,822 for the 2011 calendar year. \$1,052,893 or 60% was taken into revenue in the 2010 / 2011 school year for the period from January to June 30, 2011 while the remaining \$701,929 relating to September to December 2011 was set up as deferred revenue at June 30, 2011 and will be taken into revenue in the 2011 / 2012 school year.
- b) Because of the change to PSAB effective the 2006 / 2007 financial reporting period, the purchases of playground equipment at Burntwood School, Deerwood School, Ecole 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 recorded on the District's books by debiting Capital Assets and crediting 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 debit 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 playground equipment is \$143,327.
- c) During the year a number of grants were received from various sources to be used for specific projects. Grant revenues are recognized as expenses are incurred for the related project. Revenues exceeding the project expenses are deferred until the related expenses are incurred. Deferred revenue related to specific projects was \$146,908.

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**MYSTERY LAKE SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2011**

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**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 \$247,909. The breakdown is as follows:

	<u>2011</u>	<u>2010</u>
Parent Council Fund	\$ 31,904	\$ 33,629
Playground Committees	7,570	-
Other Parent Group Funds	51,792	32,382
Student Funds	<u>156,643</u>	<u>113,443</u>
	<b>\$ 247,909</b>	<b>\$179,454</b>

**8. DEBENTURE DEBT**

Debenture debt is comprised of the following:

Interest Rate %	Maturity Date	Balance (Dollars)
9.250	September 15, 2012	\$ 16,812
7.625	February 28, 2014	94,039
8.625	October 31, 2015	182,614
7.375	November 30, 2016	168,017
7.625	February 15, 2017	65,289
6.125	April 30, 2018	151,736
5.875	February 15, 2019	187,425
5.875	February 15, 2019	243,976
6.750	October 15, 2019	76,805
7.250	February 28, 2020	131,520
6.625	April 15, 2021	317,717
6.500	January 15, 2022	712,484
6.875	May 31, 2022	627,757
6.000	February 15, 2024	713,622
6.125	June 15, 2024	589,019
5.375	June 30, 2025	348,590
5.250	March 15, 2028	437,682
5.750	April 30, 2029	57,778
5.250	March 15, 2030	402,583
5.125	May 15, 2030	103,419
4.875	May 15, 2031	<u>1,202,200</u>
		<b>\$ 6,831,084</b>

Debenture interest expense payable as at June 30, 2011, 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
2012	\$ 446,629	\$ 410,697	\$ 857,326
2013	475,575	381,751	857,326
2014	496,855	350,884	847,739
2015	492,651	318,842	811,493
2016	<u>524,040</u>	<u>287,453</u>	<u>811,493</u>
	\$2,435,750	\$1,749,627	\$4,185,377



**MYSTERY LAKE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2011**

**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.

	<u>Gross Amount</u>	<u>Accumulated Amortization</u>	<u>2011 Net Book Value</u>	<u>2010 Net Book Value</u>
Owned Tangible Capital Assets	\$34,410,986	\$22,736,667	<b>\$11,674,319</b>	\$10,961,234

The District does not have any Capital Leases at this time.

**10. OBLIGATION UNDER OPERATING LEASES**

Operating lease commitments for the next five years are:

2012	\$ 19,501
2013	19,501
2014	19,501
2015	19,501
2016	-
	<u>\$ 78,004</u>

**11. ACCUMULATED SURPLUS**

The consolidated accumulated surplus is comprised of the following:

	<u>2011</u>	<u>2010</u>
Operating Fund		
Designated Surplus	\$ -	\$ -
Undesignated Surplus	<u>3,268,062</u>	<u>2,054,339</u>
	<b>3,268,062</b>	2,054,339
Capital Fund		
Reserve Accounts	\$ -	\$ -
Equity in Tangible Capital Assets	<u>4,699,908</u>	<u>4,610,398</u>
	<b>4,699,908</b>	4,610,398
Special Purpose Fund		
School Generated Funds	\$ 77,384	\$ 87,023
Other Special Purpose Funds	<u>-</u>	<u>-</u>
	<b>77,384</b>	87,023
 Total Accumulated Surplus	 <u><b>\$8,045,354</b></u>	 <u><b>\$6,751,760</b></u>

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 does not have any reserve accounts at this time.

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

	<u>2011</u>	<u>2010</u>
Other Student Activity	\$ 77,384	\$ 87,023
Other Special Purpose Funds	<u>-</u>	<u>-</u>
	<b>\$ 77,384</b>	<b>\$ 87,023</b>

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MYSTERY LAKE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2011

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**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 2010 tax year and 60% from 2011 tax year. The Municipal receivable and revenue does not include the Vale Inco Grant the district receives. Below are the related revenue and receivable amounts:

		<u>2011</u>	<u>2010</u>
Revenue	Municipal Government Property Tax	<u>\$5,586,593</u>	<u>\$5,510,844</u>
Receivable	Due from Municipal Property Tax	<u>\$3,369,416</u>	<u>\$3,376,596</u>

**13. INTEREST RECEIVED AND PAID**

The District received interest during the year of \$303,757 (2010-\$387,319); interest paid during the year was \$272,202 (2010-\$393,979).

	<u>2011</u>	<u>2010</u>
Operating Fund		
Fiscal-short Term Loan, Interest and Bank Charges	\$ 2,841	\$ 15,409
Capital Fund		
Debenture Debt Interest	378,098	488,949
Other Interest	-	-
	<u>\$380,939</u>	<u>\$504,358</u>

The accrual portion of debenture debt interest expense of \$108,737 (2010-\$110,379) included under the Capital Fund-Debenture debt interest, is offset by an accrual of debt servicing grant.

**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, 2011 was \$6,151 (2010 - \$14,273).

**15. BUDGET FIGURES**

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

## **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 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.

\_\_\_\_\_  
Chairperson

\_\_\_\_\_  
Secretary-Treasurer

October 19, 2011

## Independent Auditors' Report

(In accordance with subsection 41 (11) of the Public Schools Act)

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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, 2011, 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 consolidated financial statements in accordance with Canadian generally accepted accounting principles, 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 Park West School Division as at June 30, 2011 and the results of its operations, changes in net assets and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Brandon, Manitoba

October 27, 2011

**MNP LLP**  
Chartered Accountants

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

as at June 30

Notes		2011	2010
	<b>Financial Assets</b>		
	Cash and Bank	-	-
	Short Term Investments	-	-
	Due from - Provincial Government	894,581	820,290
	- Federal Government	86,091	90,772
	- Municipal Government	3,077,388	3,018,362
	- Other School Divisions	-	-
	- First Nations	2,406,282	332,860
	Accounts Receivable	63,439	24,725
	Accrued Investment Income	-	-
	Other Investments	-	-
		<u>6,527,781</u>	<u>4,287,009</u>
	<b>Liabilities</b>		
5	Overdraft	3,874,030	3,065,767
	Accounts Payable	836,939	300,995
	Accrued Liabilities	-	-
	Employee Future Benefits	-	-
	Accrued Interest Payable	161,328	171,805
	Due to - Provincial Government	-	-
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
6	Deferred Revenue	560,985	520,144
7	Debenture Debt	6,937,127	7,112,732
	Other Borrowings	-	-
	School Generated Funds Liability	-	-
		<u>12,370,409</u>	<u>11,171,443</u>
	<b>Net Debt</b>	<u>(5,842,628)</u>	<u>(6,884,434)</u>
	<b>Non-Financial Assets</b>		
8	Net Tangible Capital Assets (TCA Schedule)	8,688,081	8,813,921
	Inventories	123,745	108,815
	Prepaid Expenses	34,701	366,094
		<u>8,846,527</u>	<u>9,288,830</u>
9	<b>Accumulated Surplus</b>	<u>3,003,899</u>	<u>2,404,396</u>

See accompanying notes to the Financial Statements



# **CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS**

For the Year Ended June 30

Notes		2011	2010
	<b>Revenue</b>		
	Provincial Government	14,000,166	13,541,541
	Federal Government	-	-
	Municipal Government - Property Tax	5,642,847	5,484,093
	- Other	-	-
	Other School Divisions	11,700	23,400
	First Nations	4,354,313	1,190,698
	Private Organizations and Individuals	-	-
	Other Sources	49,738	(44,704)
	School Generated Funds	1,191,166	1,059,674
	Other Special Purpose Funds	-	-
		<u>25,249,930</u>	<u>21,254,702</u>
	<b>Expenses</b>		
	Regular Instruction	12,645,937	10,667,757
	Student Support Services	3,163,899	2,725,744
	Adult Learning Centres	74,083	-
	Community Education and Services	46,168	12,676
	Divisional Administration	974,305	790,839
	Instructional and Other Support Services	587,960	399,586
	Transportation of Pupils	1,955,535	1,828,264
	Operations and Maintenance	2,560,773	2,150,483
11	Fiscal - Interest	495,137	499,322
	- Other	207,008	288,735
	Amortization	753,305	743,487
	Other Capital Items	-	-
	School Generated Funds	1,186,317	1,109,895
	Other Special Purpose Funds	-	-
		<u>24,650,427</u>	<u>21,216,788</u>
	Current Year Surplus (Deficit)	<u>599,503</u>	<u>37,914</u>
	Opening Accumulated Surplus	2,404,396	2,366,482
	Adjustments: Tangible Cap. Assets and Accum. Amort.	-	-
	Other than Tangible Cap. Assets	-	-
	Opening Accumulated Surplus, as adjusted	<u>2,404,396</u>	<u>2,366,482</u>
	<b>Closing Accumulated Surplus</b>	<u>3,003,899</u>	<u>2,404,396</u>

See accompanying notes to the Financial Statements



## CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2011

	2011	2010
Current Year Surplus (Deficit)	599,503	37,914
Amortization of Tangible Capital Assets	753,305	743,487
Acquisition of Tangible Capital Assets	(649,626)	(680,419)
(Gain) / Loss on Disposal of Tangible Capital Assets	12,161	53,335
Proceeds on Disposal of Tangible Capital Assets	10,000	-
	125,840	116,403
Inventories (Increase)/Decrease	(14,930)	11,821
Prepaid Expenses (Increase)/Decrease	331,393	(255,324)
	316,463	(243,503)
(Increase)/Decrease in Net Debt	1,041,806	(89,186)
Net Debt at Beginning of Year	(6,884,434)	(6,795,248)
Adjustments Other than Tangible Cap. Assets	-	-
Net Debt at Beginning of Year as Adjusted	(6,884,434)	(6,795,248)
<b>Net Debt at End of Year</b>	<b>(5,842,628)</b>	<b>(6,884,434)</b>

**CONSOLIDATED STATEMENT OF CASH FLOW**

For the Year Ended June 30, 2011

	2011	2010
<b>Operating Transactions</b>		
Current Year Surplus/(Deficit)	599,503	37,914
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	753,305	743,487
(Gain)/Loss on Disposal of Tangible Capital Assets	12,161	53,335
Employee Future Benefits Increase/(Decrease)	-	-
Short Term Investments (Increase)/Decrease	-	-
Due from Other Organizations (Increase)/Decrease	(2,202,058)	(110,113)
Accounts Receivable & Accrued Income (Increase)/Decrease	(38,714)	55,190
Inventories and Prepaid Expenses - (Increase)/Decrease	316,463	(243,503)
Due to Other Organizations Increase/(Decrease)	-	-
Accounts Payable & Accrued Liabilities Increase/(Decrease)	525,467	(18,947)
Deferred Revenue Increase/(Decrease)	40,841	11,047
School Generated Funds Liability Increase/(Decrease)	-	-
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by Operating Transactions	6,968	528,410
<b>Capital Transactions</b>		
Acquisition of Tangible Capital Assets	(649,626)	(680,419)
Proceeds on Disposal of Tangible Capital Assets	10,000	-
Cash (Applied to)/Provided by Capital Transactions	(639,626)	(680,419)
<b>Investing Transactions</b>		
Other Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
<b>Financing Transactions</b>		
Debenture Debt Increase/(Decrease)	(175,605)	(55,849)
Other Borrowings Increase/(Decrease)	-	(13,763)
Cash Provided by (Applied to) Financing Transactions	(175,605)	(69,612)
Cash and Bank / Overdraft (Increase)/Decrease	(808,263)	(221,621)
Cash and Bank (Overdraft) at Beginning of Year	(3,065,767)	(2,844,146)
<b>Cash and Bank (Overdraft) at End of Year</b>	<b>(3,874,030)</b>	<b>(3,065,767)</b>

# **SCHEDULE OF TANGIBLE CAPITAL ASSETS**

at June 30, 2011

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	2011 TOTALS	2010 TOTALS
	School	Non-School									
<b>Tangible Capital Asset Cost</b>											
Opening Cost, as previously reported	21,125,142	102,738	2,382,755	108,326	259,025	-	372,988	-	411,242	24,762,216	24,228,528
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	21,125,142	102,738	2,382,755	108,326	259,025	-	372,988	-	411,242	24,762,216	24,228,528
Add:											
Additions during the year	457,111	69,856	187,702	-	29,642	82,645	-	-	(177,330)	649,626	680,419
Less:											
Disposals and write downs	-	-	-	27,701	88,311	-	-	-	-	116,012	146,731
Closing Cost	21,582,253	172,594	2,570,457	80,625	200,356	82,645	372,988	-	233,912	25,295,830	24,762,216
<b>Accumulated Amortization</b>											
Opening, as previously reported	14,144,594	37,548	1,539,145	56,197	170,811	-	-	-	-	15,948,295	15,298,204
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening adjusted	14,144,594	37,548	1,539,145	56,197	170,811	-	-	-	-	15,948,295	15,298,204
Add:											
Current period Amortization	516,530	5,507	172,377	11,515	37,045	10,331	-	-	-	753,305	743,487
Less:											
Accumulated Amortization on Disposals and Writedowns	-	-	-	5,540	88,311	-	-	-	-	93,851	93,396
Closing Accumulated Amortization	14,661,124	43,055	1,711,522	62,172	119,545	10,331	-	-	-	16,607,749	15,948,295
<b>Net Tangible Capital Asset</b>	6,921,129	129,539	858,935	18,453	80,811	72,314	372,988	-	233,912	8,688,081	8,813,921
<b>Proceeds from Disposal of Capital Assets</b>	-	-	-	10,000	-	-	-	-	-	10,000	-

\* Includes network infrastructure.

**PARK WEST SCHOOL DIVISION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2011**

**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. 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 Statement.

**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 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 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 & 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. 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.

### **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 authorized line of credit with Vanguard Credit Union of \$5,000,000 by way of overdrafts and is repayable on demand at prime less .5% paid monthly. Included in the overdraft are capital projects totaling approximately \$233,912 which will be submitted to PSFB for debenture funding. Overdrafts are secured by borrowing by-law.

## 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:

	June 30, 2010	in the period	in the period	June 30, 2011
Manitoba Textbook Bureau	\$ -	\$ -	\$ -	\$ -
Donated Capital Assets	-	-	-	-
Education Property Tax credit	520,144	1,381,378	1,340,537	560,985
	<u>\$ 520,144</u>	<u>\$ 1,381,378</u>	<u>\$ 1,340,537</u>	<u>\$ 560,985</u>

## 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 2012 to 2031. Payment of principal and interest is funded entirely by grants from the Province of Manitoba. The debentures carry interest rates that range from 4.625% to 11.125%. Debenture interest expense payable as at June 30, 2011, 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
2012	\$526,452	\$416,252	\$942,704
2013	524,476	377,343	901,819
2014	481,607	339,767	821,374
2015	511,538	306,753	818,291
2016	444,698	271,618	716,316
	<u>\$2,488,771</u>	<u>\$1,711,733</u>	<u>\$4,200,504</u>

## 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	2011 Net Book Value
Owned-tangible capital assets	\$25,295,830	\$16,607,749	\$8,688,081
Capital lease	-	-	-
	<u>\$25,295,830</u>	<u>\$16,607,749</u>	<u>\$8,688,081</u>

## 9. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	<u>2011</u>
Operating Fund	
Designated Surplus	-
Undesignated Surplus	616,709
	<u>616,709</u>
Capital Fund	
Reserve Accounts	658,672
Equity in Tangible Capital Assets	1,517,042
	<u>2,175,714</u>
Special Purpose Fund	
School Generated Funds	211,476
Other Special Purpose Funds	-
	<u>211,476</u>
Total Accumulated Surplus	<u>\$ 3,003,899</u>

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.

	<u>2011</u>
Bus reserves	324,283
Other reserves	<u>334,389</u>
Capital Reserve	<u>\$658,672</u>

School Generated Funds are externally restricted moneys for school use.

	<u>2011</u>
Foundation-Scholarship	-
Other – School Funds	<u>211,476</u>
Other Special Purpose Funds	<u>211,476</u>

## 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; 44.4% from 2010 tax year and 55.6% from 2011 tax year. Below are the related revenue and receivable amounts:

	<u>2011</u>	<u>2010</u>
Revenue-Municipal Government-Property Tax	\$5,642,847	\$5,484,093
Receivable-Due from Municipal-Property Tax	<u>\$3,077,388</u>	<u>\$3,018,362</u>

## 11. Interest Received and Paid

The Division received interest during the year of \$2,219 (previous year \$2,827); interest paid during the year was \$495,137(previous year \$499,322).

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

	<u>2011</u>
Operating Fund	
Fiscal-short term loan, interest and bank charges	\$48,590
Capital Fund	
Debenture debt interest	446,547
Other interest	
	<u>\$495,137</u>

The accrual portion of debenture debt interest expense of \$161,328 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 <u>2011</u>	Budget <u>2011</u>	Actual <u>2010</u>
Salaries	\$ 15,839,542	\$ 13,600,827	\$ 13,345,674
Employees benefits & allowances	1,050,641	1,039,040	947,910
Services	3,352,906	2,995,414	2,936,542
Supplies, materials & minor equipment	1,668,035	1,559,481	1,249,522
Interest	495,137	40,000	499,322
Bad debts	(121,474)	-	-
Payroll tax	328,482	290,000	288,735
Amortization	753,305	-	743,487
Other capital items	-	-	-
School generated funds	1,186,317	-	1,109,895
Transfers	97,536	117,800	95,701
	<u>\$ 24,650,427</u>	<u>\$ 19,642,562</u>	<u>\$ 21,216,788</u>

## 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, 2011, the amount of this special levy was \$439,593 (2010 - \$412,510). These amounts are not included in the Division's consolidated financial statements.

## 14. Additional Information

As of Nov 29, 2010 Park West School Division formed a partnership agreement with Waywayseecappo First Nations so that the education at Waywayseecappo would be shared responsibility between Waywayseecappo First Nations and Park West School Division.





Grant Thornton

## Auditors' Report

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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, 2011, 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, 2011, 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.

Our examination did not include the budget figures and we do not express any opinion concerning them.

Winnipeg, Manitoba

November 10, 2011

*Grant Thornton 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 Trustees of Pembina Trails School Division.

\_\_\_\_\_  
Chairperson of the Board

November 9, 2011  
Date

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

as at June 30

Notes		2011	2010
	<b>Financial Assets</b>		
	Cash and Bank	5,314,309	3,965,513
	Short Term Investments	-	-
	Due from - Provincial Government	5,138,290	3,668,586
	- Federal Government	189,996	172,682
11	- Municipal Government	30,036,458	30,016,824
	- Other School Divisions	-	400
	- First Nations	-	-
	Accounts Receivable	288,079	266,860
	Accrued Investment Income	-	-
	Other Investments	-	-
		<u>40,967,132</u>	<u>38,090,865</u>
	<b>Liabilities</b>		
3	Overdraft	-	-
	Accounts Payable	3,751,989	3,285,434
	Accrued Liabilities	2,089,116	1,479,634
4	Employee Future Benefits	1,024,968	903,630
	Accrued Interest Payable	514,272	510,312
	Due to - Provincial Government	496,875	496,430
	- Federal Government	6,055,829	5,689,450
	- Municipal Government	107,219	27,620
	- Other School Divisions	36,583	92,401
	- First Nations	-	-
5	Deferred Revenue	9,356,947	8,274,716
6	Debenture Debt	18,949,510	17,608,867
7	Other Borrowings	11,487,384	9,993,903
8	School Generated Funds Liability	809,921	681,152
		<u>54,680,613</u>	<u>49,043,549</u>
	<b>Net Debt</b>	<u>(13,713,481)</u>	<u>(10,952,684)</u>
	<b>Non-Financial Assets</b>		
9	Net Tangible Capital Assets (TCA Schedule)	41,354,579	37,665,318
	Inventories	-	-
	Prepaid Expenses	365,915	338,815
		<u>41,720,494</u>	<u>38,004,133</u>
10	<b>Accumulated Surplus</b>	<u>28,007,013</u>	<u>27,051,449</u>

See accompanying notes to the Financial Statements

# **CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS**

For the Year Ended June 30

Notes		2011	2010
	<b>Revenue</b>		
	Provincial Government	81,018,877	77,634,769
	Federal Government	4,887	1,100
11	Municipal Government - Property Tax	51,554,758	50,487,987
	- Other	41,037	-
	Other School Divisions	694,402	625,136
	First Nations	5,847	9,310
	Private Organizations and Individuals	2,644,868	2,430,545
	Other Sources	787,410	754,030
	School Generated Funds	1,351,580	1,327,405
	Other Special Purpose Funds	-	-
		<u>138,103,666</u>	<u>133,270,282</u>
	<b>Expenses</b>		
	Regular Instruction	74,674,461	73,338,406
	Student Support Services	26,799,552	26,440,772
	Adult Learning Centres	-	-
	Community Education and Services	944,180	617,072
	Divisional Administration	4,372,189	3,903,666
	Instructional and Other Support Services	5,793,304	5,484,687
	Transportation of Pupils	2,230,312	1,953,971
	Operations and Maintenance	14,481,980	13,219,322
12	Fiscal - Interest	1,225,828	1,294,206
	- Other	2,174,298	2,163,699
	Amortization	2,968,971	2,921,120
	Other Capital Items	43,483	14,658
	School Generated Funds	1,439,544	1,386,044
	Other Special Purpose Funds	-	-
		<u>137,148,102</u>	<u>132,737,623</u>
	Current Year Surplus (Deficit)	<u>955,564</u>	<u>532,659</u>
	Opening Accumulated Surplus	27,051,449	26,518,790
	Adjustments: Tangible Cap. Assets and Accum. Amort.	-	-
	Other than Tangible Cap. Assets	-	-
	Opening Accumulated Surplus, as adjusted	<u>27,051,449</u>	<u>26,518,790</u>
	<b>Closing Accumulated Surplus</b>	<u>28,007,013</u>	<u>27,051,449</u>

See accompanying notes to the Financial Statements

**CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT**

For the Year Ended June 30, 2011

	2011	2010
Current Year Surplus (Deficit)	955,564	532,659
Amortization of Tangible Capital Assets	2,968,971	2,921,120
Acquisition of Tangible Capital Assets	(6,658,232)	(2,528,888)
(Gain) / Loss on Disposal of Tangible Capital Assets	-	(132,228)
Proceeds on Disposal of Tangible Capital Assets	-	233,777
	(3,689,261)	493,781
Inventories (Increase)/Decrease	-	-
Prepaid Expenses (Increase)/Decrease	(27,100)	177,964
	(27,100)	177,964
(Increase)/Decrease in Net Debt	(2,760,797)	1,204,404
Net Debt at Beginning of Year	(10,952,684)	(12,157,088)
Adjustments Other than Tangible Cap. Assets	-	-
Net Debt at Beginning of Year as Adjusted	(10,952,684)	(12,157,088)
<b>Net Debt at End of Year</b>	<b>(13,713,481)</b>	<b>(10,952,684)</b>

**CONSOLIDATED STATEMENT OF CASH FLOW**

For the Year Ended June 30, 2011

	2011	2010
<b>Operating Transactions</b>		
Current Year Surplus/(Deficit)	955,564	532,659
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	2,968,971	2,921,120
(Gain)/Loss on Disposal of Tangible Capital Assets	-	(132,228)
Employee Future Benefits Increase/(Decrease)	121,338	23,575
Short Term Investments (Increase)/Decrease	-	-
Due from Other Organizations (Increase)/Decrease	(1,506,252)	(601,047)
Accounts Receivable & Accrued Income (Increase)/Decrease	(21,219)	4,999
Inventories and Prepaid Expenses - (Increase)/Decrease	(27,100)	177,964
Due to Other Organizations Increase/(Decrease)	390,605	268,611
Accounts Payable & Accrued Liabilities Increase/(Decrease)	1,079,997	(422,669)
Deferred Revenue Increase/(Decrease)	1,082,231	160,077
School Generated Funds Liability Increase/(Decrease)	128,769	(81,152)
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by Operating Transactions	5,172,904	2,851,909
<b>Capital Transactions</b>		
Acquisition of Tangible Capital Assets	(6,658,232)	(2,528,888)
Proceeds on Disposal of Tangible Capital Assets	-	233,777
Cash (Applied to)/Provided by Capital Transactions	(6,658,232)	(2,295,111)
<b>Investing Transactions</b>		
Other Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
<b>Financing Transactions</b>		
Debenture Debt Increase/(Decrease)	1,340,643	(838,398)
Other Borrowings Increase/(Decrease)	1,493,481	865,862
Cash Provided by (Applied to) Financing Transactions	2,834,124	27,464
Cash and Bank / Overdraft (Increase)/Decrease	1,348,796	584,262
Cash and Bank (Overdraft) at Beginning of Year	3,965,513	3,381,251
<b>Cash and Bank (Overdraft) at End of Year</b>	<b>5,314,309</b>	<b>3,965,513</b>



## SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2011

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	2011 TOTALS	2010 TOTALS
	School	Non-School									
<b>Tangible Capital Asset Cost</b>											
Opening Cost, as previously reported	72,587,487	5,603,537	3,522,461	519,945	4,854,717	1,273,749	2,981,799	268,932	1,259,902	92,872,529	90,823,139
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	72,587,487	5,603,537	3,522,461	519,945	4,854,717	1,273,749	2,981,799	268,932	1,259,902	92,872,529	90,823,139
Add:											
Additions during the year	2,550,595	-	264,997	67,557	311,055	354,128	-	768,407	2,341,493	6,658,232	2,528,888
Less:											
Disposals and write downs	79,704	-	62,399	-	-	14,092	-	-	-	156,195	479,498
Closing Cost	75,058,378	5,603,537	3,725,059	587,502	5,165,772	1,613,785	2,981,799	1,037,339	3,601,395	99,374,566	92,872,529
<b>Accumulated Amortization</b>											
Opening, as previously reported	47,030,059	2,723,959	1,625,710	338,964	2,306,850	1,070,562		111,107		55,207,211	52,664,040
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening adjusted	47,030,059	2,723,959	1,625,710	338,964	2,306,850	1,070,562		111,107		55,207,211	52,664,040
Add:											
Current period Amortization	1,656,330	143,242	351,332	73,034	528,073	151,649		65,311		2,968,971	2,921,120
Less:											
Accumulated Amortization on Disposals and Writedowns	79,704	-	62,399	-	-	14,092		-		156,195	377,949
Closing Accumulated Amortization	48,606,685	2,867,201	1,914,643	411,998	2,834,923	1,208,119		176,418		58,019,987	55,207,211
<b>Net Tangible Capital Asset</b>	26,451,693	2,736,336	1,810,416	175,504	2,330,849	405,666	2,981,799	860,921	3,601,395	41,354,579	37,665,318
<b>Proceeds from Disposal of Capital Assets</b>	-	-	-	-	-	-	-			-	233,777

\* Includes network infrastructure.

**PEMBINA TRAILS SCHOOL DIVISION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - JUNE 30, 2011**

**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	5,000	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 and Vacation Days. 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**

For benefit obligations that are vested and accumulate over the employees' length of service (vacation days), 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.

#### **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.

## 3. Overdraft

The Division has an authorized line of credit with The Toronto-Dominion Bank of \$25,000,000 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.

	<u>Type of Plan</u>	<u>2011</u>	<u>2010</u>
MSBA Pension Plan	Defined Contribution	\$ -	\$ -
Maternity and Parental Leave	Defined Benefit - Event Driven	150,137	99,800
Accumulated Vacation Days	Defined Benefit - Vesting	874,831	803,830
		<u>\$ 1,024,968</u>	<u>\$ 903,630</u>

## 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:

	<u>June 30, 2010</u>	<u>Additions</u>	<u>Recognized</u>	<u>June 30, 2011</u>
Education Property Tax Credit	\$ 7,180,808	\$ 7,823,323	\$ 7,180,808	\$ 7,823,323
International Student Program Fees	349,400	583,800	349,400	583,800
Fibre Access Agreements	108,757	-	8,049	100,708
Externally Funded Programs	237,790	164,163	237,790	164,163
Donated Capital Assets	397,961	385,872	98,880	684,953
	<u>\$ 8,274,716</u>	<u>\$ 8,957,158</u>	<u>\$ 7,874,927</u>	<u>\$ 9,356,947</u>

## 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 2011 to 2031. Payment of principal and interest is funded entirely by grants from the Province of Manitoba. The debentures carry interest rates that range from 4.625% to 11.375%. Debenture interest expense payable as at June 30, 2011, 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
2011/12	\$ 1,709,598	\$ 1,151,885	\$ 2,861,483
2012/13	1,582,940	1,025,057	2,607,997
2013/14	\$ 1,464,509	913,790	2,378,299
2014/15	1,547,965	815,498	2,363,463
2015/16	\$ 1,416,084	711,490	\$ 2,127,574
	<b>\$ 7,721,096</b>	<b>\$ 4,617,720</b>	<b>\$ 12,338,816</b>

## 7. Other Borrowings

Other borrowings are debts other than overdrafts or debentures. The following borrowings include short term borrowings by way of Bankers Acceptances.

	2011	2010
Bankers Acceptances	\$ 11,487,384	\$ 9,993,903
	<b>\$ 11,487,384</b>	<b>\$ 9,993,903</b>

## 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 \$809,921. The following is a breakdown of the account balance:

	2011	2010
Student Fees - Activities, Clubs, Trips	\$ 321,730	\$ 268,153
Student - Fees, Yearbooks, Agendas	221,358	202,556
Specific Purpose Fund Raising	137,367	31,191
Breakfast and Lunch Programs	81,606	93,295
Scholarship Funds	3,974	(4,772)
Parent/ Student Council Funds, Other	43,886	90,727
	<b>\$ 809,921</b>	<b>\$ 681,152</b>

## 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 between owned and leased assets is as follows:

	Gross Amount	Accumulated Amortization	2011 Net Book Value
Owned Tangible Capital Assets	\$ 99,374,566	\$ 58,019,987	\$ 41,354,579
	<b>\$ 99,374,566</b>	<b>\$ 58,019,987</b>	<b>\$ 41,354,579</b>



## 10. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2011	2010
Operating Fund		
Designated Surplus	\$ 1,123,672	\$ 637,898
Undesignated Surplus	3,793,104	4,316,809
	<b>\$ 4,916,776</b>	<b>\$ 4,954,707</b>
Related Entities		
Pembina Trails Education Support Fund	\$ 153,941	\$ 114,761
Pembina Trails Voices	\$ 71,689	\$ 84,089
InForm Net	11,062	1,392
	<b>\$ 236,692</b>	<b>\$ 200,242</b>
Capital Fund		
Reserve Accounts	\$ 2,605,789	\$ 2,246,774
Equity in Tangible Capital Assets	19,772,996	19,087,002
	<b>\$ 22,378,785</b>	<b>\$ 21,333,776</b>
Special Purpose Fund		
School Generated Funds	\$ 474,760	\$ 562,724
Other Special Purpose Funds	-	-
	<b>\$ 474,760</b>	<b>\$ 562,724</b>
<b>Total Accumulated Surplus</b>	<b>\$ 28,007,013</b>	<b>\$ 27,051,449</b>

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 2010 tax year and 60% from 2011 tax year. Below are the related revenue and receivable amounts:

	2011	2010
Revenue - Municipal Government Property Tax	<b>\$ 51,554,758</b>	<b>\$ 50,487,987</b>
Receivable - Due from Municipal Government Property Tax	\$ 30,031,652	\$ 30,011,575
Receivable - Due from Municipal Government Other	4,806	5,249
<b>Total Receivable from Municipal Government</b>	<b>\$ 30,036,458</b>	<b>\$ 30,016,824</b>

## 12. Interest Received and Paid

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

<b>Interest Received</b>	<b>2011</b>	<b>2010</b>
Operating Fund - Interest Earned	<b>\$ 128,462</b>	<b>\$ 60,420</b>
<b>Interest Paid</b>		
Operating Fund - Interest and Bank Charges	\$ 71,259	\$ 50,980
Capital Fund - Debenture Debt Interest	1,154,569	1,231,551
Capital Fund - Capital Lease Interest	-	11,675
<b>Total Interest Paid</b>	<b>\$ 1,225,828</b>	<b>\$ 1,294,206</b>

## 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 2016. The specific costs for these services are approximately \$607,000 for 2011/12.

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, 2011 is \$194,490.

## 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 2011 was \$512,080 (2010 - \$523,054). 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.

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Chairperson

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Secretary-Treasurer

October 25, 2011

# Independent Auditors' Report

(In accordance with subsection 41 (11) of the Public Schools Act)

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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, 2011, 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, 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 Pine Creek School Division as at June 30, 2011 and the results of its operations, changes in net assets and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Brandon, Manitoba

October 25, 2011

**MNP LLP**  
Chartered Accountants

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

as at June 30

Notes		2011	2010
	<b>Financial Assets</b>		
	Cash and Bank	1,129,304	264,287
	Short Term Investments	-	-
	Due from - Provincial Government	406,005	178,835
	- Federal Government	32,226	27,996
	- Municipal Government	1,956,881	1,872,213
	- Other School Divisions	-	-
	- First Nations	-	-
	Accounts Receivable	81,116	53,917
	Accrued Investment Income	-	-
	Other Investments	-	-
		<u>3,605,532</u>	<u>2,397,248</u>
	<b>Liabilities</b>		
	Overdraft	-	-
	Accounts Payable	244,727	176,043
	Accrued Liabilities	1,171,188	728,842
	Employee Future Benefits	-	-
	Accrued Interest Payable	65,521	63,244
	Due to - Provincial Government	63,370	9,883
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
6	Deferred Revenue	473,909	424,379
7	Debenture Debt	2,878,085	2,335,122
	Other Borrowings	-	-
	School Generated Funds Liability	-	-
		<u>4,896,800</u>	<u>3,737,513</u>
	<b>Net Debt</b>	<u>(1,291,268)</u>	<u>(1,340,265)</u>
	<b>Non-Financial Assets</b>		
8	Net Tangible Capital Assets (TCA Schedule)	4,339,302	3,997,316
	Inventories	-	-
	Prepaid Expenses	61,613	48,592
		<u>4,400,915</u>	<u>4,045,908</u>
9	<b>Accumulated Surplus</b>	<u>3,109,647</u>	<u>2,705,643</u>

See accompanying notes to the Financial Statements

# **CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS**

For the Year Ended June 30

Notes		2011	2010
	<b>Revenue</b>		
	Provincial Government	8,895,704	8,568,626
	Federal Government	-	-
	Municipal Government - Property Tax	4,151,177	3,801,985
	- Other	-	-
	Other School Divisions	28,506	31,850
	First Nations	-	2,437
	Private Organizations and Individuals	2,028	10,337
	Other Sources	51,823	60,921
	School Generated Funds	269,412	253,927
	Other Special Purpose Funds	-	-
		<u>13,398,650</u>	<u>12,730,083</u>
	<b>Expenses</b>		
	Regular Instruction	7,103,212	6,938,731
	Student Support Services	1,498,247	1,493,723
	Adult Learning Centres	-	-
	Community Education and Services	11,515	11,465
	Divisional Administration	496,120	436,905
	Instructional and Other Support Services	351,558	325,457
	Transportation of Pupils	1,100,083	995,572
	Operations and Maintenance	1,345,628	1,161,867
11	Fiscal - Interest	154,688	155,707
	- Other	181,166	189,652
	Amortization	486,130	481,222
	Other Capital Items	-	-
	School Generated Funds	266,299	258,309
	Other Special Purpose Funds	-	-
		<u>12,994,646</u>	<u>12,448,610</u>
	Current Year Surplus (Deficit)	<u>404,004</u>	<u>281,473</u>
	Opening Accumulated Surplus	2,705,643	2,424,170
	Adjustments: Tangible Cap. Assets and Accum. Amort.	-	-
	Other than Tangible Cap. Assets	-	-
	Opening Accumulated Surplus, as adjusted	<u>2,705,643</u>	<u>2,424,170</u>
	<b>Closing Accumulated Surplus</b>	<u><u>3,109,647</u></u>	<u><u>2,705,643</u></u>

See accompanying notes to the Financial Statements



## CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2011

	2011	2010
Current Year Surplus (Deficit)	404,004	281,473
Amortization of Tangible Capital Assets	486,130	481,222
Acquisition of Tangible Capital Assets	(829,924)	(242,166)
(Gain) / Loss on Disposal of Tangible Capital Assets	(692)	(10,000)
Proceeds on Disposal of Tangible Capital Assets	2,500	10,000
	(341,986)	239,056
Inventories (Increase)/Decrease	-	-
Prepaid Expenses (Increase)/Decrease	(13,021)	89,298
	(13,021)	89,298
(Increase)/Decrease in Net Debt	48,997	609,827
Net Debt at Beginning of Year	(1,340,265)	(1,950,092)
Adjustments Other than Tangible Cap. Assets	-	-
Net Debt at Beginning of Year as Adjusted	(1,340,265)	(1,950,092)
<b>Net Debt at End of Year</b>	<b>(1,291,268)</b>	<b>(1,340,265)</b>

**CONSOLIDATED STATEMENT OF CASH FLOW**

For the Year Ended June 30, 2011

	2011	2010
<b>Operating Transactions</b>		
Current Year Surplus/(Deficit)	404,004	281,473
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	486,130	481,222
(Gain)/Loss on Disposal of Tangible Capital Assets	(692)	(10,000)
Employee Future Benefits Increase/(Decrease)	-	-
Short Term Investments (Increase)/Decrease	-	-
Due from Other Organizations (Increase)/Decrease	(316,068)	(117,024)
Accounts Receivable & Accrued Income (Increase)/Decrease	(27,199)	(16,149)
Inventories and Prepaid Expenses - (Increase)/Decrease	(13,021)	89,298
Due to Other Organizations Increase/(Decrease)	53,487	9,883
Accounts Payable & Accrued Liabilities Increase/(Decrease)	513,307	27,833
Deferred Revenue Increase/(Decrease)	49,530	10,457
School Generated Funds Liability Increase/(Decrease)	-	-
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by Operating Transactions	1,149,478	756,993
<b>Capital Transactions</b>		
Acquisition of Tangible Capital Assets	(829,924)	(242,166)
Proceeds on Disposal of Tangible Capital Assets	2,500	10,000
Cash (Applied to)/Provided by Capital Transactions	(827,424)	(232,166)
<b>Investing Transactions</b>		
Other Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
<b>Financing Transactions</b>		
Debenture Debt Increase/(Decrease)	542,963	60,530
Other Borrowings Increase/(Decrease)	-	-
Cash Provided by (Applied to) Financing Transactions	542,963	60,530
Cash and Bank / Overdraft (Increase)/Decrease	865,017	585,357
Cash and Bank (Overdraft) at Beginning of Year	264,287	(321,070)
<b>Cash and Bank (Overdraft) at End of Year</b>	<u>1,129,304</u>	<u>264,287</u>

# **SCHEDULE OF TANGIBLE CAPITAL ASSETS**

at June 30, 2011

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	2011 TOTALS	2010 TOTALS
	School	Non-School									
<b>Tangible Capital Asset Cost</b>											
Opening Cost, as previously reported	9,946,412	395,239	2,491,850	107,819	90,861	17,709	75,334	-	1,808	13,127,032	12,995,578
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	9,946,412	395,239	2,491,850	107,819	90,861	17,709	75,334	-	1,808	13,127,032	12,995,578
Add:											
Additions during the year	719,459	-	-	21,492	21,473	67,500	-	-	-	829,924	242,166
Less:											
Disposals and write downs	-	-	56,707	-	29,639	-	-	-	1,808	88,154	110,712
Closing Cost	10,665,871	395,239	2,435,143	129,311	82,695	85,209	75,334	-	-	13,868,802	13,127,032
<b>Accumulated Amortization</b>											
Opening, as previously reported	7,056,074	235,253	1,668,354	88,670	63,656	17,709	-	-	-	9,129,716	8,759,206
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening adjusted	7,056,074	235,253	1,668,354	88,670	63,656	17,709	-	-	-	9,129,716	8,759,206
Add:											
Current period Amortization	290,351	14,282	155,171	12,629	5,259	8,438	-	-	-	486,130	481,222
Less:											
Accumulated Amortization on Disposals and Writedowns	-	-	56,707	-	29,639	-	-	-	-	86,346	110,712
Closing Accumulated Amortization	7,346,425	249,535	1,766,818	101,299	39,276	26,147	-	-	-	9,529,500	9,129,716
<b>Net Tangible Capital Asset</b>	3,319,446	145,704	668,325	28,012	43,419	59,062	75,334	-	-	4,339,302	3,997,316
<b>Proceeds from Disposal of Capital Assets</b>	-	-	2,500	-	-	-	-	-	-	2,500	10,000

\* Includes network infrastructure.

**PINE CREEK SCHOOL DIVISION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2011**

**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	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 & 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.

**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.

**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.
- i. 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.
- ii. The Employee Future Benefits Liability was established to account for the Division's commitment to pay vested future benefits to its employees.
- (iv) Accrued Interest Payable was established to account for accrual of interest on Debenture Debt and Other Borrowings from the last payment date. An equal amount is set up as due from the Province to offset the accrued interest payable on debenture.

### 4. Overdraft

The Division has an authorized line of credit with Austin Credit Union of \$4,000,000 by way of overdrafts and is repayable on demand at prime less .25%; 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:

	Balance as at June 30, 2010	Additions in the period	Revenue recognized in the period	Balance as at June 30, 2011
Manitoba Textbook Bureau	\$ 0	\$ 34,281	\$ 26,265	\$ 8,016
Education Property Tax Credit	\$424,379	\$445,494	\$424,379	\$445,494

International Tuition	\$ 0	\$ 0	\$ 0	\$ 0
Donated Capital Assets	\$ 0	\$ 0	\$ 0	\$ 0
Other special purpose funds	\$ 0	\$ 0	\$ 0	\$ 0
	<u>\$424,379</u>	<u>\$479,775</u>	<u>\$450,644</u>	<u>\$453,510</u>

## 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 2012 to 2024. 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 4.875% to 11.5%.

Debenture interest expense payable as at June 30, 2011, 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:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$174,636	\$165,936	\$340,572
2013	\$170,808	\$154,692	\$325,500
2014	\$181,581	\$144,074	\$325,655
2015	\$183,468	\$133,202	\$316,670
2016	<u>\$194,612</u>	<u>\$122,409</u>	<u>\$317,021</u>
	<u>\$905,105</u>	<u>\$720,313</u>	<u>\$1,625,418</u>

## 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 \$0 (previous year \$0).

	<u>Gross Amount</u>	<u>Accumulated Amortization</u>	<u>2011 Net Book Value</u>
Owned-tangible capital assets	<u>\$13,868,802</u>	<u>\$9,529,500</u>	<u>\$4,339,302</u>

## 9. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	<u>2011</u>
Operating Fund	
Designated Surplus	\$ 353,878
Undesignated Surplus	<u>\$ 738,358</u>
	<u>\$1,092,236</u>

Capital Fund	
Reserve Accounts	\$ 403,520
Equity in Tangible Capital Assets	<u>\$1,511,453</u>
	<u>\$1,914,973</u>
Special Purpose Fund	
School Generated Funds	\$ 102,438
Other Special Purpose Funds	<u>\$ 0</u>
	<u>\$ 102,438</u>
Total Accumulated Surplus	<u>\$ 3,109,647</u>

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.

	<u>2011</u>
Board approved appropriation by motion	\$304,710
School budget carryovers by board policy	<u>\$ 49,168</u>
Designated surplus	<u>\$353,878</u>

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.

	<u>2011</u>
Bus reserves	\$403,520
Other reserves	<u>\$ 0</u>
Capital Reserve	<u>\$403,520</u>

## 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; 50.5% from 2010 tax year and 49.5% from 2011 tax year. Below are the related revenue and receivable amounts:

	<u>2011</u>	<u>2010</u>
Revenue–Municipal Government-Property Tax	<u>\$4,151,177</u>	<u>\$3,801,985</u>
Receivable-Due from Municipal-Property Tax	<u>\$1,956,881</u>	<u>\$1,872,213</u>

## 11. Interest Received and Paid

The Division received interest during the year of \$10,664 (previous year \$3,914); interest paid during the year was \$154,688 (previous year \$155,707).

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

	<u>2011</u>
Operating Fund	
Fiscal-short term loan, interest and bank charges	\$ 4,956
Capital fund	
Debenture debt interest	\$149,732
Other interest	<u>\$ 0</u>
	<u>\$154,688</u>

The accrual portion of debenture debt interest expense of \$65,521 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 <u>2011</u>	Budget <u>2011</u>	Actual <u>2010</u>
Salaries	\$ 8,967,769	\$ 9,208,626	\$ 8,725,922
Employees benefits & allowances	\$ 717,370	\$ 776,645	\$ 685,615
Services	\$ 1,160,468	\$ 1,217,857	\$ 941,225
Supplies, materials & minor equipment	\$ 1,036,024	\$ 1,169,215	\$ 984,937
Interest	\$ 154,688	\$ 18,000	\$ 155,707
Bad debts	\$ 0	\$ 0	\$ 0
Payroll tax – and transfers	\$ 205,898	\$ 225,844	\$ 215,673
Amortization	\$ 486,130	\$ 0	\$ 481,222
Other capital items	\$ 0	\$ 0	\$ 0
School generated funds	\$ 266,299	\$ 0	\$ 258,309
Other special purpose funds	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
	\$12,994,646	\$12,616,187	\$12,448,610

## MANAGEMENT REPORT

### Management's Responsibility for the 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 Canadian 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 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.

Chairperson

Secretary-Treasurer

October 27, 2011





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BDO Canada LLP  
480 Saskatchewan Avenue West  
Portage la Prairie, MB R1N 0M4

## Independent Auditor's Report

To the Chairperson and Board of Trustees of Portage la Prairie School Division

We have audited the accompanying consolidated financial statements of Portage la Prairie School Division ("Division"), which comprise the consolidated statement of financial position as at June 30, 2011, 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 qualified audit opinion.

### Basis for Qualified Opinion

The School Division offers sick pay benefits that accumulate but do not vest to several of its employee groups. Under generally accepted accounting principles for public sector organizations, the Division should recognize a liability and an expense for sick pay benefits in the period in which employees render services to the Division in return for the benefits. The Division has not recorded employee future benefits liabilities relating to sick pay benefits that accumulate but do not vest. Because the Division did not determine the amount of the liability at year end, we were unable to verify by alternate means whether sick pay benefits liabilities are fairly stated. Accordingly, we were not able to determine whether any adjustments might be necessary to employee future benefits liabilities, employee benefits expense, and accumulated surplus.

### Qualified Opinion

In our opinion, except for the possible effect of the matter described in the Basis for Qualified Opinion paragraph, the consolidated financial statements present fairly, in all material respects, the financial position of Portage la Prairie School Division as at June 30, 2011, 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 Accountants

Portage la Prairie, Manitoba  
October 27, 2011

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.

10/31/11  
Date

\_\_\_\_\_  
Chairperson

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

as at June 30

Notes		2011	2010
	<b>Financial Assets</b>		
	Cash and Bank	476,669	-
3	Short Term Investments	24,549	36,253
	Due from - Provincial Government	858,036	806,250
	- Federal Government	162,266	147,428
	- Municipal Government	5,199,552	4,986,005
	- Other School Divisions	-	-
	- First Nations	340,815	318,084
	Accounts Receivable	48,548	107,683
	Accrued Investment Income	-	-
	Other Investments	-	63,192
		<u>7,110,435</u>	<u>6,464,895</u>
	<b>Liabilities</b>		
4	Overdraft	-	374,485
	Accounts Payable	536,974	525,015
	Accrued Liabilities	3,567,639	3,150,209
	Employee Future Benefits	-	-
	Accrued Interest Payable	163,385	167,838
	Due to - Provincial Government	-	-
	- Federal Government	361,599	302,701
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
6	Deferred Revenue	1,437,936	1,390,008
7	Debenture Debt	10,373,984	6,517,923
8	Other Borrowings	-	3,761,242
9	School Generated Funds Liability	71,285	-
		<u>16,512,802</u>	<u>16,189,421</u>
	<b>Net Debt</b>	<u>(9,402,367)</u>	<u>(9,724,526)</u>
	<b>Non-Financial Assets</b>		
10	Net Tangible Capital Assets (TCA Schedule)	14,842,159	14,957,154
	Inventories	61,785	78,727
	Prepaid Expenses	16,583	22,304
		<u>14,920,527</u>	<u>15,058,185</u>
11	<b>Accumulated Surplus</b>	<u>5,518,160</u>	<u>5,333,659</u>

See accompanying notes to the Financial Statements

# **CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS**

For the Year Ended June 30

Notes		2011	2010
	<b>Revenue</b>		
	Provincial Government	21,626,024	21,098,710
	Federal Government	14,716	19,005
12	Municipal Government - Property Tax	9,875,989	9,375,926
	- Other	-	-
	Other School Divisions	59,132	67,370
	First Nations	1,080,091	1,024,369
	Private Organizations and Individuals	9,200	26,910
	Other Sources	28,534	89,819
	School Generated Funds	1,589,372	1,637,937
	Other Special Purpose Funds	-	-
		<u>34,283,058</u>	<u>33,340,046</u>
	<b>Expenses</b>		
	Regular Instruction	17,294,994	18,008,598
	Student Support Services	6,168,581	6,349,343
	Adult Learning Centres	2,688	167,275
	Community Education and Services	29,840	36,120
	Divisional Administration	1,087,545	1,109,595
	Instructional and Other Support Services	1,102,647	1,156,309
	Transportation of Pupils	909,453	883,553
	Operations and Maintenance	3,474,068	3,614,771
13	Fiscal - Interest	629,494	641,752
	- Other	518,688	593,591
	Amortization	1,166,308	1,190,906
	Other Capital Items	-	-
	School Generated Funds	1,714,251	1,662,843
	Other Special Purpose Funds	-	-
		<u>34,098,557</u>	<u>35,414,656</u>
	Current Year Surplus (Deficit)	<u>184,501</u>	<u>(2,074,610)</u>
	Opening Accumulated Surplus	5,333,659	7,408,269
	Adjustments: Tangible Cap. Assets and Accum. Amort.	-	-
	Other than Tangible Cap. Assets	-	-
	Opening Accumulated Surplus, as adjusted	<u>5,333,659</u>	<u>7,408,269</u>
	<b>Closing Accumulated Surplus</b>	<u>5,518,160</u>	<u>5,333,659</u>

See accompanying notes to the Financial Statements

## CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2011

	2011	2010
Current Year Surplus (Deficit)	184,501	(2,074,610)
Amortization of Tangible Capital Assets	1,166,308	1,190,906
Acquisition of Tangible Capital Assets	(1,290,164)	(564,924)
(Gain) / Loss on Disposal of Tangible Capital Assets	(1,149)	30,225
Proceeds on Disposal of Tangible Capital Assets	240,000	117,286
	114,995	773,493
Inventories (Increase)/Decrease	16,942	3,997
Prepaid Expenses (Increase)/Decrease	5,721	(21,440)
	22,663	(17,443)
(Increase)/Decrease in Net Debt	322,159	(1,318,560)
Net Debt at Beginning of Year	(9,724,526)	(8,405,966)
Adjustments Other than Tangible Cap. Assets	-	-
Net Debt at Beginning of Year as Adjusted	(9,724,526)	(8,405,966)
<b>Net Debt at End of Year</b>	<b>(9,402,367)</b>	<b>(9,724,526)</b>

**CONSOLIDATED STATEMENT OF CASH FLOW**

For the Year Ended June 30, 2011

	2011	2010
<b>Operating Transactions</b>		
Current Year Surplus/(Deficit)	184,501	(2,074,610)
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	1,166,308	1,190,906
(Gain)/Loss on Disposal of Tangible Capital Assets	(1,149)	30,225
Employee Future Benefits Increase/(Decrease)	-	-
Short Term Investments (Increase)/Decrease	11,704	17,428
Due from Other Organizations (Increase)/Decrease	(302,902)	(437,808)
Accounts Receivable & Accrued Income (Increase)/Decrease	59,135	(45,917)
Inventories and Prepaid Expenses - (Increase)/Decrease	22,663	(17,443)
Due to Other Organizations Increase/(Decrease)	58,898	(15,973)
Accounts Payable & Accrued Liabilities Increase/(Decrease)	424,936	(1,785,489)
Deferred Revenue Increase/(Decrease)	47,928	(12,986)
School Generated Funds Liability Increase/(Decrease)	71,285	-
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by Operating Transactions	1,743,307	(3,151,667)
<b>Capital Transactions</b>		
Acquisition of Tangible Capital Assets	(1,290,164)	(564,924)
Proceeds on Disposal of Tangible Capital Assets	240,000	117,286
Cash (Applied to)/Provided by Capital Transactions	(1,050,164)	(447,638)
<b>Investing Transactions</b>		
Other Investments (Increase)/Decrease	63,192	5,043
Cash Provided by (Applied to) Investing Transactions	63,192	5,043
<b>Financing Transactions</b>		
Debenture Debt Increase/(Decrease)	3,856,061	(4,058,471)
Other Borrowings Increase/(Decrease)	(3,761,242)	3,761,242
Cash Provided by (Applied to) Financing Transactions	94,819	(297,229)
Cash and Bank / Overdraft (Increase)/Decrease	851,154	(3,891,491)
Cash and Bank (Overdraft) at Beginning of Year	(374,485)	3,517,006
<b>Cash and Bank (Overdraft) at End of Year</b>	<b>476,669</b>	<b>(374,485)</b>

# **SCHEDULE OF TANGIBLE CAPITAL ASSETS**

at June 30, 2011

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	2011 TOTALS	2010 TOTALS
	School	Non-School									
<b>Tangible Capital Asset Cost</b>											
Opening Cost, as previously reported	31,542,714	338,037	1,569,330	58,829	583,311	-	511,137	-	1,463	34,604,821	34,771,890
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	31,542,714	338,037	1,569,330	58,829	583,311	-	511,137	-	1,463	34,604,821	34,771,890
Add:											
Additions during the year	53,659	-	94,946	-	148,888	-	-	-	992,671	1,290,164	564,924
Less:											
Disposals and write downs	-	-	-	-	-	-	238,851	-	-	238,851	731,993
Closing Cost	31,596,373	338,037	1,664,276	58,829	732,199	-	272,286	-	994,134	35,656,134	34,604,821
<b>Accumulated Amortization</b>											
Opening, as previously reported	17,755,258	334,507	1,220,693	31,749	305,460	-	-	-	-	19,647,667	19,041,243
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening adjusted	17,755,258	334,507	1,220,693	31,749	305,460	-	-	-	-	19,647,667	19,041,243
Add:											
Current period Amortization	970,481	3,530	99,333	6,766	86,198	-	-	-	-	1,166,308	1,190,906
Less:											
Accumulated Amortization on Disposals and Writedowns	-	-	-	-	-	-	-	-	-	-	584,482
Closing Accumulated Amortization	18,725,739	338,037	1,320,026	38,515	391,658	-	-	-	-	20,813,975	19,647,667
<b>Net Tangible Capital Asset</b>	12,870,634	-	344,250	20,314	340,541	-	272,286	-	994,134	14,842,159	14,957,154
<b>Proceeds from Disposal of Capital Assets</b>	-	-	-	-	-	-	240,000	-	-	240,000	117,286

\* Includes network infrastructure.



**Portage la Prairie School Division  
Notes to Consolidated Financial Statements  
For the Year Ended June 30, 2011**

**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 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 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.

**Portage la Prairie School Division  
Notes to Consolidated Financial Statements  
For the Year Ended June 30, 2011**

**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.

<u>Asset Description</u>	<u>Capitalization Threshold (\$)</u>	<u>Estimated Useful Life</u>
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	5,000	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, 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 only in the period when the event occurs.

For those defined benefits that accumulate but do not vest such as sick pay, the benefit costs are recognized and recorded only in the period when the employee is sick.

**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.



**Portage la Prairie School Division  
Notes to Consolidated Financial Statements  
For the Year Ended June 30, 2011**

**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, 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. Short-term Investments**

Short-term investments consist of a patronage equity account. Short-term investments are recorded at the lower of cost or market. As at June 30, 2011, the short-term investment was \$24,549 (2010 – \$36,253).

**4. 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% (2.75% at June 30, 2011); interest is paid monthly. Overdrafts are secured by a borrowing by-law.

**5. 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 \$332,650 (2010 - \$371,684).

**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, 2010	Additions in year	recognized in year	Balance as at June 30, 2011
Education Property Tax Credit (EPTC)	\$ 1,320,123	\$ 2,951,198	\$ 2,854,746	\$ 1,416,575
Manitoba Text Book Bureau	45,884	90,072	114,595	21,361
Other	24,001	-	24,001	-
	-	-	-	-
	<u>\$ 1,390,008</u>	<u>\$ 3,041,270</u>	<u>\$ 2,993,342</u>	<u>\$ 1,437,936</u>

**Portage la Prairie School Division  
Notes to Consolidated Financial Statements  
For the Year Ended June 30, 2011**

**7. Debenture Debt**

**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 instalments and maturing at various dates from fiscal years ending 2012 to 2031. 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 5.00% to 11.25%. Debenture interest expense payable as at June 30, 2011, 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.

2012	\$	948,467
2013		830,029
2014		779,795
2015		680,746
2016		636,524

**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 instalments 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, an annual payment of \$331,255 principal and interest. This loan is secured by way of borrowing resolution.

Total principal and interest repayment of total other borrowings in the next five fiscal years ending are as follows.

2012	\$	331,255
2013		331,255
2014		331,255
2015		331,255
2016		331,255

**8. Other Borrowings**

Other borrowings are debts for non-supportable debentures. This includes financing for expenditures relating to the high school amalgamation.

	2011	2010
Non-supportable debenture	\$ -	\$ 3,761,242
	-	-
	<u>\$ -</u>	<u>\$ 3,761,242</u>

In 2010 the non-supportable debenture debt of \$3,761,242 on the Consolidated Statement of Financial Position was included in other borrowings.

**9. School Generated Funds Liability**

School Generated Funds Liability includes the non-controlled portion of school generated funds. At June 30, 2011, an amount equal to \$71,285 (2010 – investment of \$63,192) is included in cash and bank (overdraft) on the consolidated financial statement.

**10. 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).

**Portage la Prairie School Division  
Notes to Consolidated Financial Statements  
For the Year Ended June 30, 2011**

**11. Accumulated Surplus**

The consolidated accumulated surplus is comprised of the following.

	2011	2010
Operating Fund		
Designated Surplus	\$ -	\$ -
Undesignated Surplus	628,159	101,600
	<u>\$ 628,159</u>	<u>\$ 101,600</u>
Capital Fund		
Reserve Accounts	\$ 125,000	\$ 125,000
Equity in Tangible Capital Assets	4,378,835	4,596,014
	<u>\$ 4,503,835</u>	<u>\$ 4,721,014</u>
Special Purpose Fund		
School Generated Funds	\$ 386,166	511,045
Other Special Purpose Funds	-	-
	<u>\$ 386,166</u>	<u>\$ 511,045</u>
Total Accumulated Surplus	<u>\$ 5,518,160</u>	<u>\$ 5,333,659</u>

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 a capital reserve to finance the construction of Yellowquill Regulation Track in the amount of \$125,000. A Schedule of Capital Reserve Accounts is provided on page 24 of the consolidated financial statements.

	2011	2010
Yellowquill Regulation Track Reserve	<u>\$ 125,000</u>	<u>\$ 125,000</u>

**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; 48% from 2010 tax year and 52% from 2011 tax year. Below are the related revenue and receivable amounts.

	2011	2010
Revenue – Municipal Government – Property Tax	<u>\$ 9,875,989</u>	<u>\$ 9,375,926</u>
Receivable – Due from Municipal – Property Tax	<u>\$ 5,199,552</u>	<u>\$ 4,986,005</u>



**Portage la Prairie School Division  
Notes to Consolidated Financial Statements  
For the Year Ended June 30, 2011**

**13. Interest Received and Paid**

The Division received interest during the year of \$16,670 (2010 - \$14,695) and interest paid during the year was \$629,494 (2010 - \$641,752).

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

	2011	2010
Operating Fund		
Fiscal-short term loan, interest and bank charges	\$ 20,664	\$ 15,311
Capital Fund		
Debenture interest	410,693	421,516
Other interest – non-supportable	198,137	204,925
	<u>\$ 629,494</u>	<u>\$ 641,752</u>

The accrual portion of debenture debt interest expense of \$163,385 (2010 - \$167,838) 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 2011	Actual 2010
Salaries	\$ 24,148,003	\$ 24,949,719
Employees benefits and allowances	1,511,044	1,845,596
Services	2,282,885	2,345,256
Supplies, materials and minor equipment	2,081,734	2,140,793
Interest	629,494	641,752
Payroll tax	518,688	593,591
Bad debts	-	-
Transfers	46,150	44,200
Amortization	1,166,308	1,190,906
School generated funds	1,714,251	1,662,843
	<u>\$ 34,098,557</u>	<u>\$ 35,414,656</u>

**15. Commitments**

In June 2011, The Board of Trustees awarded a contract to build a wide area network for the Division at a cost of \$668,500 plus taxes. The project will be funded through a debenture or bank loan as determined by the board.



## 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 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.

Craig & Ross Chartered 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.

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Chairperson

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Secretary-Treasurer

October 17, 2011

October 5, 2011

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**INDEPENDENT AUDITORS' REPORT**

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**To the Chairperson and Trustees of  
Prairie Rose School Division**

We have audited the consolidated statement of financial position of Prairie Rose School Division as at June 30, 2011 and June 30, 2010, which comprise 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 generally accepted accounting principles, 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*

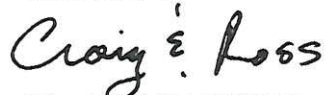
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 financial position of Prairie Rose School Division as at June 30, 2011 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

  
Chartered Accountants

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

October 17, 2011  
Date

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www.craigross.com

Chairperson

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

as at June 30

Notes		2011	2010
	<b>Financial Assets</b>		
	Cash and Bank	-	-
	Short Term Investments	-	-
	Due from - Provincial Government	1,304,733	1,063,665
	- Federal Government	72,382	50,641
	- Municipal Government	4,467,987	4,249,893
	- Other School Divisions	18,500	18,500
	- First Nations	-	-
	Accounts Receivable	146,794	222,582
	Accrued Investment Income	-	-
	Other Investments	-	-
		<u>6,010,396</u>	<u>5,605,281</u>
	<b>Liabilities</b>		
*	Overdraft	2,366,773	1,831,504
	Accounts Payable	1,058,056	1,271,437
	Accrued Liabilities	586,452	159,719
	Employee Future Benefits	-	-
	Accrued Interest Payable	176,637	199,295
	Due to - Provincial Government	4,788	5,167
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
*	Deferred Revenue	799,448	843,728
*	Debenture Debt	7,240,628	7,775,050
*	Other Borrowings	600,840	637,148
	School Generated Funds Liability	27,509	26,151
		<u>12,861,131</u>	<u>12,749,199</u>
	<b>Net Debt</b>	<u>(6,850,735)</u>	<u>(7,143,918)</u>
	<b>Non-Financial Assets</b>		
*	Net Tangible Capital Assets (TCA Schedule)	11,592,652	11,439,950
	Inventories	-	-
	Prepaid Expenses	63,393	72,472
		<u>11,656,045</u>	<u>11,512,422</u>
*	<b>Accumulated Surplus</b>	<u>4,805,310</u>	<u>4,368,504</u>

See accompanying notes to the Financial Statements

# CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes		2011	2010
	<b>Revenue</b>		
	Provincial Government	17,157,598	16,595,908
	Federal Government	-	-
	Municipal Government - Property Tax	7,829,284	7,353,463
	- Other	1,958	1,936
	Other School Divisions	71,917	94,780
	First Nations	-	-
	Private Organizations and Individuals	12,449	10,275
	Other Sources	(64,274)	100,347
	School Generated Funds	502,963	480,065
	Other Special Purpose Funds	11,143	27,667
		<u>25,523,038</u>	<u>24,664,441</u>
	<b>Expenses</b>		
	Regular Instruction	13,208,317	13,369,243
	Student Support Services	3,243,869	3,040,855
	Adult Learning Centres	244,202	246,475
	Community Education and Services	22,625	22,709
	Divisional Administration	932,809	945,456
	Instructional and Other Support Services	622,364	576,421
	Transportation of Pupils	1,685,380	1,598,230
	Operations and Maintenance	2,847,058	2,320,618
*	Fiscal - Interest	521,674	506,474
	- Other	354,145	367,310
	Amortization	887,969	836,606
	Other Capital Items	-	-
	School Generated Funds	495,272	521,406
	Other Special Purpose Funds	20,548	10,611
		<u>25,086,232</u>	<u>24,362,414</u>
	Current Year Surplus (Deficit)	<u>436,806</u>	<u>302,027</u>
	Opening Accumulated Surplus	4,368,504	4,066,477
	Adjustments: Tangible Cap. Assets and Accum. Amort.	-	-
	Other than Tangible Cap. Assets	-	-
	Opening Accumulated Surplus, as adjusted	<u>4,368,504</u>	<u>4,066,477</u>
	<b>Closing Accumulated Surplus</b>	<u><u>4,805,310</u></u>	<u><u>4,368,504</u></u>

See accompanying notes to the Financial Statements

\* NOTE REQUIRED



## CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2011

	2011	2010
Current Year Surplus (Deficit)	436,806	302,027
Amortization of Tangible Capital Assets	887,969	836,606
Acquisition of Tangible Capital Assets	(1,264,955)	(2,358,260)
(Gain) / Loss on Disposal of Tangible Capital Assets	224,284	(5,958)
Proceeds on Disposal of Tangible Capital Assets	-	7,358
	(152,702)	(1,520,254)
Inventories (Increase)/Decrease	-	-
Prepaid Expenses (Increase)/Decrease	9,079	(26,666)
	9,079	(26,666)
(Increase)/Decrease in Net Debt	293,183	(1,244,893)
Net Debt at Beginning of Year	(7,143,918)	(5,899,025)
Adjustments Other than Tangible Cap. Assets	-	-
Net Debt at Beginning of Year as Adjusted	(7,143,918)	(5,899,025)
<b>Net Debt at End of Year</b>	<b>(6,850,735)</b>	<b>(7,143,918)</b>

## CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2011

	2011	2010
<b>Operating Transactions</b>		
Current Year Surplus/(Deficit)	436,806	302,027
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	887,969	836,606
(Gain)/Loss on Disposal of Tangible Capital Assets	224,284	(5,958)
Employee Future Benefits Increase/(Decrease)	-	-
Short Term Investments (Increase)/Decrease	-	-
Due from Other Organizations (Increase)/Decrease	(480,903)	7,663
Accounts Receivable & Accrued Income (Increase)/Decrease	75,788	38,509
Inventories and Prepaid Expenses - (Increase)/Decrease	9,079	(26,666)
Due to Other Organizations Increase/(Decrease)	(379)	5,167
Accounts Payable & Accrued Liabilities Increase/(Decrease)	190,694	(236,997)
Deferred Revenue Increase/(Decrease)	(44,280)	166,715
School Generated Funds Liability Increase/(Decrease)	1,358	14,308
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by Operating Transactions	1,300,416	1,101,374
<b>Capital Transactions</b>		
Acquisition of Tangible Capital Assets	(1,264,955)	(2,358,260)
Proceeds on Disposal of Tangible Capital Assets	-	7,358
Cash (Applied to)/Provided by Capital Transactions	(1,264,955)	(2,350,902)
<b>Investing Transactions</b>		
Other Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
<b>Financing Transactions</b>		
Debenture Debt Increase/(Decrease)	(534,422)	591,819
Other Borrowings Increase/(Decrease)	(36,308)	637,148
Cash Provided by (Applied to) Financing Transactions	(570,730)	1,228,967
Cash and Bank / Overdraft (Increase)/Decrease	(535,269)	(20,561)
Cash and Bank (Overdraft) at Beginning of Year	(1,831,504)	(1,810,943)
<b>Cash and Bank (Overdraft) at End of Year</b>	(2,366,773)	(1,831,504)



# SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2011

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	2011 TOTALS	2010 TOTALS
	School	Non-School									
<b>Tangible Capital Asset Cost</b>											
Opening Cost, as previously reported	18,154,585	827,479	3,743,040	73,158	90,308	1,321,385	113,012	151,993	2,004,490	26,479,450	24,400,761
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	18,154,585	827,479	3,743,040	73,158	90,308	1,321,385	113,012	151,993	2,004,490	26,479,450	24,400,761
Add:											
Additions during the year	2,031,745	-	294,622	-	45,957	-	-	-	(1,107,369)	1,264,955	2,358,260
Less:											
Disposals and write downs	361,455	-	-	-	33,100	-	-	-	-	394,555	279,571
Closing Cost	19,824,875	827,479	4,037,662	73,158	103,165	1,321,385	113,012	151,993	897,121	27,349,850	26,479,450
<b>Accumulated Amortization</b>											
Opening, as previously reported	11,912,329	434,961	2,465,000	55,633	90,308	66,069		15,200		15,039,500	14,481,065
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	11,912,329	434,961	2,465,000	55,633	90,308	66,069		15,200		15,039,500	14,481,065
Add:											
Current period Amortization	468,859	13,637	254,642	10,314	2,298	132,139		6,080		887,969	836,606
Less:											
Accumulated Amortization on Disposals and Writedowns	137,171	-	-	-	33,100	-		-		170,271	278,171
Closing Accumulated Amortization	12,244,017	448,598	2,719,642	65,947	59,506	198,208		21,280		15,757,198	15,039,500
<b>Net Tangible Capital Asset</b>	7,580,858	378,881	1,318,020	7,211	43,659	1,123,177	113,012	130,713	897,121	11,592,652	11,439,950
<b>Proceeds from Disposal of Capital Assets</b>	-	-	-	-	-	-				-	7,358

\* 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 (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 Canadian Institute of Chartered Accountants (CICA) 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 The Prairie Rose Foundation of Manitoba Inc., 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.

**PRAIRIE ROSE SCHOOL DIVISION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**2. Significant Accounting Policies - Continued**

**d) School Generated Funds**

School generated funds are moneys 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.

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) 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

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.



**PRAIRIE ROSE SCHOOL DIVISION  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2011**

**2. Significant Accounting Policies - Continued**

**e) Tangible Capital Assets - 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.

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) 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.

**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.

**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.

**PRAIRIE ROSE SCHOOL DIVISION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**3. Overdraft**

The Division has an authorized line of credit with Access Credit Union of \$3,900,000 by way of overdrafts and is repayable on demand. The overdraft bears interest at the credit union prime lending rate less ½% and is paid monthly. \$1,559,970 remains available on this line of credit at June 30, 2011. Overdrafts are secured by a first charge on any funds receivable from the Province of Manitoba.

**4. 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.

**5. 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 2011 to 2031. Payment of principal and interest is funded entirely by grants from the Province of Manitoba. The debentures carry interest rates that range from 4.875% to 10.5%. Debenture interest expense payable as at June 30, 2011 and 2010, 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:

2012	\$1,213,214
2013	1,146,401
2014	923,498
2015	853,068
2016	<u>775,631</u>
	<u>\$4,911,812</u>

**6. 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.

\$ 600,840

Repayments required in each of the next 5 years are \$51,600 annually.

**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.

	<u>Gross</u>	<u>Accumulated Amortization</u>	<u>2011 Net Book Value</u>	<u>2010 Net Book Value</u>
Tangible capital assets	<u>\$ 27,349,850</u>	<u>\$ 15,757,198</u>	<u>\$11,592,652</u>	<u>\$11,439,950</u>

**PRAIRIE ROSE SCHOOL DIVISION  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2011**

**8. Accumulated Surplus**

The consolidated accumulated surplus is comprised of the following:

	<u>2011</u>	<u>2010</u>
Operating Fund		
Undesignated Surplus	<u>\$ 900,166</u>	<u>\$ 885,325</u>
Capital Fund		
Reserve Accounts	<u>819,510</u>	<u>615,552</u>
Equity in Tangible Capital Assets	<u>2,971,124</u>	<u>2,751,403</u>
	<u>3,790,634</u>	<u>3,366,955</u>
Special Purpose Fund		
School Generated Funds	<u>92,151</u>	<u>84,460</u>
Other Special Purpose Funds	<u>22,359</u>	<u>31,764</u>
	<u>114,510</u>	<u>116,224</u>
Total Accumulated Surplus	<u>\$4,805,310</u>	<u>\$4,368,504</u>

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; 42% from 2010 tax year and 58% from 2011 tax year. Below are the related revenue and receivable amounts:

	<u>2011</u>	<u>2010</u>
Revenue-Municipal Government-Property Tax	<u>\$7,829,284</u>	<u>\$7,353,463</u>
Receivable-Due from Municipal-Property Tax	<u>\$4,467,987</u>	<u>\$4,249,893</u>

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, 2011, the amount of this special levy was \$428,846 (2010 - \$411,538). These amounts are not included in the Division's financial statements.



**PRAIRIE ROSE SCHOOL DIVISION  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2011**

**10. Interest Expense**

	<u>2011</u>	<u>2010</u>
Operating Fund		
Fiscal-short term loan, interest and bank charges	\$ 23,107	\$ 17,314
Capital Fund		
Debenture debt interest	483,276	484,812
Other borrowings – Access Credit Union	<u>15,291</u>	<u>4,348</u>
	<u>\$ 521,674</u>	<u>\$ 506,474</u>

The accrual portion of debenture debt interest expense of \$176,637 (2010 - \$199,295) included under the Capital Fund-Debenture debt interest, is offset by an accrual of the debt servicing grant from the Province of Manitoba.

**11. Budget Figures and Non Financial Information**

The 2011 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.

## Independent Auditors' Report

(In accordance with subsection 41 (11) of the Public Schools Act)

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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, 2011, 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, 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*

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Prairie Spirit School Division as at June 30, 2011 and the results of its operations, changes in net assets and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Brandon, Manitoba  
October 11, 2011

**MNP LLP**  
Chartered Accountants

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

as at June 30

Notes		2011	2010
	<b>Financial Assets</b>		
	Cash and Bank	-	-
	Short Term Investments	-	-
	Due from - Provincial Government	938,775	773,000
	- Federal Government	127,325	78,710
	- Municipal Government	4,769,171	4,329,593
	- Other School Divisions	130	-
	- First Nations	66,063	28,329
	Accounts Receivable	20,667	8,878
	Accrued Investment Income	-	-
	Other Investments	-	-
		<u>5,922,131</u>	<u>5,218,510</u>
	<b>Liabilities</b>		
3	Overdraft	2,238,862	1,737,151
	Accounts Payable	2,198,499	1,767,172
	Accrued Liabilities	509,549	222,705
4	Employee Future Benefits	247,330	305,653
	Accrued Interest Payable	198,522	203,642
	Due to - Provincial Government	-	-
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
5	Deferred Revenue	282,985	574,685
6	Debenture Debt	7,316,657	7,164,051
	Other Borrowings	-	-
	School Generated Funds Liability	74,452	90,661
		<u>13,066,856</u>	<u>12,065,720</u>
	<b>Net Debt</b>	<u>(7,144,725)</u>	<u>(6,847,210)</u>
	<b>Non-Financial Assets</b>		
8	Net Tangible Capital Assets (TCA Schedule)	12,680,755	11,181,130
	Inventories	-	-
	Prepaid Expenses	10,874	4,903
		<u>12,691,629</u>	<u>11,186,033</u>
9	<b>Accumulated Surplus</b>	<u>5,546,904</u>	<u>4,338,823</u>

See accompanying notes to the Financial Statements

**CONSOLIDATED STATEMENT  
OF REVENUE, EXPENSES  
AND ACCUMULATED SURPLUS**

For the Year Ended June 30

Notes		2011	2010
	<b>Revenue</b>		
	Provincial Government	17,493,032	16,877,285
	Federal Government	20,964	-
	Municipal Government - Property Tax	8,682,257	7,607,047
	- Other	-	-
	Other School Divisions	17,550	21,450
	First Nations	358,465	325,962
	Private Organizations and Individuals	79,442	100,134
	Other Sources	103,002	10,047
	School Generated Funds	552,492	501,009
	Other Special Purpose Funds	-	-
		<u>27,307,204</u>	<u>25,442,934</u>
	<b>Expenses</b>		
	Regular Instruction	13,641,984	13,467,467
	Student Support Services	3,146,923	3,137,253
	Adult Learning Centres	-	-
	Community Education and Services	13,943	16,896
	Divisional Administration	975,410	1,093,017
	Instructional and Other Support Services	646,782	610,611
	Transportation of Pupils	2,125,581	1,982,454
	Operations and Maintenance	3,065,034	2,955,273
11	Fiscal - Interest	490,751	489,624
	- Other	375,621	373,061
	Amortization	1,085,228	984,973
	Other Capital Items	-	-
	School Generated Funds	531,866	524,412
	Other Special Purpose Funds	-	-
		<u>26,099,123</u>	<u>25,635,041</u>
	Current Year Surplus (Deficit)	<u>1,208,081</u>	<u>(192,107)</u>
	Opening Accumulated Surplus	4,338,823	4,530,930
	Adjustments: Tangible Cap. Assets and Accum. Amort.	-	-
	Other than Tangible Cap. Assets	-	-
	Opening Accumulated Surplus, as adjusted	<u>4,338,823</u>	<u>4,530,930</u>
	<b>Closing Accumulated Surplus</b>	<u>5,546,904</u>	<u>4,338,823</u>

See accompanying notes to the Financial Statements

## CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2011

	2011	2010
Current Year Surplus (Deficit)	1,208,081	(192,107)
Amortization of Tangible Capital Assets	1,085,228	984,973
Acquisition of Tangible Capital Assets	(2,637,463)	(1,588,428)
(Gain) / Loss on Disposal of Tangible Capital Assets	(16,940)	35,082
Proceeds on Disposal of Tangible Capital Assets	69,550	12,825
	(1,499,625)	(555,548)
Inventories (Increase)/Decrease	-	-
Prepaid Expenses (Increase)/Decrease	(5,971)	9,885
	(5,971)	9,885
(Increase)/Decrease in Net Debt	(297,515)	(737,770)
Net Debt at Beginning of Year	(6,847,210)	(6,109,440)
Adjustments Other than Tangible Cap. Assets	-	-
Net Debt at Beginning of Year as Adjusted	(6,847,210)	(6,109,440)
<b>Net Debt at End of Year</b>	<b>(7,144,725)</b>	<b>(6,847,210)</b>

**CONSOLIDATED STATEMENT OF CASH FLOW**

For the Year Ended June 30, 2011

	2011	2010
<b>Operating Transactions</b>		
Current Year Surplus/(Deficit)	1,208,081	(192,107)
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	1,085,228	984,973
(Gain)/Loss on Disposal of Tangible Capital Assets	(16,940)	35,082
Employee Future Benefits Increase/(Decrease)	(58,323)	131,275
Short Term Investments (Increase)/Decrease	-	-
Due from Other Organizations (Increase)/Decrease	(691,832)	(187,351)
Accounts Receivable & Accrued Income (Increase)/Decrease	(11,789)	7,618
Inventories and Prepaid Expenses - (Increase)/Decrease	(5,971)	9,885
Due to Other Organizations Increase/(Decrease)	-	-
Accounts Payable & Accrued Liabilities Increase/(Decrease)	713,051	(77,297)
Deferred Revenue Increase/(Decrease)	(291,700)	525,946
School Generated Funds Liability Increase/(Decrease)	(16,209)	849
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by Operating Transactions	1,913,596	1,238,873
<b>Capital Transactions</b>		
Acquisition of Tangible Capital Assets	(2,637,463)	(1,588,428)
Proceeds on Disposal of Tangible Capital Assets	69,550	12,825
Cash (Applied to)/Provided by Capital Transactions	(2,567,913)	(1,575,603)
<b>Investing Transactions</b>		
Other Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
<b>Financing Transactions</b>		
Debenture Debt Increase/(Decrease)	152,606	509,492
Other Borrowings Increase/(Decrease)	-	-
Cash Provided by (Applied to) Financing Transactions	152,606	509,492
Cash and Bank / Overdraft (Increase)/Decrease	(501,711)	172,762
Cash and Bank (Overdraft) at Beginning of Year	(1,737,151)	(1,909,913)
<b>Cash and Bank (Overdraft) at End of Year</b>	<b>(2,238,862)</b>	<b>(1,737,151)</b>



**SCHEDULE OF TANGIBLE CAPITAL ASSETS**

at June 30, 2011

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	2011 TOTALS	2010 TOTALS
	School	Non-School									
<b>Tangible Capital Asset Cost</b>											
Opening Cost, as previously reported	22,358,308	942,071	6,708,559	112,986	368,358	1,026,306	53,005	-	1,223,232	32,792,825	31,404,997
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	22,358,308	942,071	6,708,559	112,986	368,358	1,026,306	53,005	-	1,223,232	32,792,825	31,404,997
Add:											
Additions during the year	1,776,051	-	-	-	-	-	-	-	861,412	2,637,463	1,588,428
Less:											
Disposals and write downs	-	-	448,728	-	-	-	-	-	-	448,728	200,600
Closing Cost	24,134,359	942,071	6,259,831	112,986	368,358	1,026,306	53,005	-	2,084,644	34,981,560	32,792,825
<b>Accumulated Amortization</b>											
Opening, as previously reported	15,088,580	750,713	4,721,460	33,667	196,505	820,770	-	-	-	21,611,695	20,779,415
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening adjusted	15,088,580	750,713	4,721,460	33,667	196,505	820,770	-	-	-	21,611,695	20,779,415
Add:											
Current period Amortization	579,487	19,531	376,758	22,597	36,911	49,944	-	-	-	1,085,228	984,973
Less:											
Accumulated Amortization on Disposals and Writedowns	-	-	396,118	-	-	-	-	-	-	396,118	152,693
Closing Accumulated Amortization	15,668,067	770,244	4,702,100	56,264	233,416	870,714	-	-	-	22,300,805	21,611,695
<b>Net Tangible Capital Asset</b>	8,466,292	171,827	1,557,731	56,722	134,942	155,592	53,005	-	2,084,644	12,680,755	11,181,130
<b>Proceeds from Disposal of Capital Assets</b>	-	-	69,550	-	-	-	-	-	-	69,550	12,825

\* 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.

**PRAIRIE SPIRIT SCHOOL DIVISION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**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	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

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.

**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.

**PRAIRIE SPIRIT SCHOOL DIVISION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2011**

**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. Overdraft**

The Division had an authorized line of credit with Caisse Pembina Ltee. of \$6,000,000 by way of overdrafts and is repayable on demand at prime less 0.60%; interest is paid monthly. \$5,369,213 remains available on this line of credit. Effective July 1<sup>st</sup>, 2011, the Division has an authorized line of credit with the Royal Bank of Canada of \$6,100,000. Overdrafts are secured by a temporary borrowing by-law.

The Division has an authorized line of credit with Access Credit Union of \$3,000,000 which will be converted to a self funded debenture upon completion of a tower infrastructure project in 2011/2012; interest is payable monthly at a rate of prime less .65%. \$1,156,878 remains available on this line of credit. The line of credit is secured by 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 and include vacation accrual, supplemental employment and sick leave benefits.

**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 2011 to 2031. Payment of principal and interest is funded entirely by grants from the Province of Manitoba. The debentures carry interest rates that range from 4.75% to 11.75%. Debenture interest expense payable as at June 30, 2011, 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:

2012	\$ 983,393
2013	968,334
2014	952,835
2015	933,091
2016	<u>864,180</u>

\$ 4,701,833

**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 \$74,452 (\$90,661 in 2010).

**PRAIRIE SPIRIT SCHOOL DIVISION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2011**

**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.

	<u>Gross Amount</u>	<u>Accumulated Amortization</u>	<u>2011 Net Book Value</u>	<u>2010 Net Book Value</u>
Owned-tangible capital assets	\$ 34,981,560	\$22,300,805	\$ 12,680,755	\$ 11,181,130
Capital lease	-	-	-	-
	<u>\$ 34,981,560</u>	<u>\$22,300,805</u>	<u>\$ 12,680,755</u>	<u>\$ 11,181,130</u>

**9. Accumulated Surplus**

The consolidated accumulated surplus is comprised of the following:

	<u>2011</u>	<u>2010</u>
Operating Fund		
Designated Surplus	\$ 300,000	\$ -
Undesignated Surplus	<u>1,117,834</u>	<u>171,296</u>
	<u>1,417,834</u>	<u>171,296</u>
Capital Fund		
Reserve Accounts	676,695	222,946
Equity in Tangible Capital Assets	<u>3,294,391</u>	<u>3,807,223</u>
	<u>3,971,086</u>	<u>4,030,169</u>
Special Purpose Fund		
School Generated Funds	157,984	137,358
Other Special Purpose Funds	<u>-</u>	<u>-</u>
	<u>157,984</u>	<u>137,358</u>
Total Accumulated Surplus	<u>\$ 5,546,904</u>	<u>\$ 4,338,823</u>

Designated Surplus under the Operating Fund represents internally restricted amounts appropriated by the board or, in the case of school budget carryovers, by board policy.

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

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

**10. Municipal Government - Property Tax and related Due from Municipal Government**

Education property tax or Special Levy is raised as the Division's contribution to the cost of providing public education for the students resident in the division. The Municipal Government-Property Tax shown on the consolidated revenue and expense is raised over the two calendar (tax) years; 43% from 2010 tax year and 57% from 2011 tax year. Below are the related revenue and receivable amounts:

	<u>2011</u>	<u>2010</u>
Revenue-Municipal Government-Property Tax	<u>\$8,682,257</u>	<u>\$7,607,047</u>
Receivable-Due from Municipal-Property Tax	<u>\$4,769,171</u>	<u>\$4,329,593</u>

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, 2011, the amount of this special levy was \$607,577 (2010: \$573,272). These amounts are not included in the Division's financial statements in 2011.

**PRAIRIE SPIRIT SCHOOL DIVISION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**11. Interest Received and Paid**

The Division received interest during the year of \$14,222 (2010: \$3,505); interest paid during the year was \$490,751 (2010: \$489,624).

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

	<u>2011</u>	<u>2010</u>
Operating Fund		
Fiscal-short term loan, interest and bank charges	\$ 36,006	\$ 38,496
Capital Fund		
Debenture debt interest	<u>454,745</u>	<u>451,128</u>
	<u>\$ 490,751</u>	<u>\$ 489,624</u>

The accrual portion of debenture debt interest expense of \$198,522 (2010: \$203,642) 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:

	<u>Actual 2011</u>	<u>Budget 2011</u>	<u>Actual 2010</u>
Salaries	\$ 17,586,377	\$ 17,799,900	\$ 17,177,088
Employees benefits and allowances	1,597,251	1,373,700	1,666,082
Services	2,369,070	2,627,700	2,330,510
Supplies, materials and minor equipment	1,934,566	2,379,300	1,950,468
Interest	490,751	75,000	489,624
Bad debts	-	-	-
Payroll tax	375,621	375,000	373,061
Transfers	128,393	384,953	138,823
Amortization	1,085,228		984,973
Loss and disposal of capital assets			
School generated funds	531,866		524,412
Other special purpose funds	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 26,099,123</u>	<u>\$ 25,015,553</u>	<u>\$ 25,635,041</u>

**13. Budget Figures and Non Financial Information**

The 2011 budget figures, transportation statistics, full time equivalent personnel, and senior staff allocations are unaudited and have been presented for information purposes only.





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

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## MANAGEMENT REPORT

### Management's Responsibility for the Financial Statements

The accompanying consolidated financial statements of Red River Valley School Division are the responsibility of the Division 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 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 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.

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Chairperson

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Secretary-Treasurer

October 11, 2011

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## Independent Auditors' Report

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To the Chairperson and 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, 2011, 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 qualified audit opinion.

### Basis for Qualified Opinion

The School Division offers sick pay benefits that accumulate but do not vest to several of its employee groups. Under generally accepted accounting principles for public sector organizations, the Division should recognize a liability and an expense for sick pay benefits in the period in which employees render services to the Division in return for the benefits. The Division has not recorded employee future benefits liabilities relating to sick pay benefits that accumulate but do not vest. Because the Division did not obtain determine the amount of the liability at year end, we were unable to verify by alternate means whether sick pay benefits liabilities are fairly stated. Accordingly, we were not able to determine whether any adjustments might be necessary to employee future benefits liabilities, employee benefits expense, and accumulated surplus.

### Qualified Opinion

In our opinion, except for the possible effect of the matter described in the Basis for Qualified Opinion paragraph, the consolidated financial statements present fairly, in all material respects, the financial position of Red River Valley School Division as at June 30, 2011, 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 Accountants

Winnipeg, Manitoba  
October 11, 2011

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 28, 2011*  
Date

\_\_\_\_\_  
Chairperson

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

as at June 30

Notes		2011	2010
	<b>Financial Assets</b>		
	Cash and Bank	-	-
	Short Term Investments	-	-
	Due from - Provincial Government	1,145,664	1,249,331
	- Federal Government	74,758	60,626
	- Municipal Government	4,773,795	4,772,768
	- Other School Divisions	137,879	152,096
	- First Nations	-	-
	Accounts Receivable	101,600	51,084
	Accrued Investment Income	-	-
	Other Investments	-	-
		<u>6,233,696</u>	<u>6,285,905</u>
	<b>Liabilities</b>		
*	Overdraft	779,428	2,948,044
	Accounts Payable	923,593	493,152
	Accrued Liabilities	547,154	-
	Employee Future Benefits	-	176,378
	Accrued Interest Payable	220,403	230,226
	Due to - Provincial Government	94,160	1,089
	- Federal Government	1,025,774	5,595
	- Municipal Government	39,752	39,509
	- Other School Divisions	200,775	186,954
	- First Nations	-	-
*	Deferred Revenue	1,061,882	901,743
*	Debenture Debt	7,845,424	7,868,328
*	Other Borrowings	107,055	136,211
	School Generated Funds Liability	25,689	28,594
		<u>12,871,089</u>	<u>13,015,823</u>
	<b>Net Debt</b>	<u>(6,637,393)</u>	<u>(6,729,918)</u>
	<b>Non-Financial Assets</b>		
*	Net Tangible Capital Assets (TCA Schedule)	12,856,146	12,452,001
	Inventories	119,378	131,972
	Prepaid Expenses	17,996	14,629
		<u>12,993,520</u>	<u>12,598,602</u>
*	<b>Accumulated Surplus</b>	<u>6,356,127</u>	<u>5,868,684</u>

See accompanying notes to the Financial Statements

# **CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS**

For the Year Ended June 30

Notes		2011	2010
	<b>Revenue</b>		
	Provincial Government	15,438,676	15,013,378
	Federal Government	21,391	865
	Municipal Government - Property Tax	8,129,029	7,983,991
	- Other	-	-
	Other School Divisions	622,537	589,286
	First Nations	4,251	4,251
	Private Organizations and Individuals	144,955	167,469
	Other Sources	62,242	76,295
	School Generated Funds	604,896	529,084
	Other Special Purpose Funds	-	-
		<u>25,027,977</u>	<u>24,364,619</u>
	<b>Expenses</b>		
	Regular Instruction	13,027,196	12,744,529
	Student Support Services	3,068,449	2,880,225
	Adult Learning Centres	-	-
	Community Education and Services	21,154	27,681
	Divisional Administration	900,852	873,654
	Instructional and Other Support Services	448,159	515,503
	Transportation of Pupils	2,220,338	2,081,908
	Operations and Maintenance	2,364,807	2,268,409
*	Fiscal - Interest	560,172	583,599
	- Other	361,691	355,868
	Amortization	963,850	932,913
	Other Capital Items	-	-
	School Generated Funds	603,866	525,248
	Other Special Purpose Funds	-	-
		<u>24,540,534</u>	<u>23,789,537</u>
	Current Year Surplus (Deficit)	<u>487,443</u>	<u>575,082</u>
	Opening Accumulated Surplus	5,868,684	5,293,602
	Adjustments: Tangible Cap. Assets and Accum. Amort.	-	-
	Other than Tangible Cap. Assets	-	-
	Opening Accumulated Surplus, as adjusted	<u>5,868,684</u>	<u>5,293,602</u>
	<b>Closing Accumulated Surplus</b>	<u>6,356,127</u>	<u>5,868,684</u>

See accompanying notes to the Financial Statements

\* NOTE REQUIRED

**CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT**

For the Year Ended June 30, 2011

	2011	2010
Current Year Surplus (Deficit)	487,443	575,082
Amortization of Tangible Capital Assets	963,850	932,913
Acquisition of Tangible Capital Assets	(1,370,042)	(850,118)
(Gain) / Loss on Disposal of Tangible Capital Assets	1,197	(14,507)
Proceeds on Disposal of Tangible Capital Assets	850	64,200
	(404,145)	132,488
Inventories (Increase)/Decrease	12,594	27,523
Prepaid Expenses (Increase)/Decrease	(3,367)	(397)
	9,227	27,126
(Increase)/Decrease in Net Debt	92,525	734,696
Net Debt at Beginning of Year	(6,729,918)	(7,464,614)
Adjustments Other than Tangible Cap. Assets	-	-
Net Debt at Beginning of Year as Adjusted	(6,729,918)	(7,464,614)
<b>Net Debt at End of Year</b>	<b>(6,637,393)</b>	<b>(6,729,918)</b>

**CONSOLIDATED STATEMENT OF CASH FLOW**

For the Year Ended June 30, 2011

	2011	2010
<b>Operating Transactions</b>		
Current Year Surplus/(Deficit)	487,443	575,082
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	963,850	932,913
(Gain)/Loss on Disposal of Tangible Capital Assets	1,197	(14,507)
Employee Future Benefits Increase/(Decrease)	(176,378)	29,735
Short Term Investments (Increase)/Decrease	-	-
Due from Other Organizations (Increase)/Decrease	102,725	(746,952)
Accounts Receivable & Accrued Income (Increase)/Decrease	(50,516)	17,968
Inventories and Prepaid Expenses - (Increase)/Decrease	9,227	27,126
Due to Other Organizations Increase/(Decrease)	1,127,314	(1,545,990)
Accounts Payable & Accrued Liabilities Increase/(Decrease)	967,772	(415,583)
Deferred Revenue Increase/(Decrease)	160,139	15,861
School Generated Funds Liability Increase/(Decrease)	(2,905)	(6,020)
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by Operating Transactions	3,589,868	(1,130,367)
<b>Capital Transactions</b>		
Acquisition of Tangible Capital Assets	(1,370,042)	(850,118)
Proceeds on Disposal of Tangible Capital Assets	850	64,200
Cash (Applied to)/Provided by Capital Transactions	(1,369,192)	(785,918)
<b>Investing Transactions</b>		
Other Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
<b>Financing Transactions</b>		
Debenture Debt Increase/(Decrease)	(22,904)	(241,827)
Other Borrowings Increase/(Decrease)	(29,156)	(71,518)
Cash Provided by (Applied to) Financing Transactions	(52,060)	(313,345)
Cash and Bank / Overdraft (Increase)/Decrease	2,168,616	(2,229,630)
Cash and Bank (Overdraft) at Beginning of Year	(2,948,044)	(718,414)
<b>Cash and Bank (Overdraft) at End of Year</b>	<b>(779,428)</b>	<b>(2,948,044)</b>



**SCHEDULE OF TANGIBLE CAPITAL ASSETS**

at June 30, 2011

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	2011 TOTALS	2010 TOTALS
	School	Non-School									
<b>Tangible Capital Asset Cost</b>											
Opening Cost, as previously reported	20,149,272	1,236,802	3,250,419	228,350	661,153	146,142	563,070	30,480	536,433	26,802,121	26,034,824
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	20,149,272	1,236,802	3,250,419	228,350	661,153	146,142	563,070	30,480	536,433	26,802,121	26,034,824
Add:											
Additions during the year	246,448	-	396,577	19,393	97,106	52,281	-	-	558,237	1,370,042	850,118
Less:											
Disposals and write downs	-	-	-	14,980	36,159	-	-	-	-	51,139	82,821
Closing Cost	20,395,720	1,236,802	3,646,996	232,763	722,100	198,423	563,070	30,480	1,094,670	28,121,024	26,802,121
<b>Accumulated Amortization</b>											
Opening, as previously reported	11,308,880	510,481	1,820,476	204,259	450,216	51,236		4,572		14,350,120	13,450,335
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	11,308,880	510,481	1,820,476	204,259	450,216	51,236		4,572		14,350,120	13,450,335
Add:											
Current period Amortization	540,443	33,680	256,964	13,205	93,319	23,191		3,048		963,850	932,913
Less:											
Accumulated Amortization on Disposals and Writedowns	-	-	-	14,980	34,112	-		-		49,092	33,128
Closing Accumulated Amortization	11,849,323	544,161	2,077,440	202,484	509,423	74,427		7,620		15,264,878	14,350,120
<b>Net Tangible Capital Asset</b>	8,546,397	692,641	1,569,556	30,279	212,677	123,996	563,070	22,860	1,094,670	12,856,146	12,452,001
<b>Proceeds from Disposal of Capital Assets</b>	-	-	-	-	850	-				850	64,200

\* Includes network infrastructure.

**Red River Valley School Division  
Notes to Consolidated Financial Statements  
For the Year Ended June 30, 2011**

**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 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 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 (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 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.

**Red River Valley School Division  
Notes to Consolidated Financial Statements  
For the Year Ended June 30, 2011**

**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.

<u>Asset Description</u>	<u>Capitalization Threshold (\$)</u>	<u>Estimated Useful Life</u>
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	5,000	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, 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 only in the period when the event occurs.

**Red River Valley School Division  
Notes to Consolidated Financial Statements  
For the Year Ended June 30, 2011**

**Employee Future Benefits (continued)**

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 the employee is sick.

**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. Bank Overdraft**

The Division has an authorized line of credit for its operations with Bank of Montreal of \$7,025,000 by way of overdrafts and is repayable on demand at prime less .6% (2.4% at June 30, 2011); interest is paid monthly. The Division also has an authorized line of credit, temporarily, for capital projects with Bank of Montreal of \$3,000,000 by way of overdrafts and is repayable on demand at prime (3.0% at June 30, 2011); interest is paid monthly. Overdrafts are secured by borrowing by-laws. As at June 30, 2011, the Division's 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 \$249,806 (\$279,625 in 2010).

**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, 2010	Additions in year	Revenue recognized in year	Balance as at June 30, 2011
Education Property Tax Credit (EPTC) \$	719,765	1,935,990	1,881,359	774,396
Manitoba Text Book Bureau	3,915	119,690	120,630	2,975
Tax Incentive Grant	166,270	690,220	580,402	276,088
Other	11,793	-	3,370	8,423
	<u>\$ 901,743</u>	<u>2,745,900</u>	<u>2,585,761</u>	<u>1,061,882</u>



**Red River Valley School Division  
Notes to Consolidated Financial Statements  
For the Year Ended June 30, 2011**

**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 2012 to 2031. 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 4.75% to 11.375%. Debenture interest expense payable as at June 30, 2011, 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:

2012	\$ 1,147,795
2013	1,143,096
2014	1,142,110
2015	1,142,110
2016	1,082,532

**7. Other Borrowings**

Other borrowings are debts other than overdrafts or debentures. This includes financing for the acquisition of a board office.

	<u>2011</u>	<u>2010</u>
Board office loan – Bank of Montreal	\$ 107,055	\$ 136,211

The Board office loan has 5.75% interest per annum, due in fiscal year 2015 and a monthly payment of \$3,019 principal and interest.

Total principal and interest repayment of total Other Borrowings in the next four fiscal years ending are as follows:

2012	\$ 30,873
2013	32,696
2014	34,626
2015	8,860

**8. School Generated Funds Liability**

School Generated Funds Liability represents the non-controlled portion of school generated funds. At June 30, 2011, an amount equal to the liability or \$25,689 (\$28,594 at June 30, 2010) is included in cash and bank (overdraft) on the Consolidated Statement of Financial Position.

**9. 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 year included in Assets under Construction was nil (previous year nil).

**Red River Valley School Division**  
**Notes to Consolidated Financial Statements**  
**For the Year Ended June 30, 2011**

**10. Accumulated Surplus**

The consolidated accumulated surplus is comprised of the following:

	<u>2011</u>	<u>2010</u>
Operating Fund		
Designated Surplus	\$ 336,290	437,904
Undesignated Surplus	<u>1,042,071</u>	<u>707,107</u>
	<u>\$ 1,378,361</u>	<u>1,145,011</u>
Capital Fund		
Reserve Accounts	\$ 558,538	541,840
Equity in Tangible Capital Assets	<u>4,265,560</u>	<u>4,029,195</u>
	<u>\$ 4,824,098</u>	<u>4,571,035</u>
Special Purpose Fund		
School Generated Funds	\$ 153,668	152,638
Other Special Purpose Funds	<u>-</u>	<u>-</u>
	<u>\$ 153,668</u>	<u>152,638</u>
Total Accumulated Surplus	<u>\$ 6,356,127</u>	<u>5,868,684</u>

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:

	<u>2011</u>	<u>2010</u>
School budget carryovers by Board policy	\$ 336,290	346,261
Red River Surplus Agreement	-	54,520
Building Property Infrastructure Plan Projects	<u>-</u>	<u>37,123</u>
Designated surplus	<u>\$ 336,290</u>	<u>437,904</u>

Reserve Accounts under the Capital Fund represents internally restricted reserves for specific purposes approved by the Board of Trustees and PSFB. In June 2007, the PSFB approved the establishment of a capital reserve to finance the relocation and expansion of the division's vocational/career development program in the amount of \$1,200,000. A Schedule of Capital Reserve Accounts is provided on page 24 of the consolidated financial statements.

	<u>2011</u>	<u>2010</u>
Bus Reserve	\$ 58,538	41,840
Vocational Programming Reserve	<u>500,000</u>	<u>500,000</u>
Capital Reserve	<u>\$ 558,538</u>	<u>541,840</u>

**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 2010 tax year and 60% from 2011 tax year. Below are the related revenue and receivable amounts:

	<u>2011</u>	<u>2010</u>
Revenue – Municipal Government – Property Tax	<u>\$ 8,129,029</u>	<u>7,983,991</u>
Receivable – Due from Municipal – Property Tax	<u>\$ 4,773,795</u>	<u>4,772,768</u>



**Red River Valley School Division**  
**Notes to Consolidated Financial Statements**  
**For the Year Ended June 30, 2011**

**12. Interest Received and Paid**

The Division received interest during the year of \$3,472 (\$751 in 2010); interest paid during the year was \$560,172 (\$583,599 in 2010).

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

	2011	2010
Operating Fund		
Fiscal-short term loan, interest and bank charges	\$ 28,172	23,008
Capital Fund		
Debenture interest	524,932	549,060
Other interest	7,068	11,531
	<u>\$ 560,172</u>	<u>583,599</u>

The accrual portion of debenture debt interest expense of \$220,403 (\$230,226 in 2010) 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:

	2011	2010
Salaries	\$ 16,765,123	16,260,127
Employees benefits and allowances	1,210,496	1,180,153
Services	1,999,739	1,973,621
Supplies, materials and minor equipment	1,746,820	1,658,495
Interest	560,172	583,599
Payroll tax	361,524	347,785
Bad debt	167	8,083
Transfers	328,777	319,513
Amortization	963,850	932,913
School generated funds	603,866	525,248
	<u>\$ 24,540,534</u>	<u>23,789,537</u>

**14. Commitments and Appropriations of Operating Fund Surplus**

Commitments of Operating Fund Surplus at year end are detailed in the Analysis of Consolidated Accumulated Surplus. Designated Operating Fund Accumulated Surplus is \$336,290 at June 30, 2011 (\$437,903 at June 30, 2010). The details of the Designated Surplus are disclosed at note 10 and page 5 of the audited financial statements.

The Division has equipment lease agreements. Future annual minimum operating lease commitments in the next four fiscal years ending are as follows:

2012	\$ 4,035
2013	4,035
2014	4,035
2015	263

**15. Contingent Liabilities**

A lawsuit has been filed against the School Division for an incident that arose in the ordinary course of operations. In the opinion of management, the outcome of the lawsuit, now pending, is not determinable. The lawsuit is being defended in conjunction with the School 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.

During the fiscal year, two grievances were filed against the School Division. Subsequent to year end, both claims have been resolved and any loss was charged to operations in the 2012 fiscal year.

## 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 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 Deloitte & Touche 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.

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Chairperson  
Peter Kotyk

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Secretary-Treasurer  
Vince Mariani

October 18, 2011



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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, 2011, 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

Member of Deloitte Touche Tohmatsu

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, 2011 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.

A handwritten signature in blue ink, reading "Deloitte & Touche".

Chartered Accountants

Winnipeg, Manitoba  
October 18, 2011

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

as at June 30

Notes		2011	2010
	<b>Financial Assets</b>		
	Cash and Bank	8,169,945	2,475,673
	Short Term Investments	-	-
	Due from - Provincial Government	4,172,873	3,346,441
	- Federal Government	163,838	169,942
	- Municipal Government	26,955,936	27,372,014
	- Other School Divisions	88,760	-
	- First Nations	22,937	27,637
	Accounts Receivable	625,006	208,406
	Accrued Investment Income	-	-
	Other Investments	-	-
		<u>40,199,295</u>	<u>33,600,113</u>
	<b>Liabilities</b>		
	Overdraft	-	-
	Accounts Payable	1,486,830	1,046,352
	Accrued Liabilities	16,422,607	13,643,043
*	Employee Future Benefits	180,904	139,170
	Accrued Interest Payable	1,034,128	1,157,077
	Due to - Provincial Government	2,184	7,455
	- Federal Government	12,798	11,994
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
*	Deferred Revenue	10,211,089	8,888,762
*	Debenture Debt	35,289,409	34,362,696
*	Other Borrowings	4,922,613	4,868,493
	School Generated Funds Liability	1,144,930	1,592,458
		<u>70,707,492</u>	<u>65,717,500</u>
	<b>Net Debt</b>	<u>(30,508,197)</u>	<u>(32,117,387)</u>
	<b>Non-Financial Assets</b>		
*	Net Tangible Capital Assets (TCA Schedule)	62,140,043	58,434,646
	Inventories	-	-
	Prepaid Expenses	333,307	329,838
		<u>62,473,350</u>	<u>58,764,484</u>
*	<b>Accumulated Surplus</b>	<u>31,965,153</u>	<u>26,647,097</u>

See accompanying notes to the Financial Statements

# CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes		2011	2010
	<b>Revenue</b>		
	Provincial Government	120,294,398	117,047,339
	Federal Government	16,453	594
	Municipal Government - Property Tax	45,631,176	46,149,115
	- Other	-	-
	Other School Divisions	885,541	868,719
	First Nations	69,991	41,585
	Private Organizations and Individuals	3,098,594	2,888,655
	Other Sources	345,972	335,870
	School Generated Funds	989,454	816,055
	Other Special Purpose Funds	-	-
		<u>171,331,579</u>	<u>168,147,932</u>
	<b>Expenses</b>		
	Regular Instruction	90,110,422	89,647,351
	Student Support Services	29,481,618	28,925,658
	Adult Learning Centres	967,520	1,018,592
	Community Education and Services	1,183,762	1,120,126
	Divisional Administration	4,844,038	4,724,067
	Instructional and Other Support Services	6,445,184	6,733,771
	Transportation of Pupils	3,056,768	2,861,741
	Operations and Maintenance	18,393,932	18,176,323
*	Fiscal - Interest	2,282,713	2,525,797
	- Other	2,705,722	2,636,615
	Amortization	5,502,017	5,188,524
	Other Capital Items	42,039	24,061
	School Generated Funds	997,788	896,537
	Other Special Purpose Funds	-	-
		<u>166,013,523</u>	<u>164,479,163</u>
	Current Year Surplus (Deficit)	<u>5,318,056</u>	<u>3,668,769</u>
	Opening Accumulated Surplus	26,647,097	22,978,328
	Adjustments: Tangible Cap. Assets and Accum. Amort.	-	-
	Other than Tangible Cap. Assets	-	-
	Opening Accumulated Surplus, as adjusted	<u>26,647,097</u>	<u>22,978,328</u>
	<b>Closing Accumulated Surplus</b>	<u>31,965,153</u>	<u>26,647,097</u>

See accompanying notes to the Financial Statements

\* NOTE REQUIRED



## CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2011

	2011	2010
Current Year Surplus (Deficit)	5,318,056	3,668,769
Amortization of Tangible Capital Assets	5,502,017	5,188,524
Acquisition of Tangible Capital Assets	(9,207,414)	(10,387,438)
(Gain) / Loss on Disposal of Tangible Capital Assets	(3,500)	(20,002)
Proceeds on Disposal of Tangible Capital Assets	3,500	20,002
	(3,705,397)	(5,198,914)
Inventories (Increase)/Decrease	-	-
Prepaid Expenses (Increase)/Decrease	(3,469)	48,118
	(3,469)	48,118
(Increase)/Decrease in Net Debt	1,609,190	(1,482,027)
Net Debt at Beginning of Year	(32,117,387)	(30,635,360)
Adjustments Other than Tangible Cap. Assets	-	-
Net Debt at Beginning of Year as Adjusted	(32,117,387)	(30,635,360)
<b>Net Debt at End of Year</b>	<b>(30,508,197)</b>	<b>(32,117,387)</b>

**CONSOLIDATED STATEMENT OF CASH FLOW**

For the Year Ended June 30, 2011

	2011	2010
<b>Operating Transactions</b>		
Current Year Surplus/(Deficit)	5,318,056	3,668,769
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	5,502,017	5,188,524
(Gain)/Loss on Disposal of Tangible Capital Assets	(3,500)	(20,002)
Employee Future Benefits Increase/(Decrease)	41,734	(148,405)
Short Term Investments (Increase)/Decrease	-	-
Due from Other Organizations (Increase)/Decrease	(488,310)	(500,422)
Accounts Receivable & Accrued Income (Increase)/Decrease	(416,600)	(68,076)
Inventories and Prepaid Expenses - (Increase)/Decrease	(3,469)	48,118
Due to Other Organizations Increase/(Decrease)	(4,467)	3,148
Accounts Payable & Accrued Liabilities Increase/(Decrease)	3,097,093	78,309
Deferred Revenue Increase/(Decrease)	1,322,327	(280,857)
School Generated Funds Liability Increase/(Decrease)	(447,528)	18,986
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by Operating Transactions	13,917,353	7,988,092
<b>Capital Transactions</b>		
Acquisition of Tangible Capital Assets	(9,207,414)	(10,387,438)
Proceeds on Disposal of Tangible Capital Assets	3,500	20,002
Cash (Applied to)/Provided by Capital Transactions	(9,203,914)	(10,367,436)
<b>Investing Transactions</b>		
Other Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
<b>Financing Transactions</b>		
Debenture Debt Increase/(Decrease)	926,713	3,405,970
Other Borrowings Increase/(Decrease)	54,120	151,469
Cash Provided by (Applied to) Financing Transactions	980,833	3,557,439
Cash and Bank / Overdraft (Increase)/Decrease	5,694,272	1,178,095
Cash and Bank (Overdraft) at Beginning of Year	2,475,673	1,297,578
<b>Cash and Bank (Overdraft) at End of Year</b>	<b>8,169,945</b>	<b>2,475,673</b>

**SCHEDULE OF TANGIBLE CAPITAL ASSETS**

at June 30, 2011

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	2011 TOTALS	2010 TOTALS
	School	Non-School									
<b>Tangible Capital Asset Cost</b>											
Opening Cost, as previously reported	105,107,914	6,537,137	5,432,029	328,273	3,958,250	10,020,250	1,878,287	2,380,582	1,373,566	137,016,288	127,185,228
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	105,107,914	6,537,137	5,432,029	328,273	3,958,250	10,020,250	1,878,287	2,380,582	1,373,566	137,016,288	127,185,228
Add:											
Additions during the year	2,043,221	-	327,120	41,952	496,593	5,580,469	-	-	718,059	9,207,414	10,387,438
Less:											
Disposals and write downs	-	-	106,175	-	-	-	-	-	-	106,175	556,378
Closing Cost	107,151,135	6,537,137	5,652,974	370,225	4,454,843	15,600,719	1,878,287	2,380,582	2,091,625	146,117,527	137,016,288
<b>Accumulated Amortization</b>											
Opening, as previously reported	62,848,864	2,553,515	2,898,507	246,374	2,234,933	7,072,398		727,051		78,581,642	73,949,496
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	62,848,864	2,553,515	2,898,507	246,374	2,234,933	7,072,398		727,051		78,581,642	73,949,496
Add:											
Current period Amortization	2,495,573	219,093	443,663	35,064	534,587	1,535,979		238,058		5,502,017	5,188,524
Less:											
Accumulated Amortization on Disposals and Writedowns	-	-	106,175	-	-	-		-		106,175	556,378
Closing Accumulated Amortization	65,344,437	2,772,608	3,235,995	281,438	2,769,520	8,608,377		965,109		83,977,484	78,581,642
<b>Net Tangible Capital Asset</b>	41,806,698	3,764,529	2,416,979	88,787	1,685,323	6,992,342	1,878,287	1,415,473	2,091,625	62,140,043	58,434,646
<b>Proceeds from Disposal of Capital Assets</b>	-	-	3,500	-	-	-				3,500	20,002

\* Includes network infrastructure.

## **RIVER EAST TRANSCONA SCHOOL DIVISION**

### **Notes to Consolidated Financial Statements**

June 30, 2011

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#### **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 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.

**RIVER EAST TRANSCONA SCHOOL DIVISION**  
**Notes to Consolidated Financial Statements**  
**June 30, 2011**

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**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.



**RIVER EAST TRANSCONA SCHOOL DIVISION**  
**Notes to Consolidated Financial Statements**  
June 30, 2011

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**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:

<u>Asset Description</u>	<u>Estimated Useful Life</u> (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.



**RIVER EAST TRANSCONA SCHOOL DIVISION**  
**Notes to Consolidated Financial Statements**  
June 30, 2011

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**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

*g) Employee Future Benefits (continued)*

Under the Manitoba Association of School Trustees (MAST) Pension Plan for non-teaching staff, the Division's contributions equals the employee's contributions to the plan. No responsibility is assumed by the Division to make any further contributions.

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*

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 value, unless otherwise noted.

**3. EMPLOYEE FUTURE BENEFITS**

An employee future benefit liability of \$180,904 (2010 - \$139,170) has been accrued as at June 30, 2011 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.

## RIVER EAST TRANSCONA SCHOOL DIVISION

### Notes to Consolidated Financial Statements

June 30, 2011

#### 3. EMPLOYEE FUTURE BENEFITS (continued)

During the year ended June 30, 2011, the employer contributions to Manitoba Association of School Trustees (MAST) Pension Plan amounted to \$1,730,237.40 (2010 - \$1,946,572). This amount has been expensed in the Division's financial statements for the year ended June 30, 2011.

#### 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, 2010	Additions in the period	Revenue Recognized in the period	Balance as at June 30, 2011
Province of Manitoba – EPTC*	\$ 7,609,860	\$ 8,748,175	\$ 7,609,860	\$ 8,748,175
Province of Manitoba - Other	138,586	607,526	692,915	53,197
Tuition Fees	435,194	616,360	435,194	616,360
Donated Capital Assets	595,354	163,668	116,877	642,145
Miscellaneous	109,768	221,671	180,227	151,212
	<u>\$ 8,888,762</u>	<u>\$10,357,400</u>	<u>\$ 9,035,073</u>	<u>\$10,211,089</u>

\*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 \$1,144,930 (2010 - \$1,592,458).

#### 6. DEBENTURE DEBT

The debenture debt of the Division is in the form of twenty-year debentures payable, principal and interest, in equal yearly installments and maturing at various dates from 2011 to 2031. Payment of principal and interest is funded entirely by grants from the Province of Manitoba. The debentures carry interest rates that range from 4.875% to 10.750%. Debenture interest expense payable as at June 30, 2011, 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:

**RIVER EAST TRANSCONA SCHOOL DIVISION**  
**Notes to Consolidated Financial Statements**  
June 30, 2011

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**6. DEBENTURE DEBT (continued)**

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
12	\$ 2,368,224	\$ 2,122,497	\$ 4,490,721
13	2,414,463	1,979,051	4,393,514
14	2,400,728	1,834,745	4,235,473
15	2,341,863	1,694,447	4,036,310
16	2,255,695	1,563,512	3,819,207
	<u>\$ 11,780,973</u>	<u>\$ 9,194,252</u>	<u>\$ 20,975,225</u>

The fair value of the debenture debt is approximately \$34,643,856 (2010 - \$32,992,996).

**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 1.64% to 4.01% per annum and have lease terms that expire between 2012 to 2016. 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:

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
12	\$ 1,351,814	\$ 96,298	\$ 1,448,112
13	825,216	54,568	879,782
14	550,747	27,659	578,406
15	293,073	12,368	305,441
16	138,399	3,375	141,774
	<u>\$ 3,159,249</u>	<u>\$ 194,268</u>	<u>\$ 3,353,517</u>

The fair value of obligations under capital lease is approximately \$3,173,381 (2010 - \$3,006,456).

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:

**RIVER EAST TRANSCONA SCHOOL DIVISION**  
**Notes to Consolidated Financial Statements**  
June 30, 2011

**7. OTHER BORROWINGS (continued)**

	Principal	Interest	Total
2012	112,463	121,232	233,695
2013	120,195	113,500	233,695
2014	128,459	105,236	233,695
2015	137,290	96,405	233,695
2016	146,729	86,966	233,695
	<u>\$ 645,136</u>	<u>\$ 523,339</u>	<u>\$ 1,168,475</u>

The fair value of the self-funded debentures is approximately \$1,691,235 (2010 - \$1,799,222).

**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 \$2,650 (2010 - \$1,001). 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, 2011 are \$12,935,173, \$9,593,551 and \$3,341,622 respectively.

**9. ACCUMULATED SURPLUS**

The consolidated accumulated surplus is comprised of the following:

	<u>2011</u>	<u>2010</u>
Operating Fund		
Designated Surplus	\$ 1,589,772	\$ 1,071,305
Undesignated Surplus	5,867,352	4,212,318
	<u>\$ 7,457,124</u>	<u>\$ 5,283,623</u>
Capital Fund		
Reserve Accounts	3,792,424	\$ 3,392,424
Equity in Tangible Capital Assets	20,547,420	17,794,531
	<u>\$ 24,339,844</u>	<u>\$ 21,186,955</u>
Special Purpose Fund		
School Generated Funds	\$ 168,185	\$ 176,519
Other Special Purpose Funds	-	-
	<u>\$ 168,185</u>	<u>\$ 176,519</u>
Total Accumulated Surplus	<u>\$ 31,965,153</u>	<u>\$ 26,647,097</u>



**RIVER EAST TRANSCONA SCHOOL DIVISION**  
**Notes to Consolidated Financial Statements**  
June 30, 2011

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**9. 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 detailed breakdown of the Designated Surplus.

	<u>2011</u>	<u>2010</u>
Board approved appropriation by motion	\$ 717,133	\$ 264,264
School budget carryovers by board policy	872,639	807,041
Designated surplus	<u>\$ 1,589,772</u>	<u>\$ 1,071,305</u>

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.

	<u>2011</u>	<u>2010</u>
Bus reserve	\$ 500,000	\$ 500,000
Other reserve	3,292,427	2,892,424
Capital reserve	<u>\$ 3,792,424</u>	<u>\$ 3,392,424</u>

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; 40% from 2010 tax year and 60% from 2011 tax year. Below are the related revenue and receivable amounts:

	<u>2011</u>	<u>2010</u>
Revenue-Municipal Government-Property Tax	<u>\$ 45,631,176</u>	<u>\$ 46,149,115</u>
Receivable-Due from Municipal Government-Property Tax	<u>\$26,955,936</u>	<u>\$ 27,372,014</u>

**RIVER EAST TRANSCONA SCHOOL DIVISION**  
**Notes to Consolidated Financial Statements**  
June 30, 2011

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**11. INTEREST RECEIVED AND PAID**

The Division received interest during the year of \$109,850 (2010 - \$23,142).

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

	<u>2011</u>	<u>2010</u>
Operating Fund		
Fiscal-Short Term Loan, Interest and Bank Charges	\$ 32,485	\$ 61,743
Capital Fund		
Debenture Debt Interest	2,142,415	2,349,703
Interest on Obligation under Capital Lease	103,863	113,138
Other Interest	3,950	1,213
	<u>\$ 2,282,713</u>	<u>\$ 2,525,797</u>

The accrued portion of debenture debt interest expense at June 30, 2011 of \$1,034,128 (2010- \$1,157,077) 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:

	<u>Actual 2011</u>	<u>Budget 2011</u>	<u>Actual 2010</u>
Salaries	\$125,952,071	\$126,142,228	\$123,902,302
Employees benefits & allowances	8,423,540	8,696,000	8,610,602
Services	12,595,848	13,385,037	12,582,119
Supplies, materials, minor equipment	7,043,151	6,948,803	7,575,419
Interest	2,278,763	110,000	2,525,797
School Divisions	434,044	-	518,592
Other operating expenses	34,590	22,600	18,595
Payroll tax	2,705,722	2,800,000	2,636,615
Amortization	5,502,017	-	5,188,524
Other capital items	45,989	-	24,061
School generated funds	997,788	-	896,537
	<u>\$166,013,523</u>	<u>\$158,104,668</u>	<u>\$164,479,163</u>



**RIVER EAST TRANSCONA SCHOOL DIVISION**  
**Notes to Consolidated Financial Statements**  
June 30, 2011

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**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, 2011, the amount of this special levy was \$602,083 (2010 - \$396,285). 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:

	2011	2010
<u>Scholarship Funds</u>		
Balance, beginning of year	\$ 321,910	\$ 330,748
Cash contributions received during the year	11,850	5,500
Interest income	2,938	842
Scholarships awarded	(25,736)	(15,180)
Balance, end of year	<u>\$ 310,962</u>	<u>\$ 321,910</u>
<u>Assets</u>		
Cash and investments	<u>\$ 310,962</u>	<u>\$ 321,910</u>

## 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 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.

Chairperson

Secretary-Treasurer

November 2, 2011



## Independent Auditors' Report

(In accordance with subsection 41 (11) of the Public Schools Act)

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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, 2011, 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, 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 Rolling River School Division as at June 30, 2011 and the results of its operations, changes in net assets and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Brandon, Manitoba

November 2, 2011

**MNP LLP**  
Chartered Accountants

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The accompanying notes are an integral part of these financial statements

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

as at June 30

Notes		2011	2010
	<b>Financial Assets</b>		
	Cash and Bank	-	-
	Short Term Investments	-	-
	Due from - Provincial Government	826,352	861,709
	- Federal Government	75,639	46,316
	- Municipal Government	3,834,811	3,824,627
	- Other School Divisions	-	-
	- First Nations	-	644
	Accounts Receivable	87,602	86,145
	Accrued Investment Income	-	-
	Other Investments	-	-
		<u>4,824,404</u>	<u>4,819,441</u>
	<b>Liabilities</b>		
5	Overdraft	1,341,145	1,769,383
	Accounts Payable	271,002	24,787
	Accrued Liabilities	544,989	491,821
	Employee Future Benefits	-	-
	Accrued Interest Payable	197,844	218,264
	Due to - Provincial Government	8,555	3,399
	- Federal Government	-	-
	- Municipal Government	6,229	2,155
	- Other School Divisions	24,675	19,811
	- First Nations	-	-
7	Deferred Revenue	153,172	579,100
8	Debenture Debt	6,665,790	7,213,996
	Other Borrowings	-	-
	School Generated Funds Liability	-	-
		<u>9,213,401</u>	<u>10,322,716</u>
	<b>Net Debt</b>	<u>(4,388,997)</u>	<u>(5,503,275)</u>
	<b>Non-Financial Assets</b>		
9	Net Tangible Capital Assets (TCA Schedule)	8,609,846	8,843,493
	Inventories	-	-
	Prepaid Expenses	8,362	18,326
		<u>8,618,208</u>	<u>8,861,819</u>
10	<b>Accumulated Surplus</b>	<u>4,229,211</u>	<u>3,358,544</u>

See accompanying notes to the Financial Statements

**CONSOLIDATED STATEMENT  
OF REVENUE, EXPENSES  
AND ACCUMULATED SURPLUS**

For the Year Ended June 30

Notes		2011	2010
	<b>Revenue</b>		
	Provincial Government	14,047,661	13,675,617
	Federal Government	78,105	54,252
	Municipal Government - Property Tax	6,697,889	6,799,264
	- Other	-	-
	Other School Divisions	96,200	95,550
	First Nations	1,125,084	1,182,129
	Private Organizations and Individuals	45,332	32,866
	Other Sources	53,333	47,295
	School Generated Funds	616,311	615,111
	Other Special Purpose Funds	-	-
		<u>22,759,915</u>	<u>22,502,084</u>
	<b>Expenses</b>		
	Regular Instruction	11,665,917	11,786,081
	Student Support Services	2,768,279	2,696,538
	Adult Learning Centres	137,393	139,186
	Community Education and Services	22,671	21,535
	Divisional Administration	852,768	801,866
	Instructional and Other Support Services	564,352	522,170
	Transportation of Pupils	1,483,056	1,365,566
	Operations and Maintenance	2,170,494	2,102,630
12	Fiscal - Interest	474,854	502,288
	- Other	324,470	322,609
	Amortization	785,104	811,423
	Other Capital Items	-	67,500
	School Generated Funds	639,890	665,687
	Other Special Purpose Funds	-	-
		<u>21,889,248</u>	<u>21,805,079</u>
	Current Year Surplus (Deficit)	<u>870,667</u>	<u>697,005</u>
	Opening Accumulated Surplus	3,358,544	2,661,539
	Adjustments: Tangible Cap. Assets and Accum. Amort.	-	-
	Other than Tangible Cap. Assets	-	-
	Opening Accumulated Surplus, as adjusted	<u>3,358,544</u>	<u>2,661,539</u>
	<b>Closing Accumulated Surplus</b>	<u>4,229,211</u>	<u>3,358,544</u>

See accompanying notes to the Financial Statements

**CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT**

For the Year Ended June 30, 2011

	2011	2010
Current Year Surplus (Deficit)	870,667	697,005
Amortization of Tangible Capital Assets	785,104	811,423
Acquisition of Tangible Capital Assets	(551,457)	(640,390)
(Gain) / Loss on Disposal of Tangible Capital Assets	-	-
Proceeds on Disposal of Tangible Capital Assets	-	-
	233,647	171,033
Inventories (Increase)/Decrease	-	-
Prepaid Expenses (Increase)/Decrease	9,964	20,201
	9,964	20,201
(Increase)/Decrease in Net Debt	1,114,278	888,239
Net Debt at Beginning of Year	(5,503,275)	(6,391,514)
Adjustments Other than Tangible Cap. Assets	-	-
Net Debt at Beginning of Year as Adjusted	(5,503,275)	(6,391,514)
<b>Net Debt at End of Year</b>	<b>(4,388,997)</b>	<b>(5,503,275)</b>



**CONSOLIDATED STATEMENT OF CASH FLOW**

For the Year Ended June 30, 2011

	2011	2010
<b>Operating Transactions</b>		
Current Year Surplus/(Deficit)	870,667	697,005
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	785,104	811,423
(Gain)/Loss on Disposal of Tangible Capital Assets	-	-
Employee Future Benefits Increase/(Decrease)	-	-
Short Term Investments (Increase)/Decrease	-	-
Due from Other Organizations (Increase)/Decrease	(3,506)	(430,428)
Accounts Receivable & Accrued Income (Increase)/Decrease	(1,457)	(21,100)
Inventories and Prepaid Expenses - (Increase)/Decrease	9,964	20,201
Due to Other Organizations Increase/(Decrease)	14,094	(5,363)
Accounts Payable & Accrued Liabilities Increase/(Decrease)	278,963	102,056
Deferred Revenue Increase/(Decrease)	(425,928)	302,339
School Generated Funds Liability Increase/(Decrease)	-	-
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by Operating Transactions	1,527,901	1,476,133
<b>Capital Transactions</b>		
Acquisition of Tangible Capital Assets	(551,457)	(640,390)
Proceeds on Disposal of Tangible Capital Assets	-	-
Cash (Applied to)/Provided by Capital Transactions	(551,457)	(640,390)
<b>Investing Transactions</b>		
Other Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
<b>Financing Transactions</b>		
Debenture Debt Increase/(Decrease)	(548,206)	(119,405)
Other Borrowings Increase/(Decrease)	-	-
Cash Provided by (Applied to) Financing Transactions	(548,206)	(119,405)
Cash and Bank / Overdraft (Increase)/Decrease	428,238	716,338
Cash and Bank (Overdraft) at Beginning of Year	(1,769,383)	(2,485,721)
<b>Cash and Bank (Overdraft) at End of Year</b>	<b>(1,341,145)</b>	<b>(1,769,383)</b>

**SCHEDULE OF TANGIBLE CAPITAL ASSETS**

at June 30, 2011

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	2011 TOTALS	2010 TOTALS
	School	Non-School									
<b>Tangible Capital Asset Cost</b>											
Opening Cost, as previously reported	17,908,705	107,000	2,419,018	308,760	148,564	-	153,468	-	357,956	21,403,471	20,763,081
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	17,908,705	107,000	2,419,018	308,760	148,564	-	153,468	-	357,956	21,403,471	20,763,081
Add:											
Additions during the year	554,641	-	190,020	25,986	5,539	-	-	-	(224,729)	551,457	640,390
Less:											
Disposals and write downs	-	-	-	-	-	-	-	-	-	-	-
Closing Cost	18,463,346	107,000	2,609,038	334,746	154,103	-	153,468	-	133,227	21,954,928	21,403,471
<b>Accumulated Amortization</b>											
Opening, as previously reported	10,729,320	76,313	1,394,577	239,515	120,253	-	-	-	-	12,559,978	11,748,555
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening adjusted	10,729,320	76,313	1,394,577	239,515	120,253	-	-	-	-	12,559,978	11,748,555
Add:											
Current period Amortization	541,842	2,675	193,325	32,870	14,392	-	-	-	-	785,104	811,423
Less:											
Accumulated Amortization on Disposals and Writedowns	-	-	-	-	-	-	-	-	-	-	-
Closing Accumulated Amortization	11,271,162	78,988	1,587,902	272,385	134,645	-	-	-	-	13,345,082	12,559,978
<b>Net Tangible Capital Asset</b>	7,192,184	28,012	1,021,136	62,361	19,458	-	153,468	-	133,227	8,609,846	8,843,493
<b>Proceeds from Disposal of Capital Assets</b>	-	-	-	-	-	-	-	-	-	-	-

\* Includes network infrastructure.

**ROLLING RIVER SCHOOL DIVISION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2011**

**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. 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 as of June 30, 2007.

**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 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 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 & 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 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 retirement and other future benefits to its employees. These benefits include pension, life insurance and supplemental employment benefits. The Division 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:

The pension plan contributions are based on 9% to 11.65% of eligible earnings. The life insurance policy contributions are based on 0.12% to 0.24% of eligible earnings. Supplementary employment benefits top up employment insurance benefits to 90% of regular earnings at the time the leave commenced.

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 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.

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.

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.

#### **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.

### **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 authorized line of credit with Minnedosa Credit Union of \$6,500,000.00 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.

## 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 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 9% to 11.65% 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.

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.



## 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, 2010	Additions in the period	Revenue recognized in the period	Balance as at June 30, 2011
Manitoba Textbook Bureau	\$ -	\$ -	\$ -	\$ -
General Support Grant	-	-	-	-
Education Property Tax Credit	579,100	153,172	579,100	153,172
	<u>\$ 579,100</u>	<u>\$ 153,172</u>	<u>\$ 579,100</u>	<u>\$ 153,172</u>

## 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 2012 to 2030. 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 4.875 % to 10.125 %. Debenture interest expense payable as at June 30, 2011, 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
2011/12	\$ 557,913	\$ 423,436
2012/13	580,611	382,200
2013/14	583,954	339,594
2014/15	619,134	297,399
2015/16	472,731	252,553
	<u>\$ 2,814,343</u>	<u>\$ 1,695,182</u>

## 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 nil).

	Gross Amount	Accumulated Amortization	2011 Net Book Value
Owned-tangible capital assets	\$ 21,954,928	\$ 133,456,082	\$ 8,609,846
Capital lease	-	-	-
	<u>\$ 21,954,928</u>	<u>\$ 133,456,082</u>	<u>\$ 8,609,846</u>

## 10. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2011
Operating Fund	
Designated Surplus	-
Undesignated Surplus	937,016
	<u>937,016</u>
Capital Fund	
Reserve Accounts	1,449,003
Equity in Tangible Capital Assets	1,625,521
	<u>3,074,524</u>
Special Purpose Fund	
School Generated Funds	217,671
Other Special Purpose Funds	
	<u>217,671</u>
Total Accumulated Surplus	<u>\$ 4,229,211</u>

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.

	2011
Board approved appropriation by motion	-
School budget carryovers by board policy	-
Designated surplus	<u>\$ -</u>

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.

	2011
Bus reserves	499,003
Other reserves	950,000
(\$70,000 Software; \$205,000 Division Office Renovations, \$400,000 Wide Area Network, \$275,000 High School Water & Sewer)	
Capital Reserve	<u>\$ 1,449,003</u>

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

	<u>2011</u>
Foundation-Scholarship	-
Other - <i>Specify</i>	-
Other Special Purpose Funds	<u>\$ -</u>

#### 11. 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 revenue and expense is raised over the two calendar (tax) years; 42.3% from 2010 tax year and 57.7% from 2011 tax year. Below are the related revenue and receivable amounts:

	<u>2011</u>	<u>2010</u>
Revenue-Municipal Government-Property Tax	\$ 6,697,892	\$ 6,799,264
Receivable-Due from Municipal-Property Tax	<u>\$ 3,834,813</u>	<u>\$ 3,824,627</u>

#### 12. Interest Received and Paid

The Division received interest during the year of \$14,471 (previous year \$2,101); interest paid during the year was \$474,854 (previous year \$502,288).

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

	<u>2011</u>
Operating Fund	
Fiscal-short term loan, interest and bank charges	\$ 31,105
Capital Fund	
Debenture debt interest	443,749
Other interest	-
	<u>\$ 474,854</u>

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 \$197,844 included under the Capital Fund-Debenture debt interest is offset by an accrual of the debt servicing grant from the Province of Manitoba.

#### 13. 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, 2011:



2011

Allowance for doubtful accounts deducted from Receivable below:

Due from First Nations

Accounts Receivable

NIL

Bad debts expense (included in fiscal-Other)

NIL

#### 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 2011	Budget 2011	Actual 2010
Salaries	\$ 15,163,032	\$ 15,689,120	\$ 15,234,228
Employees benefits & allowances	1,052,295	1,207,780	1,090,369
Services	1,639,953	1,653,895	1,448,319
Supplies, materials & minor equipment	1,620,139	1,481,550	1,448,365
Interest	474,854	70,000	502,288
Transfers	189,511	523,800	214,291
Payroll tax	324,470		322,609
Amortization	785,104		811,423
Other capital items			67,500
School generated funds	639,890		665,687
Other special purpose funds			
	<u>\$ 21,889,248</u>	<u>\$ 20,626,145</u>	<u>\$ 21,805,079</u>

#### 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, 2011, the amount of this special levy was \$34,563 (2010 was \$37,621). 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 Seine River 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 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 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.

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Chairperson

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Secretary-Treasurer

October 25, 2011



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BDO Canada LLP/s.r.l.  
700 - 200 Graham Avenue  
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## Independent Auditor's Report

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To the Chairperson and 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, 2011, 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 qualified audit opinion.

### Basis for Qualified Opinion

The School Division offers sick pay benefits that accumulate but do not vest to several of its employee groups. Under generally accepted accounting principles for public sector organizations, the Division should recognize a liability and an expense for sick pay benefits in the period in which employees render services to the Division in return for the benefits. The Division has not recorded employee future benefits liabilities relating to sick pay benefits that accumulate but do not vest. Because the Division did not determine the amount of the liability at year end, we were unable to verify by alternate means whether sick pay benefits liabilities are fairly stated. Accordingly, we were not able to determine whether any adjustments might be necessary to employee future benefits liabilities, employee benefits expense, and accumulated surplus.



#### Qualified Opinion

In our opinion, except for the possible effect of the matter described in the Basis for Qualified Opinion paragraph, the consolidated financial statements present fairly, in all material respects, the financial position of Seine River School Division as at June 30, 2011, 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 Accountants

Winnipeg, Manitoba  
October 25, 2011

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, 2011*  
Date

\_\_\_\_\_  
Chairperson

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

as at June 30

Notes		2011	2010
	<b>Financial Assets</b>		
	Cash and Bank	-	-
	Short Term Investments	-	53,052
	Due from - Provincial Government	884,581	915,517
	- Federal Government	218,027	177,323
10	- Municipal Government	5,876,159	5,484,168
	- Other School Divisions	7,896	1,375
	- First Nations	-	-
	Accounts Receivable	40,790	80,760
	Accrued Investment Income	-	-
	Other Investments	-	-
		<u>7,027,453</u>	<u>6,712,195</u>
	<b>Liabilities</b>		
3	Overdraft	2,607,751	1,785,973
	Accounts Payable	1,965,813	932,851
	Accrued Liabilities	600,892	-
4	Employee Future Benefits	-	479,232
	Accrued Interest Payable	394,947	422,177
	Due to - Provincial Government	128,525	133,557
	- Federal Government	1,805,932	1,549,199
	- Municipal Government	70,146	49,654
	- Other School Divisions	-	-
	- First Nations	-	-
5	Deferred Revenue	1,439,955	1,454,510
6	Debenture Debt	16,277,174	15,975,006
	Other Borrowings	-	-
7	School Generated Funds Liability	44,873	33,739
		<u>25,336,008</u>	<u>22,815,898</u>
	<b>Net Debt</b>	<u>(18,308,555)</u>	<u>(16,103,703)</u>
	<b>Non-Financial Assets</b>		
8	Net Tangible Capital Assets (TCA Schedule)	25,305,773	21,978,671
	Inventories	-	-
	Prepaid Expenses	36,554	600,246
		<u>25,342,327</u>	<u>22,578,917</u>
9	<b>Accumulated Surplus</b>	<u>7,033,772</u>	<u>6,475,214</u>

See accompanying notes to the Financial Statements

# CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes		2011	2010
	<b>Revenue</b>		
	Provincial Government	31,266,195	29,923,286
	Federal Government	26,532	20,406
10	Municipal Government - Property Tax	8,556,146	8,342,846
	- Other	-	-
	Other School Divisions	224,001	202,317
	First Nations	30,330	9,787
	Private Organizations and Individuals	28,084	44,500
	Other Sources	77,411	86,164
	School Generated Funds	921,986	896,523
	Other Special Purpose Funds	-	-
		<u>41,130,685</u>	<u>39,525,829</u>
	<b>Expenses</b>		
	Regular Instruction	20,799,506	20,002,598
	Student Support Services	7,312,388	6,871,792
	Adult Learning Centres	290,172	320,112
	Community Education and Services	43,909	54,739
	Divisional Administration	1,400,777	1,266,696
	Instructional and Other Support Services	895,227	884,902
	Transportation of Pupils	2,194,282	2,081,257
	Operations and Maintenance	3,612,672	3,711,050
11	Fiscal - Interest	1,046,868	1,075,448
	- Other	612,978	583,141
	Amortization	1,409,984	1,330,709
	Other Capital Items	-	21,418
	School Generated Funds	953,364	871,172
	Other Special Purpose Funds	-	-
		<u>40,572,127</u>	<u>39,075,034</u>
	Current Year Surplus (Deficit)	<u>558,558</u>	<u>450,795</u>
	Opening Accumulated Surplus	6,475,214	6,024,419
	Adjustments: Tangible Cap. Assets and Accum. Amort.	-	-
	Other than Tangible Cap. Assets	-	-
	Opening Accumulated Surplus, as adjusted	<u>6,475,214</u>	<u>6,024,419</u>
9	<b>Closing Accumulated Surplus</b>	<u><u>7,033,772</u></u>	<u><u>6,475,214</u></u>

See accompanying notes to the Financial Statements



**CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT**

For the Year Ended June 30, 2011

	2011	2010
Current Year Surplus (Deficit)	558,558	450,795
Amortization of Tangible Capital Assets	1,409,984	1,330,709
Acquisition of Tangible Capital Assets	(4,737,086)	(2,031,369)
(Gain) / Loss on Disposal of Tangible Capital Assets	(6,230)	(1,500)
Proceeds on Disposal of Tangible Capital Assets	6,230	1,500
	(3,327,102)	(700,660)
Inventories (Increase)/Decrease	-	-
Prepaid Expenses (Increase)/Decrease	563,692	79,592
	563,692	79,592
(Increase)/Decrease in Net Debt	(2,204,852)	(170,273)
Net Debt at Beginning of Year	(16,103,703)	(15,933,430)
Adjustments Other than Tangible Cap. Assets	-	-
Net Debt at Beginning of Year as Adjusted	(16,103,703)	(15,933,430)
<b>Net Debt at End of Year</b>	<b>(18,308,555)</b>	<b>(16,103,703)</b>



**CONSOLIDATED STATEMENT OF CASH FLOW**

For the Year Ended June 30, 2011

	2011	2010
<b>Operating Transactions</b>		
Current Year Surplus/(Deficit)	558,558	450,795
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	1,409,984	1,330,709
(Gain)/Loss on Disposal of Tangible Capital Assets	(6,230)	(1,500)
Employee Future Benefits Increase/(Decrease)	(479,232)	249,429
Short Term Investments (Increase)/Decrease	53,052	321,912
Due from Other Organizations (Increase)/Decrease	(408,280)	(254,711)
Accounts Receivable & Accrued Income (Increase)/Decrease	39,970	(10,739)
Inventories and Prepaid Expenses - (Increase)/Decrease	563,692	79,592
Due to Other Organizations Increase/(Decrease)	272,193	(924,690)
Accounts Payable & Accrued Liabilities Increase/(Decrease)	1,606,624	(652,629)
Deferred Revenue Increase/(Decrease)	(14,555)	162,482
School Generated Funds Liability Increase/(Decrease)	11,134	3,103
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by Operating Transactions	3,606,910	753,753
<b>Capital Transactions</b>		
Acquisition of Tangible Capital Assets	(4,737,086)	(2,031,369)
Proceeds on Disposal of Tangible Capital Assets	6,230	1,500
Cash (Applied to)/Provided by Capital Transactions	(4,730,856)	(2,029,869)
<b>Investing Transactions</b>		
Other Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
<b>Financing Transactions</b>		
Debenture Debt Increase/(Decrease)	302,168	(48,653)
Other Borrowings Increase/(Decrease)	-	(564,034)
Cash Provided by (Applied to) Financing Transactions	302,168	(612,687)
Cash and Bank / Overdraft (Increase)/Decrease	(821,778)	(1,888,803)
Cash and Bank (Overdraft) at Beginning of Year	(1,785,973)	102,830
<b>Cash and Bank (Overdraft) at End of Year</b>	<b>(2,607,751)</b>	<b>(1,785,973)</b>

**SCHEDULE OF TANGIBLE CAPITAL ASSETS**

at June 30, 2011

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	2011 TOTALS	2010 TOTALS
	School	Non-School									
<b>Tangible Capital Asset Cost</b>											
Opening Cost, as previously reported	33,261,596	2,958,759	4,071,798	105,067	526,447	286,167	451,886	-	435,707	42,097,427	40,066,058
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	33,261,596	2,958,759	4,071,798	105,067	526,447	286,167	451,886	-	435,707	42,097,427	40,066,058
Add:											
Additions during the year	1,656,380	-	362,316	-	33,544	19,403	-	-	2,665,443	4,737,086	2,031,369
Less:											
Disposals and write downs	-	-	-	-	-	-	-	-	-	-	-
Closing Cost	34,917,976	2,958,759	4,434,114	105,067	559,991	305,570	451,886	-	3,101,150	46,834,513	42,097,427
<b>Accumulated Amortization</b>											
Opening, as previously reported	16,403,525	528,342	2,404,249	80,134	416,339	286,167	-	-	-	20,118,756	18,788,047
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening adjusted	16,403,525	528,342	2,404,249	80,134	416,339	286,167	-	-	-	20,118,756	18,788,047
Add:											
Current period Amortization	909,132	95,364	351,107	11,533	40,423	2,425	-	-	-	1,409,984	1,330,709
Less:											
Accumulated Amortization on Disposals and Writedowns	-	-	-	-	-	-	-	-	-	-	-
Closing Accumulated Amortization	17,312,657	623,706	2,755,356	91,667	456,762	288,592	-	-	-	21,528,740	20,118,756
<b>Net Tangible Capital Asset</b>	17,605,319	2,335,053	1,678,758	13,400	103,229	16,978	451,886	-	3,101,150	25,305,773	21,978,671
<b>Proceeds from Disposal of Capital Assets</b>	-	-	6,230	-	-	-	-	-	-	6,230	1,500

\* Includes network infrastructure.

**Seine River School Division  
Notes to Consolidated Financial Statements  
For the Year Ended June 30, 2011**

**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 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 Division. The Division reporting entity includes school generated funds controlled by the Division.

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

**Basis of Accounting**

Revenues and expenses are reported on the accrual basis of accounting except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable. The accrual basis of accounting recognizes revenues as they are earned and measurable; expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay. Expenses also include the amortization of tangible capital assets.

**Fund Accounting**

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

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

**School Generated Funds**

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

**Seine River School Division  
Notes to Consolidated Financial Statements  
For the Year Ended June 30, 2011**

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.

<u>Asset Description</u>	<u>Capitalization Threshold (\$)</u>	<u>Estimated Useful Life</u>
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	5,000	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, 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.

**Seine River School Division  
Notes to Consolidated Financial Statements  
For the Year Ended June 30, 2011**

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.

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 are sick.

However, 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 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 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 the employee is sick.

**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.

**Seine River School Division**  
**Notes to Consolidated Financial Statements**  
**For the Year Ended June 30, 2011**

**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. Bank Overdraft**

The Division has an authorized line of credit with the Royal Bank of Canada for a maximum of \$7,000,000 by way of overdrafts and is repayable on demand at prime less 0.75% (2.25% at June 30, 2011); 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 \$300,290 (\$341,175 in 2010).

**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, 2010	Additions in year	Revenue recognized in year	Balance as at June 30, 2011
Adult Learning Centre	\$ 116,880	173,292	290,172	-
Education Property Tax				
Credit (EPTC)	1,335,630	4,091,740	3,987,415	1,439,955
Other	2,000	-	2,000	-
	<u>\$ 1,454,510</u>	<u>4,265,032</u>	<u>4,279,587</u>	<u>1,439,955</u>



**Seine River School Division**  
**Notes to Consolidated Financial Statements**  
**For the Year Ended June 30, 2011**

**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 2012 to 2031. 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 4.750% to 12.125%. Debenture interest expense payable as at June 30, 2011, 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:

2012	\$ 2,227,412
2013	2,153,746
2014	2,066,110
2015	1,984,946
2016	1,791,285

**7. School Generated Funds Liability**

School Generated Funds Liability includes the non-controlled portion of school generated funds. At June 30, 2011, an amount equal to the liability or \$44,873 (\$33,739 at June 30, 2010) is included in cash and bank (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 (previous year nil).

**9. Accumulated Surplus**

The consolidated accumulated surplus is comprised of the following:

	<u>2011</u>	<u>2010</u>
Operating Fund		
Designated Surplus	\$ 153,113	257,825
Undesignated Surplus	<u>857,727</u>	<u>903,193</u>
	<u>1,010,840</u>	<u>1,161,018</u>
Capital Fund		
Reserve Accounts	120,871	109,537
Equity in Tangible Capital Assets	<u>5,663,223</u>	<u>4,934,443</u>
	<u>5,784,094</u>	<u>5,043,980</u>
Special Purpose Fund		
School Generated Funds	238,838	270,216
Other School Generated Funds	<u>-</u>	<u>-</u>
	<u>238,838</u>	<u>270,216</u>
Total Accumulated Surplus	<u>\$ 7,033,772</u>	<u>6,475,214</u>

**Seine River School Division  
Notes to Consolidated Financial Statements  
For the Year Ended June 30, 2011**

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:

	<u>2011</u>	<u>2010</u>
School budget carryovers by board policy	\$ -	76,579
Various projects	<u>153,113</u>	<u>181,246</u>
Designated surplus	<u>\$ 153,113</u>	<u>257,825</u>

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.

	<u>2011</u>	<u>2010</u>
Bus Reserve	\$ 67,818	56,484
Board Office Roof Replacement Reserve	<u>53,053</u>	<u>53,053</u>
Capital Reserve	<u>\$ 120,871</u>	<u>109,537</u>

**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; 42% from 2010 tax year and 58% from 2011 tax year. Below are the related revenue and receivable amounts:

	<u>2011</u>	<u>2010</u>
Revenue – Municipal Government – Property Tax	<u>\$ 8,556,146</u>	<u>\$ 8,342,846</u>
Receivable – Due from Municipal – Property Tax	<u>\$ 5,876,159</u>	<u>\$ 5,484,168</u>

**10. Interest Received and Paid**

The Division received interest during the year of \$2,264 (\$12,922 in 2010); interest paid during the year was \$1,046,868 (\$1,075,448 in 2010).

Interest expense for the year ended June 30, 2011 is comprised of the following:

	<u>2011</u>	<u>2010</u>
Operating Fund		
Fiscal-short term loan, interest and bank charges	\$ 55,277	34,418
Capital Fund		
Debenture interest	985,940	1,012,381
Other interest	<u>5,651</u>	<u>28,649</u>
	<u>\$ 1,046,868</u>	<u>1,075,448</u>

**Seine River School Division**  
**Notes to Consolidated Financial Statements**  
**For the Year Ended June 30, 2011**

The accrual portion of debenture debt interest expense of \$394,947 (\$422,177 in 2010) included under the Capital Fund - Debenture debt interest is offset by an accrual of the debt servicing grant from the Province of Manitoba of \$392,203 as at June 30, 2011 (\$419,433 in 2010).

**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:

	<u>2011</u>	<u>2010</u>
Salaries	\$ 28,530,488	27,140,576
Employees benefits and allowances	2,228,378	2,149,229
Services	2,849,367	3,044,725
Supplies, materials and minor equipment	2,359,568	2,296,365
Interest	1,046,868	1,075,448
Payroll tax	612,978	583,141
Amortization	1,409,984	1,330,709
Transfers	581,132	562,251
Other capital items	-	21,418
School generated funds	<u>953,364</u>	<u>871,172</u>
	<u>\$ 40,572,127</u>	<u>39,075,034</u>

**12. Commitments**

Commitments of Operating Fund Surplus at year end are detailed in the Analysis of Consolidated Accumulated Surplus. Designated Operating Fund Accumulated Surplus is \$153,113 at June 30, 2011 (\$257,825 at June 30, 2010). The details of the Designated Surplus are disclosed at note 10 and page 5 of the consolidated financial statements.

The school division has equipment lease agreements. Future annual minimum operating lease commitments for the fiscal years ending are as follows:

2012	\$ 305,305
2013	158,153
2014	147,976
2015	87,799
2016	-

**13. 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.

## **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 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. 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.

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Chairperson

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Secretary-Treasurer

October 17, 2011



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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, 2011, 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 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 our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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



*Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Seven Oaks School Division as at June 30, 2011, and its consolidated results of operations and its consolidated 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 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.

*KPMG LLP*

Chartered Accountants

October 17, 2011

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**

\_\_\_\_\_  
Chairperson of the Board

*October 17, 2011*  
\_\_\_\_\_  
Date



**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

as at June 30

Notes		2011	2010
	<b>Financial Assets</b>		
	Cash and Bank	-	-
	Short Term Investments	-	-
	Due from - Provincial Government	5,685,011	4,355,601
	- Federal Government	253,759	84,567
	- Municipal Government	15,170,301	14,709,017
	- Other School Divisions	14,349	39,390
	- First Nations	238,400	143,200
	Accounts Receivable	315,028	833,687
	Accrued Investment Income	-	-
	Other Investments	-	-
		<u>21,676,848</u>	<u>20,165,462</u>
	<b>Liabilities</b>		
*	Overdraft	7,485,469	8,920,302
	Accounts Payable	2,449,774	1,545,331
	Accrued Liabilities	2,299,936	954,726
	Employee Future Benefits	-	-
	Accrued Interest Payable	868,935	881,761
	Due to - Provincial Government	426,433	485,403
	- Federal Government	145,838	134,625
	- Municipal Government	105,278	87,296
	- Other School Divisions	5,327	8,758
	- First Nations	-	-
*	Deferred Revenue	4,159,528	4,085,727
*	Debenture Debt	35,611,145	34,602,421
*	Other Borrowings	9,075,954	9,513,163
	School Generated Funds Liability	567,492	461,930
		<u>63,201,109</u>	<u>61,681,443</u>
	<b>Net Debt</b>	<u>(41,524,261)</u>	<u>(41,515,981)</u>
	<b>Non-Financial Assets</b>		
*	Net Tangible Capital Assets (TCA Schedule)	75,652,540	71,372,359
	Inventories	-	-
	Prepaid Expenses	221,293	181,326
		<u>75,873,833</u>	<u>71,553,685</u>
*	<b>Accumulated Surplus</b>	<u>34,349,572</u>	<u>30,037,704</u>

See accompanying notes to the Financial Statements

# CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes		2011	2010
	<b>Revenue</b>		
	Provincial Government	78,279,498	72,091,215
	Federal Government	94,969	2,720
	Municipal Government - Property Tax	27,015,658	25,397,662
	- Other	-	-
	Other School Divisions	1,011,308	895,675
	First Nations	269,600	300,000
	Private Organizations and Individuals	946,953	987,066
	Other Sources	260,779	620,526
	School Generated Funds	117,585	158,801
	Other Special Purpose Funds	-	-
		<u>107,996,350</u>	<u>100,453,665</u>
	<b>Expenses</b>		
	Regular Instruction	58,192,331	54,037,193
	Student Support Services	17,054,667	15,680,104
	Adult Learning Centres	519,067	521,946
	Community Education and Services	955,454	752,595
	Divisional Administration	3,033,596	2,837,169
	Instructional and Other Support Services	3,393,710	3,369,807
	Transportation of Pupils	3,074,900	2,832,271
	Operations and Maintenance	10,137,552	9,722,824
*	Fiscal - Interest	2,608,452	2,383,461
	- Other	1,586,564	1,508,039
	Amortization	2,899,424	2,461,341
	Other Capital Items	49,864	593,327
	School Generated Funds	178,901	126,021
	Other Special Purpose Funds	-	-
		<u>103,684,482</u>	<u>96,826,098</u>
	Current Year Surplus (Deficit)	<u>4,311,868</u>	<u>3,627,567</u>
	Opening Accumulated Surplus	30,037,704	26,410,137
	Adjustments: Tangible Cap. Assets and Accum. Amort.	-	-
	Other than Tangible Cap. Assets	-	-
	Opening Accumulated Surplus, as adjusted	<u>30,037,704</u>	<u>26,410,137</u>
	<b>Closing Accumulated Surplus</b>	<u><u>34,349,572</u></u>	<u><u>30,037,704</u></u>

See accompanying notes to the Financial Statements

\* NOTE REQUIRED

**CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT**

For the Year Ended June 30, 2011

	2011	2010
Current Year Surplus (Deficit)	4,311,868	3,627,567
Amortization of Tangible Capital Assets	2,899,424	2,461,341
Acquisition of Tangible Capital Assets	(7,192,805)	(7,378,406)
(Gain) / Loss on Disposal of Tangible Capital Assets	(187,323)	(588,962)
Proceeds on Disposal of Tangible Capital Assets	200,523	663,006
	(4,280,181)	(4,843,021)
Inventories (Increase)/Decrease	-	-
Prepaid Expenses (Increase)/Decrease	(39,967)	20,579
	(39,967)	20,579
(Increase)/Decrease in Net Debt	(8,280)	(1,194,875)
Net Debt at Beginning of Year	(41,515,981)	(40,321,106)
Adjustments Other than Tangible Cap. Assets	-	-
Net Debt at Beginning of Year as Adjusted	(41,515,981)	(40,321,106)
<b>Net Debt at End of Year</b>	<b>(41,524,261)</b>	<b>(41,515,981)</b>

**CONSOLIDATED STATEMENT OF CASH FLOW**

For the Year Ended June 30, 2011

	2011	2010
<b>Operating Transactions</b>		
Current Year Surplus/(Deficit)	4,311,868	3,627,567
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	2,899,424	2,461,341
(Gain)/Loss on Disposal of Tangible Capital Assets	(187,323)	(588,962)
Employee Future Benefits Increase/(Decrease)	-	-
Short Term Investments (Increase)/Decrease	-	-
Due from Other Organizations (Increase)/Decrease	(2,030,045)	(1,184,356)
Accounts Receivable & Accrued Income (Increase)/Decrease	518,659	(414,423)
Inventories and Prepaid Expenses - (Increase)/Decrease	(39,967)	20,579
Due to Other Organizations Increase/(Decrease)	(33,206)	(120,515)
Accounts Payable & Accrued Liabilities Increase/(Decrease)	2,236,827	(2,043,490)
Deferred Revenue Increase/(Decrease)	73,801	(289,872)
School Generated Funds Liability Increase/(Decrease)	105,562	(59,753)
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by Operating Transactions	7,855,600	1,408,116
<b>Capital Transactions</b>		
Acquisition of Tangible Capital Assets	(7,192,805)	(7,378,406)
Proceeds on Disposal of Tangible Capital Assets	200,523	663,006
Cash (Applied to)/Provided by Capital Transactions	(6,992,282)	(6,715,400)
<b>Investing Transactions</b>		
Other Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
<b>Financing Transactions</b>		
Debenture Debt Increase/(Decrease)	1,008,724	1,657,364
Other Borrowings Increase/(Decrease)	(437,209)	8,672,601
Cash Provided by (Applied to) Financing Transactions	571,515	10,329,965
Cash and Bank / Overdraft (Increase)/Decrease	1,434,833	5,022,681
Cash and Bank (Overdraft) at Beginning of Year	(8,920,302)	(13,942,983)
<b>Cash and Bank (Overdraft) at End of Year</b>	<b>(7,485,469)</b>	<b>(8,920,302)</b>

# **SCHEDULE OF TANGIBLE CAPITAL ASSETS**

at June 30, 2011

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	2011 TOTALS	2010 TOTALS
	School	Non-School									
<b>Tangible Capital Asset Cost</b>											
Opening Cost, as previously reported	70,960,440	2,141,578	3,966,826	226,114	1,275,989	1,244,038	13,015,323	-	15,966,073	108,796,381	101,631,380
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Operating Cost adjusted	70,960,440	2,141,578	3,966,826	226,114	1,275,989	1,244,038	13,015,323	-	15,966,073	108,796,381	101,631,380
Add:											
Additions during the year	21,958,844	35,742	292,102	66,320	154,388	101,964	36,135	-	(15,452,690)	7,192,805	7,378,406
Less:											
Disposals and write downs	-	-	-	13,400	-	-	13,200	-	-	26,600	213,405
Closing Cost	92,919,284	2,177,320	4,258,928	279,034	1,430,377	1,346,002	13,038,258	-	513,383	115,962,586	108,796,381
<b>Accumulated Amortization</b>											
Opening, as previously reported	32,327,190	1,417,696	2,466,434	106,989	798,944	306,769	-	-	-	37,424,022	35,102,042
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Operating adjusted	32,327,190	1,417,696	2,466,434	106,989	798,944	306,769	-	-	-	37,424,022	35,102,042
Add:											
Current period Amortization	2,203,181	47,772	299,548	39,676	170,144	139,103	-	-	-	2,899,424	2,461,341
Less:											
Accumulated Amortization on Disposals and Writedowns	-	-	-	13,400	-	-	-	-	-	13,400	139,361
Closing Accumulated Amortization	34,530,371	1,465,468	2,765,982	133,265	969,088	445,872	-	-	-	40,310,046	37,424,022
<b>Net Tangible Capital Asset</b>	58,388,913	711,852	1,492,946	145,769	461,289	900,130	13,038,258	-	513,383	75,652,540	71,372,359
<b>Proceeds from Disposal of Capital Assets</b>	-	-	-	257	-	-	200,266	-	-	200,523	663,006

\* Includes network infrastructure.

# SEVEN OAKS SCHOOL DIVISION

Notes to Consolidated Financial Statements

Year ended June 30, 2011

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## 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) 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:

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Maples Youth Activity Centre	\$	3,313
Kildonan Youth Activity Centre		28,082
Seven Oaks Parents in Support of Aboriginal Education		(52,679)
Safe Youth Program - from Federal Government Grant		5,924
Elwick Village & Resource Centre Inc.		20,047
	\$	4,687

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The amounts contributed by the Division will be reimbursed by these organizations.



# SEVEN OAKS SCHOOL DIVISION

Notes to Consolidated Financial Statements (continued)

Year ended June 30, 2011

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## 2. Significant accounting principles (continued):

### (c) 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.

### (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.

### (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.

# SEVEN OAKS SCHOOL DIVISION

Notes to Consolidated Financial Statements (continued)

Year ended June 30, 2011

## 2. Significant accounting principles (continued):

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
Building - 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, services and peripherals	5,000	4
Computer software	10,000	4
Furniture and fixtures	5,000	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.

### (g) 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.



# SEVEN OAKS SCHOOL DIVISION

## Notes to Consolidated Financial Statements (continued)

Year ended June 30, 2011

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### 2. Significant accounting principles (continued):

#### (h) 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.

#### (i) 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. Actual results could differ from those estimates.

### 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 \$2,000,000 revolving lease line of credit, by way of leases. The loans are repayable on demand at RBC prime less 0.25 percent. Interest is paid monthly.

### 4. Commitments:

- (a) The Division entered into a Land Development Agreement with the City of Winnipeg in September 2003. The development agreement was for the amount of \$725,329 excluding GST. Of those costs, \$259,689 relates to the future school site and will not be incurred until a school is constructed.
- (b) On April 13, 2011, the Division received approval from the Public Schools Finance Board to proceed with the Seven Oaks Middle School ventilation upgrade – PH II at a cost of \$920,304. The projected completion date of the project is October 31, 2011.
- (c) In the 2010-11 school year the Division installed ten (10) new portable classrooms at École Leila North Community School (5), École Riverbend Community School (2), and James Nisbet Community School (3) with the approval from the Public Schools Finance Board at a cost of \$2,444,022. The installation was completed throughout the year.

On May 11, 2011, the Division received approval from the Public Schools Finance Board to proceed with the project to install an additional eight (8) portables at École Leila North Community School (1), École Belmont (2), Arthur E. Wright (2), and O.V. Jewitt (3) at a cost of \$608,000. The projected completion date of the project is September 30, 2011.

# SEVEN OAKS SCHOOL DIVISION

Notes to Consolidated Financial Statements (continued)

Year ended June 30, 2011

## 4. Commitments (continued):

(d) On June 29, 2011, the Division received approval from the Public Schools Finance Board to proceed with the West St. Paul School elevator, lift and grooming room at a cost of \$981,739. The projected completion date of the project is December 31, 2011.

(e) In April 2011, the premier provided his government's approval of the construction of a new school in Amber Trails.

## 5. Deferred revenue:

	Balance, June 30, 2010	Additions in the period	Revenue recognized in the period	Balance, June 30, 2011
Education property tax credit	\$ 3,973,237	\$ 11,239,723	\$ 11,476,286	\$ 3,736,674
Bus pass fees	31,499	304,903	306,984	29,418
Other special purpose funds:				
Bright Futures Program	5,854	828,052	537,620	296,286
Capital - play structures	25,597	-	10,229	15,368
Community Led Emissions Reduction Grant	-	48,500	21,991	26,509
Community Schools Partnership Initiative	-	66,123	63,318	2,805
CVE fees	-	12,450	10,350	2,100
International student fee	8,000	24,000	20,000	12,000
My Camp	12,810	17,578	21,495	8,893
Summer school fees	28,730	68,125	67,380	29,475
	<u>\$ 4,085,727</u>	<u>\$ 12,609,454</u>	<u>\$ 12,535,653</u>	<u>\$ 4,159,528</u>

## 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, 2011, school funds held in the Special Purpose Fund totaled \$653,394 (2010 - \$609,148).

The school generated funds liability of \$ 567,492 at June 30, 2011 (2010 - \$461,930) comprises the portion of the school generated funds that are not controlled.



# SEVEN OAKS SCHOOL DIVISION

Notes to Consolidated Financial Statements (continued)

Year ended June 30, 2011

## 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 2011 to 2030. Payment of principal and interest is funded entirely by grants from the Province of Manitoba. The debentures carry interest rates that range from 5.0 percent to 11.25 percent. The debenture principal and interest repayments in the next five years and thereafter are:

	Principal	Interest	Total
2012	\$ 2,388,592	\$ 2,000,186	\$ 4,388,778
2013	1,956,378	1,914,642	3,871,020
2014	2,058,333	1,786,858	3,845,191
2015	2,168,706	1,652,734	3,821,440
2016	2,047,341	1,511,580	3,558,921
Thereafter	24,991,795	9,492,175	34,483,970
	<u>\$ 35,611,145</u>	<u>\$ 18,358,175</u>	<u>\$ 53,969,320</u>

During 2011, the Division had submitted claims for capital projects to the Public Schools Finance Board totaling \$ 3,194,300 (2010 - \$3,938,200) and received debenture proceeds of this amount in 2011.

## 8. Other borrowings:

### (a) Bus leases:

These are long-term capital leases held with the Royal Bank of Canada for the purchase of buses. These leases carry floating interest rates that range from 3.15 percent to 5.63 percent. Principal and interest payments to expiry are as follows:

	Principal	Interest	Total
2012	\$ 175,762	\$ 23,556	\$ 199,318
2013	184,601	14,717	199,318
2014	72,105	5,427	77,532
2015	43,110	1,886	44,996
	<u>\$ 475,578</u>	<u>\$ 45,586</u>	<u>\$ 521,164</u>

# SEVEN OAKS SCHOOL DIVISION

Notes to Consolidated Financial Statements (continued)

Year ended June 30, 2011

## 8. Other borrowings (continued):

### (b) Garden City Collegiate Link Loan:

This 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. Principal and interest payments in the next five years and thereafter are as follows:

	Principal	Interest	Total
2012	\$ 284,230	\$ 440,508	\$ 724,738
2013	299,367	425,371	724,738
2014	315,310	409,428	724,738
2015	332,103	392,635	724,738
2016	349,790	374,948	724,738
Thereafter	7,019,576	2,764,395	9,783,971
	<u>\$ 8,600,376</u>	<u>\$ 4,807,285</u>	<u>\$ 13,407,661</u>

## 9. 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	\$ 113,773,875	\$ 38,823,379	\$ 74,950,496
Capital leases	2,188,711	1,486,667	702,044
	<u>\$ 115,962,586</u>	<u>\$ 40,310,046</u>	<u>\$ 75,652,540</u>

## 10. Expenditures by type:

Expenditures by type not otherwise disclosed in these consolidated financial statements are listed on page 11.

## 11. 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 2011, the Division provided a grant to the Foundation in the amount of \$16,000 (2010 - \$16,000).



# SEVEN OAKS SCHOOL DIVISION

Notes to Consolidated Financial Statements (continued)

Year ended June 30, 2011

## 12. Interest paid:

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

	2011	2010
Operating Fund:		
Overdraft interest	\$ 41,531	\$ 73,833
Capital Fund:		
Debenture debt interest - PSFB funded	2,102,152	2,060,108
Debenture interest	-	8,468
Lease interest	9,888	24,051
Loan interest	454,881	217,001
	<u>\$ 2,608,452</u>	<u>\$ 2,383,461</u>

## 13. Land exchange agreements:

During fiscal 2010, the Division entered into two land exchange agreements regarding lands located in the Amber Trails development. The Public Schools Finance Board approved the two land exchange agreements on June 11, 2010. In the first agreement, the Division sold a parcel of land on June 25, 2010 for a gain of \$584,500 and received as consideration, \$170,000 and a 10 acre parcel of land valued at \$550,000. In the second agreement, the Division agreed to exchange the 10 acre parcel of land received as partial consideration from the first agreement, for another 10 acre parcel of land which is valued at \$550,000. The second land exchange was completed on April 21, 2011. The Division will be constructing a new school on this site to be completed in 2014.

## **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 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 Meyers Norris Penny 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.

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Chairperson

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Secretary-Treasurer

October 20, 2011

## Independent Auditors' Report

(In accordance with subsection 41 (11) of the Public Schools Act)

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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, 2011, 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, 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 Southwest Horizon School Division as at June 30, 2011 and the results of its operations, changes in net assets and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Brandon, Manitoba

October 26, 2011

**MNP LLP**  
Chartered Accountants

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

as at June 30

Notes		2011	2010
	<b>Financial Assets</b>		
	Cash and Bank	-	-
	Short Term Investments	-	-
	Due from - Provincial Government	1,344,381	1,149,042
	- Federal Government	139,212	128,513
	- Municipal Government	3,614,835	3,537,670
	- Other School Divisions	71,954	75,613
	- First Nations	-	-
	Accounts Receivable	227,821	134,792
	Accrued Investment Income	-	-
	Other Investments	-	-
		<u>5,398,203</u>	<u>5,025,630</u>
	<b>Liabilities</b>		
4	Overdraft	4,029,336	3,287,068
	Accounts Payable	846,656	809,350
	Accrued Liabilities	331,765	132,072
	Employee Future Benefits	-	-
	Accrued Interest Payable	370,808	392,023
	Due to - Provincial Government	-	-
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
5	Deferred Revenue	353,652	550,858
6	Debenture Debt	14,495,306	14,728,497
7	Other Borrowings	268,184	345,543
	School Generated Funds Liability	-	-
		<u>20,695,707</u>	<u>20,245,411</u>
	<b>Net Debt</b>	<u>(15,297,504)</u>	<u>(15,219,781)</u>
	<b>Non-Financial Assets</b>		
8	Net Tangible Capital Assets (TCA Schedule)	16,935,828	16,681,843
	Inventories	88,736	85,553
	Prepaid Expenses	43,049	258,550
		<u>17,067,613</u>	<u>17,025,946</u>
9	<b>Accumulated Surplus</b>	<u>1,770,109</u>	<u>1,806,165</u>

See accompanying notes to the Financial Statements

# **CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS**

For the Year Ended June 30

Notes		2011	2010
	<b>Revenue</b>		
	Provincial Government	13,315,796	12,939,528
	Federal Government	48,573	44,886
	Municipal Government - Property Tax	6,726,002	6,615,042
	- Other	-	-
	Other School Divisions	99,271	122,767
	First Nations	-	-
	Private Organizations and Individuals	3,050	11,737
	Other Sources	213,189	75,379
	School Generated Funds	481,427	529,494
	Other Special Purpose Funds	-	-
		<u>20,887,308</u>	<u>20,338,833</u>
	<b>Expenses</b>		
	Regular Instruction	10,606,703	10,373,346
	Student Support Services	2,323,545	2,443,318
	Adult Learning Centres	-	-
	Community Education and Services	57,088	54,702
	Divisional Administration	809,025	745,990
	Instructional and Other Support Services	675,253	572,247
	Transportation of Pupils	1,663,492	1,610,326
	Operations and Maintenance	2,070,175	1,862,583
11	Fiscal - Interest	928,823	937,199
	- Other	281,706	294,641
	Amortization	1,035,950	1,015,104
	Other Capital Items	-	-
	School Generated Funds	471,604	532,942
	Other Special Purpose Funds	-	-
		<u>20,923,364</u>	<u>20,442,398</u>
	Current Year Surplus (Deficit)	<u>(36,056)</u>	<u>(103,565)</u>
	Opening Accumulated Surplus	1,806,165	1,909,730
	Adjustments: Tangible Cap. Assets and Accum. Amort.	-	-
	Other than Tangible Cap. Assets	-	-
	Opening Accumulated Surplus, as adjusted	<u>1,806,165</u>	<u>1,909,730</u>
	<b>Closing Accumulated Surplus</b>	<u>1,770,109</u>	<u>1,806,165</u>

See accompanying notes to the Financial Statements

**CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT**

For the Year Ended June 30, 2011

	2011	2010
Current Year Surplus (Deficit)	<u>(36,056)</u>	<u>(103,565)</u>
Amortization of Tangible Capital Assets	1,035,950	1,015,104
Acquisition of Tangible Capital Assets	(1,289,935)	(818,207)
(Gain) / Loss on Disposal of Tangible Capital Assets	(700)	(1,400)
Proceeds on Disposal of Tangible Capital Assets	<u>700</u>	<u>1,400</u>
	<u>(253,985)</u>	<u>196,897</u>
Inventories (Increase)/Decrease	(3,183)	1,927
Prepaid Expenses (Increase)/Decrease	<u>215,501</u>	<u>(9,802)</u>
	<u>212,318</u>	<u>(7,875)</u>
(Increase)/Decrease in Net Debt	<u>(77,723)</u>	<u>85,457</u>
Net Debt at Beginning of Year	(15,219,781)	(15,305,238)
Adjustments Other than Tangible Cap. Assets	<u>-</u>	<u>-</u>
Net Debt at Beginning of Year as Adjusted	<u>(15,219,781)</u>	<u>(15,305,238)</u>
<b>Net Debt at End of Year</b>	<u><b>(15,297,504)</b></u>	<u><b>(15,219,781)</b></u>



**CONSOLIDATED STATEMENT OF CASH FLOW**

For the Year Ended June 30, 2011

	2011	2010
<b>Operating Transactions</b>		
Current Year Surplus/(Deficit)	(36,056)	(103,565)
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	1,035,950	1,015,104
(Gain)/Loss on Disposal of Tangible Capital Assets	(700)	(1,400)
Employee Future Benefits Increase/(Decrease)	-	-
Short Term Investments (Increase)/Decrease	-	-
Due from Other Organizations (Increase)/Decrease	(279,544)	3,510,699
Accounts Receivable & Accrued Income (Increase)/Decrease	(93,029)	(1,657)
Inventories and Prepaid Expenses - (Increase)/Decrease	212,318	(7,875)
Due to Other Organizations Increase/(Decrease)	-	(7,642)
Accounts Payable & Accrued Liabilities Increase/(Decrease)	215,784	(124,033)
Deferred Revenue Increase/(Decrease)	(197,206)	(3,467,963)
School Generated Funds Liability Increase/(Decrease)	-	-
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by Operating Transactions	857,517	811,668
<b>Capital Transactions</b>		
Acquisition of Tangible Capital Assets	(1,289,935)	(818,207)
Proceeds on Disposal of Tangible Capital Assets	700	1,400
Cash (Applied to)/Provided by Capital Transactions	(1,289,235)	(816,807)
<b>Investing Transactions</b>		
Other Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
<b>Financing Transactions</b>		
Debenture Debt Increase/(Decrease)	(233,191)	(582,635)
Other Borrowings Increase/(Decrease)	(77,359)	(73,552)
Cash Provided by (Applied to) Financing Transactions	(310,550)	(656,187)
Cash and Bank / Overdraft (Increase)/Decrease	(742,268)	(661,326)
Cash and Bank (Overdraft) at Beginning of Year	(3,287,068)	(2,625,742)
<b>Cash and Bank (Overdraft) at End of Year</b>	<b>(4,029,336)</b>	<b>(3,287,068)</b>

# **SCHEDULE OF TANGIBLE CAPITAL ASSETS**

at June 30, 2011

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	2011 TOTALS	2010 TOTALS
	School	Non-School									
<b>Tangible Capital Asset Cost</b>											
Opening Cost, as previously reported	23,811,183	696,009	3,502,253	100,772	859,320	54,097	286,930	-	383,852	29,694,416	29,097,504
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	23,811,183	696,009	3,502,253	100,772	859,320	54,097	286,930	-	383,852	29,694,416	29,097,504
Add:											
Additions during the year	32,797	-	187,802	19,330	19,167	22,375	-	-	1,008,464	1,289,935	818,207
Less:											
Disposals and write downs	-	-	58,667	-	-	-	-	-	-	58,667	221,295
Closing Cost	23,843,980	696,009	3,631,388	120,102	878,487	76,472	286,930	-	1,392,316	30,925,684	29,694,416
<b>Accumulated Amortization</b>											
Opening, as previously reported	9,864,172	677,277	2,172,940	85,979	191,919	20,286	-	-	-	13,012,573	12,218,764
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening adjusted	9,864,172	677,277	2,172,940	85,979	191,919	20,286	-	-	-	13,012,573	12,218,764
Add:											
Current period Amortization	655,145	12,488	247,339	9,374	95,283	16,321	-	-	-	1,035,950	1,015,104
Less:											
Accumulated Amortization on Disposals and Writedowns	-	-	58,667	-	-	-	-	-	-	58,667	221,295
Closing Accumulated Amortization	10,519,317	689,765	2,361,612	95,353	287,202	36,607	-	-	-	13,989,856	13,012,573
<b>Net Tangible Capital Asset</b>	13,324,663	6,244	1,269,776	24,749	591,285	39,865	286,930	-	1,392,316	16,935,828	16,681,843
<b>Proceeds from Disposal of Capital Assets</b>	-	-	700	-	-	-	-	-	-	700	1,400

\* Includes network infrastructure.

**SOUTHWEST HORIZON SCHOOL DIVISION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2011**

**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 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 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 & 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.

**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.

### **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 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 \$6,200,000 by way of overdrafts and is repayable at prime less .25% interest paid monthly. Included in the overdraft are capital projects totaling approximately \$1,080,000 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 30-Jun-10	Additions in the period	Revenue Recognized in the period	Balance as at 30-Jun-11
ELC Project	14,145		14,145	-
Manitoba Textbook Bureau	-	48,411	48,411	-
Education for Sustainable	3,200		3,200	-
Apprenticeship Program	30,710	90,000	120,710	-
Study Manitoba	7,100	-		7,100
Manitoba Council for Leadership in Education	7,100	-	7,100	-
Special Levy + Tax Incentive Grant	488,603	346,552	488,603	346,552
	<u>\$ 550,858</u>	<u>\$ 484,963</u>	<u>\$ 682,169</u>	<u>\$ 353,652</u>

## 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 2011 to 2031. 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 4.875% to 11.75%. Debenture interest expense payable as at June 30, 2011, 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
2012	805,679	785,609	1,591,288
2013	757,703	816,290	1,573,993
2014	708,442	848,232	1,556,674
2015	898,864	657,810	1,556,674
2016	959,798	626,114	1,585,912
	<u>\$4,130,486</u>	<u>\$3,734,055</u>	<u>\$7,864,541</u>

## 7. Other Borrowings

Other borrowings are debts other than overdrafts or debentures. This includes a loan to complete a technology infrastructure upgrade including cabling and a new VoIP phone system. Loan bears 5.06% interest per annum, due in 2014 and a yearly payment of \$92,124 principal and interest.

Also included is an amount from International Loan Fund (Study Manitoba) for \$18,819 which will be repayable in March 2012. The amount is a non interest bearing loan.

Principal and interest repayment of total other borrowings in the next three years are:

	Principal	Interest	Total
2012	100,200	10,740	110,940
2013	85,598	6,526	92,124
2014	82,366	2,093	84,459
	<u>\$ 268,164</u>	<u>\$ 19,359</u>	<u>\$287,523</u>

## 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	2011 Net Book Value
Owned-tangible capital assets	\$ 30,925,684	\$ 13,989,856	\$ 16,935,828
Capital lease	-	-	-
	<u>\$ 30,925,684</u>	<u>\$ 13,989,856</u>	<u>\$ 16,935,828</u>

## 9. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	<u>2011</u>
Operating Fund	
Designated Surplus	-
Undesignated Surplus	515,400
	<u>515,400</u>
Capital Fund	
Reserve Accounts	52,362
Equity in Tangible Capital Assets	1,031,515
	<u>1,083,877</u>
Special Purpose Fund	
School Generated Funds	170,832
Other Special Purpose Funds	-
	<u>170,832</u>
Total Accumulated Surplus	<u>\$1,770,109</u>

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.

	<u>2011</u>
Bus reserves	52,362
Other reserves	
Capital Reserve	<u>\$ 52,362</u>

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

	<u>2011</u>
Foundation - Scholarship	-
Other – School Funds	170,832
Other Special Purpose Funds	<u>\$ 170,832</u>

## 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; 46% from 2010 tax year and 54% from 2011 tax year. Below are the related revenue and receivable amounts:

	<u>2011</u>	<u>2010</u>
Revenue-Municipal Government-Property Tax	\$ 6,726,002	\$ 6,615,042
Receivable-Due from Municipal-Property Tax	\$ 3,614,835	\$ 3,537,670

## 11. Interest Received and Paid

The Division received interest during the year of \$494 (previous year \$508); interest paid during the year was \$928,823 (previous year \$937,199).

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

	<u>2011</u>
Operating Fund	
Fiscal-short term loan, interest and bank charges	\$ 98,220
Capital Fund	
Debenture debt interest	830,603
Other interest	
	<u>\$928,823</u>

The accrual portion of debenture debt interest expense of \$370,808 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 <u>2011</u>	Budget <u>2011</u>	Actual <u>2010</u>
Salaries	13,425,610	\$13,388,614	13,131,785
Employees benefits & allowances	933,144	1,000,300	932,785
Services	2,054,756	1,747,670	1,879,533
Supplies, materials & minor equipment	1,689,395	1,716,053	1,614,448
Interest	928,823	65,000	937,199
Transfers	102,376	107,000	103,961
Payroll tax	281,706	260,000	294,641
Amortization	1,035,950	-	1,015,104
Other capital items	-	-	-
School generated funds	471,604	-	532,942
Other special purpose funds	-	-	-
	<u>\$20,923,364</u>	<u>\$18,284,637</u>	<u>\$20,442,398</u>

## 13. School Generated Funds

School Generated Funds includes the controlled portion of school generated funds consolidated in the cash and bank balances in the amount of \$170,832.



October 19, 2011

## **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, 2011 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.

"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

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, 2011 and the results of its operations, changes in its net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

*PricewaterhouseCoopers LLP*

Chartered Accountants

I hereby certify that the preceding report has been presented to the members of the Board of St. James-Assiniboia School Division.

Nov 9, 11  
Date

\_\_\_\_\_  
Chairperson

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

as at June 30

Notes		2011	2010
	<b>Financial Assets</b>		
	Cash and Bank	6,879,236	4,403,300
	Short Term Investments	-	-
	Due from - Provincial Government	3,031,307	2,072,354
	- Federal Government	60,717	78,674
	- Municipal Government	16,944,332	16,801,009
	- Other School Divisions	1,300	1,300
	- First Nations	40,762	6,871
	Accounts Receivable	136,891	249,947
	Accrued Investment Income	-	-
	Other Investments	-	-
		<u>27,094,545</u>	<u>23,613,455</u>
	<b>Liabilities</b>		
	Overdraft	-	-
	Accounts Payable	4,054,126	4,025,274
	Accrued Liabilities	5,648,428	5,229,608
*	Employee Future Benefits	999,952	1,036,226
	Accrued Interest Payable	224,198	224,553
	Due to - Provincial Government	-	-
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
*	Deferred Revenue	6,481,263	5,838,706
*	Debenture Debt	14,279,074	14,373,696
	Other Borrowings	-	-
	School Generated Funds Liability	240,545	197,278
		<u>31,927,586</u>	<u>30,925,341</u>
	<b>Net Debt</b>	<u>(4,833,041)</u>	<u>(7,311,886)</u>
	<b>Non-Financial Assets</b>		
*	Net Tangible Capital Assets (TCA Schedule)	38,189,588	36,836,151
	Inventories	-	-
	Prepaid Expenses	350,993	443,565
		<u>38,540,581</u>	<u>37,279,716</u>
*	<b>Accumulated Surplus</b>	<u>33,707,540</u>	<u>29,967,830</u>

See accompanying notes to the Financial Statements

# CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes		2011	2010
	<b>Revenue</b>		
	Provincial Government	56,283,392	53,645,545
	Federal Government	1,140	720
	Municipal Government - Property Tax	32,401,396	30,985,674
	- Other	-	-
	Other School Divisions	705,092	657,570
	First Nations	102,966	62,271
	Private Organizations and Individuals	2,580,021	2,374,758
	Other Sources	2,705,764	1,185,703
	School Generated Funds	866,679	817,773
	Other Special Purpose Funds	-	-
		<u>95,646,450</u>	<u>89,730,014</u>
	<b>Expenses</b>		
	Regular Instruction	50,328,682	48,326,294
	Student Support Services	17,884,699	16,555,477
	Adult Learning Centres	-	-
	Community Education and Services	885,146	793,442
	Divisional Administration	3,177,786	3,073,132
	Instructional and Other Support Services	3,258,989	3,386,161
	Transportation of Pupils	1,532,053	1,483,275
	Operations and Maintenance	9,380,290	9,825,927
*	Fiscal - Interest	852,613	681,794
	- Other	1,414,489	1,517,796
	Amortization	2,279,722	2,053,863
	Other Capital Items	12,262	75,919
	School Generated Funds	900,009	813,291
	Other Special Purpose Funds	-	-
		<u>91,906,740</u>	<u>88,586,371</u>
	Current Year Surplus (Deficit)	<u>3,739,710</u>	<u>1,143,643</u>
	Opening Accumulated Surplus	29,967,830	28,824,187
	Adjustments: Tangible Cap. Assets and Accum. Amort.	-	-
	Other than Tangible Cap. Assets	-	-
	Opening Accumulated Surplus, as adjusted	<u>29,967,830</u>	<u>28,824,187</u>
	<b>Closing Accumulated Surplus</b>	<u>33,707,540</u>	<u>29,967,830</u>

See accompanying notes to the Financial Statements

\* NOTE REQUIRED

## CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2011

	2011	2010
Current Year Surplus (Deficit)	3,739,710	1,143,643
Amortization of Tangible Capital Assets	2,279,722	2,053,863
Acquisition of Tangible Capital Assets	(3,866,384)	(6,913,070)
(Gain) / Loss on Disposal of Tangible Capital Assets	(1,687,231)	(26,000)
Proceeds on Disposal of Tangible Capital Assets	1,920,456	26,000
	(1,353,437)	(4,859,207)
Inventories (Increase)/Decrease	-	-
Prepaid Expenses (Increase)/Decrease	92,572	(72,125)
	92,572	(72,125)
(Increase)/Decrease in Net Debt	2,478,845	(3,787,689)
Net Debt at Beginning of Year	(7,311,886)	(3,524,197)
Adjustments Other than Tangible Cap. Assets	-	-
Net Debt at Beginning of Year as Adjusted	(7,311,886)	(3,524,197)
<b>Net Debt at End of Year</b>	<b>(4,833,041)</b>	<b>(7,311,886)</b>

**CONSOLIDATED STATEMENT OF CASH FLOW**

For the Year Ended June 30, 2011

	2011	2010
<b>Operating Transactions</b>		
Current Year Surplus/(Deficit)	3,739,710	1,143,643
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	2,279,722	2,053,863
(Gain)/Loss on Disposal of Tangible Capital Assets	(1,687,231)	(26,000)
Employee Future Benefits Increase/(Decrease)	(36,274)	(139,715)
Short Term Investments (Increase)/Decrease	-	-
Due from Other Organizations (Increase)/Decrease	(1,118,210)	(38,516)
Accounts Receivable & Accrued Income (Increase)/Decrease	113,056	(183,284)
Inventories and Prepaid Expenses - (Increase)/Decrease	92,572	(72,125)
Due to Other Organizations Increase/(Decrease)	-	-
Accounts Payable & Accrued Liabilities Increase/(Decrease)	447,317	162,324
Deferred Revenue Increase/(Decrease)	642,557	188,268
School Generated Funds Liability Increase/(Decrease)	43,267	37,429
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by Operating Transactions	4,516,486	3,125,887
<b>Capital Transactions</b>		
Acquisition of Tangible Capital Assets	(3,866,384)	(6,913,070)
Proceeds on Disposal of Tangible Capital Assets	1,920,456	26,000
Cash (Applied to)/Provided by Capital Transactions	(1,945,928)	(6,887,070)
<b>Investing Transactions</b>		
Other Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
<b>Financing Transactions</b>		
Debenture Debt Increase/(Decrease)	(94,622)	4,586,497
Other Borrowings Increase/(Decrease)	-	-
Cash Provided by (Applied to) Financing Transactions	(94,622)	4,586,497
Cash and Bank / Overdraft (Increase)/Decrease	2,475,936	825,314
Cash and Bank (Overdraft) at Beginning of Year	4,403,300	3,577,986
<b>Cash and Bank (Overdraft) at End of Year</b>	<b>6,879,236</b>	<b>4,403,300</b>



**SCHEDULE OF TANGIBLE CAPITAL ASSETS**

at June 30, 2011

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	2011 TOTALS	2010 TOTALS
	School	Non-School									
<b>Tangible Capital Asset Cost</b>											
Opening Cost, as previously reported	57,871,231	4,696,382	659,375	541,074	3,091,923	669,404	7,232,576	2,298,964	1,066,211	78,127,140	71,448,431
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	57,871,231	4,696,382	659,375	541,074	3,091,923	669,404	7,232,576	2,298,964	1,066,211	78,127,140	71,448,431
Add:											
Additions during the year	1,941,124	392,860	94,336	32,521	346,394	1,637,951	-	173,214	(752,016)	3,866,384	6,913,070
Less:											
Disposals and write downs	-	1,417,978	64,068	-	20,573	-	206,800	-	-	1,709,419	234,361
Closing Cost	59,812,355	3,671,264	689,643	573,595	3,417,744	2,307,355	7,025,776	2,472,178	314,195	80,284,105	78,127,140
<b>Accumulated Amortization</b>											
Opening, as previously reported	33,522,666	3,912,853	361,630	316,169	1,970,066	388,219		819,386		41,290,989	39,471,487
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening adjusted	33,522,666	3,912,853	361,630	316,169	1,970,066	388,219		819,386		41,290,989	39,471,487
Add:											
Current period Amortization	1,318,088	48,008	53,206	88,026	359,821	177,538		235,035		2,279,722	2,053,863
Less:											
Accumulated Amortization on Disposals and Writedowns	-	1,391,553	64,068	-	20,573	-		-		1,476,194	234,361
Closing Accumulated Amortization	34,840,754	2,569,308	350,768	404,195	2,309,314	565,757		1,054,421		42,094,517	41,290,989
<b>Net Tangible Capital Asset</b>	24,971,601	1,101,956	338,875	169,400	1,108,430	1,741,598	7,025,776	1,417,757	314,195	38,189,588	36,836,151
<b>Proceeds from Disposal of Capital Assets</b>	-	1,918,956	1,500	-	-	-				1,920,456	26,000

\* Includes network infrastructure.

# St. James-Assiniboia School Division

## Notes to Financial Statements

June 30, 2011

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### 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 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 Canadian Institute of Chartered Accountants ("CICA").

#### 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 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 and charitable foundations 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.

# St. James-Assiniboia School Division

## Notes to Financial Statements

June 30, 2011

### c) 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 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.

### 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 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	25,000	10
Buildings (school and non-school)		
Bricks, mortar and steel	25,000	15 - 40
Wood frame	25,000	15 - 25
School buses	20,000	10
Other vehicles	10,000	5
Equipment	5,000	5
Network infrastructure	25,000	10
Computer hardware	5,000	4
Computer software	10,000	4
Furniture and fixtures	5,000	10

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



# St. James-Assiniboia School Division

## Notes to Financial Statements

June 30, 2011

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With the exception of land, donated capital assets and 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 market 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.

### 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 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:

# St. James-Assiniboia School Division

## Notes to Financial Statements

June 30, 2011

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**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 prorated 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. Past service costs, plan amendments, changes in assumptions, the cumulative unrecognized net 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, and are adjusted for changes in the valuation allowance.

**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.

**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 Statement of Financial Position (note 9).

**g) Use of estimates**

The preparation of financial statements in conformity with generally accepted accounting principles established by the public sector accounting board of the CICA 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.

# St. James-Assiniboia School Division

## Notes to Financial Statements

June 30, 2011

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### 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 .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.

	2011 \$	2010 \$
Employee future benefit liabilities		
Defined benefit pension plan - accrued benefit asset	-	-
Maternity leave earned	345,642	408,437
Vacation payable	654,310	627,789
	<hr/>	<hr/>
Total employee future benefit liability	999,952	1,036,226

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 (4%), and employee turnover and mortality to determine the accrued benefit obligation. The most recent actuarial report was prepared as at December 31, 2009. 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 6%.

As at June 30, 2011, there were 519 active members, 135 deferred benefit members and 225 pensioners receiving payments.



# St. James-Assiniboia School Division

## Notes to Financial Statements

June 30, 2011

	2011 \$	2010 \$
<b>Change in accrued benefit obligation</b>		
Balance - beginning of year	35,198,245	33,437,032
Current service cost		
Division	1,004,638	914,391
Employees	967,303	880,410
Interest cost	2,121,364	1,999,086
Benefits paid	(1,558,050)	(1,934,871)
Non-investment expenses paid	(98,240)	(97,803)
Balance - end of year	37,635,260	35,198,245
<b>Change in plan assets</b>		
Market related value - beginning of year	35,285,278	32,365,906
Contributions		
Division	1,495,375	1,180,410
Employees	967,303	880,410
Expected return on plan assets	2,141,308	1,942,799
Experience loss	(241,593)	948,427
Benefits paid	(1,558,050)	(1,934,871)
Non-investment expenses paid	(98,240)	(97,803)
Market related value - end of year	37,991,381	35,285,278
<b>Funded status</b>		
Plan assets greater than benefit obligation	356,121	87,033
Unamortized net actuarial (gain) loss	241,593	(948,427)
Valuation allowance	(597,714)	861,394
Accrued benefit asset	-	-
<b>Net benefit plan cost</b>		
Current service cost - Division	1,004,638	914,391
Interest cost	2,121,364	1,999,086
Expected return on plan assets	(2,141,308)	(1,942,799)
Amortization of actuarial gains/losses	(1,190,020)	2,925,681
Valuation allowance	1,700,701	(2,715,949)
Net benefit plan expense for the year	1,495,375	1,180,410

During the year, the Division contributed an additional \$528,072 to the plan assets of the benefit plan. As at June 30, 2011, total additional contributions to the plan are \$1,591,669, and these contributions may, at the Division's discretion, be used to reduce or eliminate future contribution requirements if and when the plan assets are in a surplus position as determined by the actuary of the plan.

Plan assets in equities (includes real estate)	70.35%	71.78%
Plan assets in fixed income	29.65%	28.22%

(6)

# St. James-Assiniboia School Division

## Notes to Financial Statements

June 30, 2011

	2011 %	2010 %
<b>Significant assumptions</b>		
Accrued benefit obligation as of June 30		
Discount rate	6.00	6.00
Rate of compensation increase	4.00	4.00
Net benefit plan cost for the year ended June 30		
Discount rate	6.00	6.00
Expected return on plan assets	6.00	6.00
Rate of compensation increase	4.00	4.00
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 (e.g. maternity top up).		

## 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, 2010 \$	Additions in the year \$	Revenue recognized in the year \$	Balance as at June 30, 2011 \$
Donated capital assets	259,842	-	61,079	198,763
International student program fees	177,147	365,145	177,147	365,145
Community Led Emissions Reduction program grant	-	107,022	-	107,022
Province of Manitoba Green Team grant	4,204	5,521	4,204	5,521
Property tax	5,397,513	5,804,812	5,397,513	5,804,812
	<u>5,838,706</u>	<u>6,282,500</u>	<u>5,639,943</u>	<u>6,481,263</u>

(7)

# St. James-Assiniboia School Division

## Notes to Financial Statements

June 30, 2011

### 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 \$240,545.

	2011 \$	2010 \$
Parent council funds	3,997	19,357
Student funds (including travel)	225,142	167,260
Other	11,406	10,661
	<u>240,545</u>	<u>197,278</u>

### 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 2011 to 2031 and is owing to public schools finance board ("PSFB"). 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. There were no self-funded capital projects outstanding during the year. The debentures carry interest rates that range from 4.625% to 11.125%.

Debenture interest expense payable as at June 30, 2011, 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 \$
2011 - 2012	752,791	821,719	1,574,510
2012 - 2013	763,013	774,011	1,537,024
2013 - 2014	793,205	727,094	1,520,299
2014 - 2015	821,931	678,758	1,500,689
2015 - 2016	871,665	629,025	1,500,690

(8)

# St. James-Assiniboia School Division

## Notes to Financial Statements

June 30, 2011

### 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:

	2011		2010
	Gross amount \$	Accumulated amortization \$	Net book value \$
Tangible capital assets	80,284,105	42,094,517	38,189,588
			36,836,151

### 9 Accumulated surplus

The accumulated surplus is comprised of the following:

	2011 \$	2010 \$
Operating Fund		
Designated surplus	125,489	113,776
Undesignated surplus	3,251,813	2,971,446
	3,377,302	3,085,222
Capital Fund		
Reserve accounts	6,514,133	4,717,297
Equity in tangible capital assets	23,500,549	21,816,425
	30,014,682	26,533,722
Special Purpose Fund		
School generated funds	315,556	348,886
Total accumulated surplus	33,707,540	29,967,830

(9)



# St. James-Assiniboia School Division

## Notes to Financial Statements

June 30, 2011

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.

	2011 \$	2010 \$
School budget carryovers by board policy	125,489	113,776
Designated surplus	125,489	113,776

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

	2011 \$	2010 \$
Undesignated	2,567,548	1,401,712
Information technology	1,200,000	1,200,000
Equipment/vehicle	200,000	200,000
School building reserve	1,200,000	1,200,000
School bus reserve	827,000	196,000
Other reserves - Sturgeon Heights Reserve	19,585	19,585
Lease reserve	500,000	500,000
Capital reserve	6,514,133	4,717,297

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 revenue and expense is raised over the two calendar (tax) years; 45.6% from 2010 tax year and 54.4% from 2011 tax year. Below are the related revenue and receivable amounts:

	2011 \$	2010 \$
Municipal Government revenue earned in the current tax year	25,749,667	24,179,066
Less: Education property tax credit received prior to year end	(6,925,038)	(6,439,139)
Less: Tax Incentive Grant received prior to year end	(1,880,297)	(938,918)
Receivable due from Municipal Government - property tax	16,944,332	16,801,009

(10)

# St. James-Assiniboia School Division

## Notes to Financial Statements

June 30, 2011

### 11 Interest received and paid

The Division received interest during the year of \$127,456 (2010 - \$32,146); interest paid during the year was \$852,613 (2010 - \$681,794).

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

	2011 \$	2010 \$
Operating Fund		
Fiscal short-term loan, interest and bank charges	11,170	11,075
Capital Fund		
Debenture debt interest	841,443	670,719
	<u>852,613</u>	<u>681,794</u>

The accrual portion of debenture debt interest expense of \$224,198 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 2011 \$	Actual 2010 \$
Salaries	66,689,543	64,364,151
Employees' benefits and allowances	5,500,876	5,180,862
Services	8,268,239	8,611,577
Supplies, materials and minor equipment	5,574,511	4,619,894
Interest and bank charges	11,170	11,075
Interest - debenture	841,443	670,719
Payroll tax	1,414,489	1,517,796
Transfers	414,476	667,224
Amortization	2,279,722	2,053,863
School generated funds	900,009	813,291
Other capital items	12,262	75,919
	<u>91,906,740</u>	<u>88,586,371</u>

(11)



# St. James-Assiniboia School Division

## Notes to Financial Statements

June 30, 2011

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### 13 Contractual obligations

Agreements respecting student transportation were entered into for terms ranging from one to five years. The specific costs for these services are approximately \$948,599 for 2011 - 2012. 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 \$578,807 from other sources relating to various unoccupied building space. Minimum payments under the lease terms over the next three years are as follows:

	\$
2011 - 2012	230,329
2012 - 2013	230,329
2013 - 2014	93,169

### 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, 2011, the amount of this special levy was \$339,204 (2010 - \$304,761). These amounts are not included in the Division's financial statements.



## Sunrise School Division

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Box 1206 Beausejour, Manitoba R0E 0C0 Telephone (204) 268-6500 Fax (204) 268-4149  
Web Site: <http://www.sunrisesd.ca> Toll Free: 866-444-5559

### MANAGEMENT REPORT

#### Management's Responsibility for the Financial Statements

The accompanying consolidated financial statements of Sunrise School Division are the responsibility of the Division 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 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 BDO Canada 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.

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Chairperson

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Secretary-Treasurer

October 6, 2011

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**Independent Auditor's Report**

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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, 2011, 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 qualified opinion.

**Basis for Qualified Opinion**

The School Division offers sick pay benefits that accumulate but do not vest to several of its employee groups. Under generally accepted accounting principles for public sector organizations, the School Division should recognize a liability and an expense for sick pay benefits in the period in which employees render services to the School Division in return for the benefits. The School Division has not recorded employee future benefits liabilities relating to sick pay benefits that accumulate but do not vest. Because the School Division did not obtain an actuarial valuation to determine the amount of the liability at year end, we were unable to verify by alternate means whether sick pay benefits liabilities are fairly stated. Accordingly, we were not able to determine whether any adjustments might be necessary to employee future benefits liabilities, employee benefits expense, and accumulated surplus.

**Qualified Opinion**

In our opinion, except for the effect of the matter described in the Basis for Qualified Opinion paragraph, the consolidated financial statements present fairly, in all material respects, the financial position of the Sunrise School Division as at June 30, 2011 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 Accountants

Winnipeg, Manitoba

October 6, 2011

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 31, 2011  
Date

VICE Chairperson

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

as at June 30

Notes		2011	2010
	<b>Financial Assets</b>		
	Cash and Bank	-	-
*	Short Term Investments	2,266,814	1,761,715
	Due from - Provincial Government	4,570,001	4,230,341
	- Federal Government	195,761	190,353
	- Municipal Government	11,098,764	10,862,563
	- Other School Divisions	257	147
	- First Nations	85,429	135,591
	Accounts Receivable	139,549	175,007
	Accrued Investment Income	-	-
	Other Investments	-	-
		<u>18,356,575</u>	<u>17,355,717</u>
	<b>Liabilities</b>		
*	Overdraft	9,129,107	10,024,072
	Accounts Payable	2,490,768	2,027,717
	Accrued Liabilities	1,059,593	189,557
*	Employee Future Benefits	443,126	287,954
	Accrued Interest Payable	431,412	419,213
	Due to - Provincial Government	-	-
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
*	Deferred Revenue	1,480,569	1,347,494
*	Debenture Debt	19,301,428	17,331,661
	Other Borrowings	-	-
	School Generated Funds Liability	37,385	39,526
		<u>34,373,388</u>	<u>31,667,194</u>
	<b>Net Debt</b>	<u>(16,016,813)</u>	<u>(14,311,477)</u>
	<b>Non-Financial Assets</b>		
*	Net Tangible Capital Assets (TCA Schedule)	28,106,115	26,950,798
	Inventories	243,842	297,197
	Prepaid Expenses	372,560	141,794
		<u>28,722,517</u>	<u>27,389,789</u>
*	<b>Accumulated Surplus</b>	<u>12,705,704</u>	<u>13,078,312</u>

See accompanying notes to the Financial Statements

# CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes		2011	2010
	<b>Revenue</b>		
	Provincial Government	38,193,473	36,629,709
	Federal Government	20,243	20,630
	Municipal Government - Property Tax	19,705,641	19,163,070
	- Other	-	-
	Other School Divisions	99,270	85,588
	First Nations	407,260	353,328
	Private Organizations and Individuals	113,983	125,953
	Other Sources	(1,091,806)	574,929
	School Generated Funds	1,107,339	1,199,479
	Other Special Purpose Funds	15,676	40,749
		<u>58,571,079</u>	<u>58,193,435</u>
	<b>Expenses</b>		
	Regular Instruction	29,275,741	28,884,408
	Student Support Services	10,284,285	9,706,699
	Adult Learning Centres	982,957	989,343
	Community Education and Services	217,047	195,943
	Divisional Administration	1,972,436	1,796,710
	Instructional and Other Support Services	1,597,876	1,545,000
	Transportation of Pupils	4,229,555	3,862,061
	Operations and Maintenance	5,253,192	5,474,662
*	Fiscal - Interest	1,205,778	1,159,658
	- Other	864,294	847,052
	Amortization	1,956,938	1,821,542
	Other Capital Items	48,293	378,204
	School Generated Funds	1,054,795	1,167,357
	Other Special Purpose Funds	500	738
		<u>58,943,687</u>	<u>57,829,377</u>
	Current Year Surplus (Deficit)	<u>(372,608)</u>	<u>364,058</u>
	Opening Accumulated Surplus	13,078,312	12,714,254
	Adjustments: Tangible Cap. Assets and Accum. Amort.	-	-
	Other than Tangible Cap. Assets	-	-
	Opening Accumulated Surplus, as adjusted	<u>13,078,312</u>	<u>12,714,254</u>
	<b>Closing Accumulated Surplus</b>	<u>12,705,704</u>	<u>13,078,312</u>

See accompanying notes to the Financial Statements

\* NOTE REQUIRED



## CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2011

	2011	2010
Current Year Surplus (Deficit)	<u>(372,608)</u>	<u>364,058</u>
Amortization of Tangible Capital Assets	1,956,938	1,821,542
Acquisition of Tangible Capital Assets	(4,743,184)	(1,697,849)
(Gain) / Loss on Disposal of Tangible Capital Assets	1,630,929	1,334
Proceeds on Disposal of Tangible Capital Assets	<u>-</u>	<u>16,274</u>
	<u>(1,155,317)</u>	<u>141,301</u>
Inventories (Increase)/Decrease	53,355	(57,965)
Prepaid Expenses (Increase)/Decrease	<u>(230,766)</u>	<u>213,066</u>
	<u>(177,411)</u>	<u>155,101</u>
(Increase)/Decrease in Net Debt	<u>(1,705,336)</u>	<u>660,460</u>
Net Debt at Beginning of Year	(14,311,477)	(14,971,937)
Adjustments Other than Tangible Cap. Assets	<u>-</u>	<u>-</u>
Net Debt at Beginning of Year as Adjusted	<u>(14,311,477)</u>	<u>(14,971,937)</u>
<b>Net Debt at End of Year</b>	<u><u>(16,016,813)</u></u>	<u><u>(14,311,477)</u></u>



**CONSOLIDATED STATEMENT OF CASH FLOW**

For the Year Ended June 30, 2011

	2011	2010
<b>Operating Transactions</b>		
Current Year Surplus/(Deficit)	(372,608)	364,058
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	1,956,938	1,821,542
(Gain)/Loss on Disposal of Tangible Capital Assets	1,630,929	1,334
Employee Future Benefits Increase/(Decrease)	155,172	141,179
Short Term Investments (Increase)/Decrease	(505,099)	(329,587)
Due from Other Organizations (Increase)/Decrease	(531,217)	431,388
Accounts Receivable & Accrued Income (Increase)/Decrease	35,458	55,926
Inventories and Prepaid Expenses - (Increase)/Decrease	(177,411)	155,101
Due to Other Organizations Increase/(Decrease)	-	(7,635)
Accounts Payable & Accrued Liabilities Increase/(Decrease)	1,345,286	164,899
Deferred Revenue Increase/(Decrease)	133,075	361,118
School Generated Funds Liability Increase/(Decrease)	(2,141)	(9,928)
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by Operating Transactions	3,668,382	3,149,395
<b>Capital Transactions</b>		
Acquisition of Tangible Capital Assets	(4,743,184)	(1,697,849)
Proceeds on Disposal of Tangible Capital Assets	-	16,274
Cash (Applied to)/Provided by Capital Transactions	(4,743,184)	(1,681,575)
<b>Investing Transactions</b>		
Other Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
<b>Financing Transactions</b>		
Debenture Debt Increase/(Decrease)	1,969,767	463,517
Other Borrowings Increase/(Decrease)	-	(132,532)
Cash Provided by (Applied to) Financing Transactions	1,969,767	330,985
Cash and Bank / Overdraft (Increase)/Decrease	894,965	1,798,805
Cash and Bank (Overdraft) at Beginning of Year	(10,024,072)	(11,822,877)
<b>Cash and Bank (Overdraft) at End of Year</b>	<b>(9,129,107)</b>	<b>(10,024,072)</b>

# **SCHEDULE OF TANGIBLE CAPITAL ASSETS**

at June 30, 2011

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	2011 TOTALS	2010 TOTALS
	School	Non-School									
<b>Tangible Capital Asset Cost</b>											
Opening Cost, as previously reported	45,888,676	1,910,925	8,039,847	186,023	709,130	1,424,171	222,673	103,278	254,703	58,739,426	57,440,251
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	45,888,676	1,910,925	8,039,847	186,023	709,130	1,424,171	222,673	103,278	254,703	58,739,426	57,440,251
Add:											
Additions during the year	3,212,200	77,781	593,805	-	162,779	354,133	53,509	-	288,977	4,743,184	1,697,849
Less:											
Disposals and write downs	1,841,264	-	-	-	-	-	40,000	-	-	1,881,264	398,674
Closing Cost	47,259,612	1,988,706	8,633,652	186,023	871,909	1,778,304	236,182	103,278	543,680	61,601,346	58,739,426
<b>Accumulated Amortization</b>											
Opening, as previously reported	24,648,173	1,423,255	4,736,578	180,525	179,024	580,370		40,703		31,788,628	30,348,152
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	24,648,173	1,423,255	4,736,578	180,525	179,024	580,370		40,703		31,788,628	30,348,152
Add:											
Current period Amortization	1,052,837	49,637	579,343	5,498	90,779	171,707		7,137		1,956,938	1,821,542
Less:											
Accumulated Amortization on Disposals and Writedowns	250,335	-	-	-	-	-		-		250,335	381,066
Closing Accumulated Amortization	25,450,675	1,472,892	5,315,921	186,023	269,803	752,077		47,840		33,495,231	31,788,628
<b>Net Tangible Capital Asset</b>	21,808,937	515,814	3,317,731	-	602,106	1,026,227	236,182	55,438	543,680	28,106,115	26,950,798
<b>Proceeds from Disposal of Capital Assets</b>	-	-	-	-	-	-				-	16,274

\* Includes network infrastructure.

**SUNRISE SCHOOL DIVISION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
For the Year Ended June 30, 2011**

**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 generally accepted accounting principles established by the Public Sector Accounting Board (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 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.

**SUNRISE SCHOOL DIVISION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
For the Year Ended June 30, 2011**

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.

<u>Asset Description</u>	<u>Capitalization Threshold (\$)</u>	<u>Estimated Useful Life</u>
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	5,000	5 years
Network Infrastructure	25,000	10 years
Computer Hardware, Servers, Peripherals	5,000	4 years
Computer Software	10,000	4 years
Furniture & 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, 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

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 are sick.

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 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:



**SUNRISE SCHOOL DIVISION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2011**

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.

**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. Bank Overdraft**

As of June 30, 2011, 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 (2.25% as of June 30, 2011); interest is paid monthly. Overdrafts are secured by a borrowing by-law.

**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 \$579,838 in 2011.

Employee future benefits of \$443,126 recorded as a liability consists of maternity/parental benefits of \$172,756 and vacation accrual of \$270,370 as of June 30, 2011.

**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, 2010	Additions in the period	Revenue recognized in the period	Balance as at June 30, 2011
Education Property Tax Credit	\$ 1,188,266	\$ 6,203,282	\$ 6,001,218	\$ 1,390,330
English Language Support	100,000	-	100,000	-
Grants from outside sources	14,089	153,038	136,940	30,187
Other	45,139	146,322	131,409	60,052
	<u>\$ 1,347,494</u>	<u>\$6,502,642</u>	<u>\$6,369,567</u>	<u>\$ 1,480,569</u>

**SUNRISE SCHOOL DIVISION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2011**

**6. School Generated Funds**

School generated funds revenue and expenses reported in the Consolidated Statement of Revenue, Expenses and Accumulated Surplus as at June 30, 2011 covers a period of twelve months from July 1, 2010 to June 30, 2011.

**7. 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 2011 to 2031. 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 4.750% to 12.125%. Debenture interest expense payable as at June 30, 2011, 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:

2011	\$ 2,435,106
2012	2,347,908
2013	2,165,016
2014	2,147,093
2015	<u>2,068,182</u>
	<u>\$11,163,305</u>

**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 was nil).

**9. Accumulated Surplus**

The consolidated accumulated surplus is comprised of the following:

	2011	2010
Operating Fund		
Designated Surplus	\$ -	\$ -
Undesignated Surplus	<u>1,840,954</u>	<u>2,033,446</u>
	<u>1,840,954</u>	<u>2,033,446</u>
Capital Fund		
Reserve Accounts	2,298,095	1,770,492
Equity in Tangible Capital Assets	<u>8,159,156</u>	<u>8,855,559</u>
	<u>10,457,251</u>	<u>10,626,051</u>
Special Purpose Fund		
School Generated Funds	385,156	398,788
Other	<u>22,343</u>	<u>20,027</u>
	<u>407,499</u>	<u>418,815</u>
Total Accumulated Surplus	<u>\$12,705,704</u>	<u>\$13,078,312</u>

**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; 42.5% from 2010 tax year and 42.5% from 2011 tax year. Below are the related revenue and receivable amounts:

	2011	2010
Revenue – Municipal Government – Property Tax	<u>\$ 28,451,974</u>	<u>\$ 27,092,857</u>
Receivable – Due from Municipal – Property Tax	<u>\$ 11,098,764</u>	<u>\$ 10,862,563</u>



**SUNRISE SCHOOL DIVISION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2011**

**11. Interest Received and Paid**

The Division received interest during the year of \$29,330 (previous year \$17,819); interest paid during the year was \$1,205,778 (previous year \$1,159,658).

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

	2010	2010
Operating Fund		
Fiscal-short term loan, interest and bank charges	\$ 101,441	\$ 70,288
Capital Fund		
Debenture interest	1,101,072	1,078,581
Other interest	3,265	10,789
	<u>\$ 1,205,778</u>	<u>\$ 1,159,658</u>

The accrual portion of debenture debt interest expense of \$431,412 is included under the Capital Fund-Debenture debt interest, and netted with 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 2011	Budget 2011	Actual 2010
Salaries	\$ 41,102,845	\$ 41,540,083	\$ 39,261,803
Employees benefits and allowances	2,830,010	3,073,688	2,854,780
Services	5,541,423	5,153,925	5,758,052
Supplies, materials and minor equipment	3,730,823	3,975,627	4,002,438
Interest	1,205,778	100,000	1,159,658
Bad debts	3,152	-	-
Payroll tax	861,142	837,390	847,052
Amortization	1,956,938	-	1,821,542
Transfers	607,988	601,350	577,753
Other capital items	48,293	-	378,204
School generated funds	1,054,795	-	1,167,357
Other special purpose funds	500	-	738
	<u>\$ 58,943,687</u>	<u>\$ 55,282,063</u>	<u>\$ 57,829,377</u>

**13. Commitments**

The Division has equipment lease agreements. Future annual minimum operating lease commitments as at June 30, 2011 are as follows:

2012	\$ 103,993
2013	103,993
2014	103,993
2015	103,993
2016	14,560

**14. Contingent Liabilities**

A legal action had been initiated against the Division by the contractor of a new school built in the division. The disputed amount represents monies which have not been paid by the Division because the architects have refused to provide certificates for payment due to non-compliance and unfinished work. The Division has accordingly not drawn the required funds. The Division has recorded a liability for work completed and for the holdback on this completed work, but not for any non-compliant work performed. Another legal action has been initiated against the Division by the same contractor, who alleges that they are out of business due to the Division's holdback of funds. No amount has been accrued in the financial statements for this lawsuit.

## 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 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 Pacak Kowal Hardie & Company 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.

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Chairperson

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Secretary-Treasurer

October 24, 2011

# PACAK KOWAL HARDIE & COMPANY

CHARTERED ACCOUNTANTS

BEV A. LEADBEATER, CMA (ASSOCIATE)

100 Fourth Avenue North  
P. O. Box 1660  
Swan River Manitoba R0L 1Z0

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## INDEPENDENT AUDITOR'S REPORT

(in accordance with subsection 41(11) of the Public Schools Act)

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SWAN VALLEY SCHOOL DIVISION

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To the Board of Trustees of Swan Valley School Division

We have audited the accompanying financial statements of Swan Valley School Division, which comprise the consolidated statement of financial position as at June 30, 2011, 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 Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, 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 Swan Valley School Division as at June 30, 2011, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Further in our opinion, the other statements and reports, when considered in relation to the aforementioned financial statements, present fairly, in all material respects, the supplemental information shown.

Swan River, Manitoba  
October 24, 2011

  
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 Division/District.

24 OCT / 11  
Date

\_\_\_\_\_  
Chairperson



**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

as at June 30

Notes		2011	2010
	<b>Financial Assets</b>		
	Cash and Bank	2,030,235	1,472,130
	Short Term Investments	-	-
	Due from - Provincial Government	1,023,490	830,649
	- Federal Government	52,936	55,464
	- Municipal Government	2,377,633	2,411,219
	- Other School Divisions	5,890	5,820
	- First Nations	58,000	50,520
	Accounts Receivable	51,388	60,207
	Accrued Investment Income	-	-
3	Other Investments	452	452
		<u>5,600,024</u>	<u>4,886,461</u>
	<b>Liabilities</b>		
	Overdraft	-	-
	Accounts Payable	115,217	107,378
	Accrued Liabilities	2,067,718	1,684,966
5	Employee Future Benefits	53,954	13,196
	Accrued Interest Payable	186,136	173,875
	Due to - Provincial Government	102,383	30,163
	- Federal Government	500	2,616
	- Municipal Government	7,356	3,126
	- Other School Divisions	-	-
	- First Nations	-	-
6	Deferred Revenue	913,578	886,037
8	Debenture Debt	5,518,530	5,044,862
	Other Borrowings	-	-
	School Generated Funds Liability	1,113	1,194
		<u>8,966,485</u>	<u>7,947,413</u>
	<b>Net Debt</b>	<u>(3,366,461)</u>	<u>(3,060,952)</u>
	<b>Non-Financial Assets</b>		
9	Net Tangible Capital Assets (TCA Schedule)	7,735,583	7,234,531
	Inventories	20,921	19,557
	Prepaid Expenses	89,664	110,196
		<u>7,846,168</u>	<u>7,364,284</u>
10	<b>Accumulated Surplus</b>	<u>4,479,707</u>	<u>4,303,332</u>

See accompanying notes to the Financial Statements

# **CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS**

For the Year Ended June 30

Notes		2011	2010
	<b>Revenue</b>		
	Provincial Government	14,733,435	14,100,464
	Federal Government	71	45
	Municipal Government - Property Tax	4,555,272	4,522,498
	- Other	-	-
	Other School Divisions	34,885	29,964
	First Nations	217,025	274,836
	Private Organizations and Individuals	256,437	266,072
	Other Sources	170,486	153,541
	School Generated Funds	406,149	528,058
	Other Special Purpose Funds	15,514	19,775
		<u>20,389,274</u>	<u>19,895,253</u>
	<b>Expenses</b>		
	Regular Instruction	10,548,434	10,185,370
	Student Support Services	3,237,602	3,090,991
	Adult Learning Centres	-	-
	Community Education and Services	74,062	99,290
	Divisional Administration	738,521	666,640
	Instructional and Other Support Services	381,181	419,387
	Transportation of Pupils	1,384,002	1,316,467
	Operations and Maintenance	1,926,024	1,956,947
12	Fiscal - Interest	315,368	295,046
	- Other	294,755	286,007
	Amortization	870,047	819,180
	Other Capital Items	-	35,223
	School Generated Funds	427,389	501,722
	Other Special Purpose Funds	15,514	19,775
		<u>20,212,899</u>	<u>19,692,045</u>
	Current Year Surplus (Deficit)	<u>176,375</u>	<u>203,208</u>
	Opening Accumulated Surplus	4,303,332	4,100,124
	Adjustments: Tangible Cap. Assets and Accum. Amort.	-	-
	Other than Tangible Cap. Assets	-	-
	Opening Accumulated Surplus, as adjusted	<u>4,303,332</u>	<u>4,100,124</u>
	<b>Closing Accumulated Surplus</b>	<u><u>4,479,707</u></u>	<u><u>4,303,332</u></u>

See accompanying notes to the Financial Statements

**CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT**

For the Year Ended June 30, 2011

	2011	2010
Current Year Surplus (Deficit)	176,375	203,208
Amortization of Tangible Capital Assets	870,047	819,180
Acquisition of Tangible Capital Assets	(1,371,099)	(1,545,534)
(Gain) / Loss on Disposal of Tangible Capital Assets	(4,000)	(20,339)
Proceeds on Disposal of Tangible Capital Assets	4,000	20,339
	(501,052)	(726,354)
Inventories (Increase)/Decrease	(1,364)	1,798
Prepaid Expenses (Increase)/Decrease	20,532	10,316
	19,168	12,114
(Increase)/Decrease in Net Debt	(305,509)	(511,032)
Net Debt at Beginning of Year	(3,060,952)	(2,549,920)
Adjustments Other than Tangible Cap. Assets	-	-
Net Debt at Beginning of Year as Adjusted	(3,060,952)	(2,549,920)
<b>Net Debt at End of Year</b>	<b>(3,366,461)</b>	<b>(3,060,952)</b>



**CONSOLIDATED STATEMENT OF CASH FLOW**

For the Year Ended June 30, 2011

	2011	2010
<b>Operating Transactions</b>		
Current Year Surplus/(Deficit)	176,375	203,208
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	870,047	819,180
(Gain)/Loss on Disposal of Tangible Capital Assets	(4,000)	(20,339)
Employee Future Benefits Increase/(Decrease)	40,758	(42,645)
Short Term Investments (Increase)/Decrease	-	-
Due from Other Organizations (Increase)/Decrease	(164,277)	(182,239)
Accounts Receivable & Accrued Income (Increase)/Decrease	8,819	(40,877)
Inventories and Prepaid Expenses - (Increase)/Decrease	19,168	12,114
Due to Other Organizations Increase/(Decrease)	74,334	(11,814)
Accounts Payable & Accrued Liabilities Increase/(Decrease)	402,852	102,437
Deferred Revenue Increase/(Decrease)	27,541	25,576
School Generated Funds Liability Increase/(Decrease)	(81)	1,194
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by Operating Transactions	1,451,536	865,795
<b>Capital Transactions</b>		
Acquisition of Tangible Capital Assets	(1,371,099)	(1,545,534)
Proceeds on Disposal of Tangible Capital Assets	4,000	20,339
Cash (Applied to)/Provided by Capital Transactions	(1,367,099)	(1,525,195)
<b>Investing Transactions</b>		
Other Investments (Increase)/Decrease	-	119
Cash Provided by (Applied to) Investing Transactions	-	119
<b>Financing Transactions</b>		
Debenture Debt Increase/(Decrease)	473,668	617,725
Other Borrowings Increase/(Decrease)	-	-
Cash Provided by (Applied to) Financing Transactions	473,668	617,725
Cash and Bank / Overdraft (Increase)/Decrease	558,105	(41,556)
Cash and Bank (Overdraft) at Beginning of Year	1,472,130	1,513,686
<b>Cash and Bank (Overdraft) at End of Year</b>	<b>2,030,235</b>	<b>1,472,130</b>

# **SCHEDULE OF TANGIBLE CAPITAL ASSETS**

at June 30, 2011

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	2011 TOTALS	2010 TOTALS
	School	Non-School									
<b>Tangible Capital Asset Cost</b>											
Opening Cost, as previously reported	13,152,556	470,565	2,935,591	264,837	1,037,131	946,663	280,490	-	1,473,061	20,560,894	19,319,523
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	13,152,556	470,565	2,935,591	264,837	1,037,131	946,663	280,490	-	1,473,061	20,560,894	19,319,523
Add:											
Additions during the year	905,775	-	193,719	43,401	202,913	63,726	-	-	(38,435)	1,371,099	1,545,534
Less:											
Disposals and write downs	-	-	108,094	-	-	-	-	-	-	108,094	304,163
Closing Cost	14,058,331	470,565	3,021,216	308,238	1,240,044	1,010,389	280,490	-	1,434,626	21,823,899	20,560,894
<b>Accumulated Amortization</b>											
Opening, as previously reported	9,886,966	440,005	1,665,369	202,239	780,279	351,505	-	-	-	13,326,363	12,811,346
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening adjusted	9,886,966	440,005	1,665,369	202,239	780,279	351,505	-	-	-	13,326,363	12,811,346
Add:											
Current period Amortization	361,304	2,729	237,432	23,755	114,689	130,138	-	-	-	870,047	819,180
Less:											
Accumulated Amortization on Disposals and Writedowns	-	-	108,094	-	-	-	-	-	-	108,094	304,163
Closing Accumulated Amortization	10,248,270	442,734	1,794,707	225,994	894,968	481,643	-	-	-	14,088,316	13,326,363
<b>Net Tangible Capital Asset</b>	3,810,061	27,831	1,226,509	82,244	345,076	528,746	280,490	-	1,434,626	7,735,583	7,234,531
<b>Proceeds from Disposal of Capital Assets</b>	-	-	4,000	-	-	-	-	-	-	4,000	20,339

\* Includes network infrastructure.

**SWAN VALLEY SCHOOL DIVISION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2011**

**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 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 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 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	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 & 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.

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.

**3. Other Investments**

	<u>2011</u>	<u>2010</u>
Swan Valley Credit Union Patronage Shares	<u>\$452</u>	<u>\$452</u>



#### 4. Overdraft

The Division has an authorized line of credit with TD Canada Trust of \$4,000,000 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 \$53,954 for maternity/parental benefits (\$13,196 for 2010) 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, 2010	Additions in the period	Revenue recognized in the period	Balance as at June 30, 2011
Healthy Child Manitoba Grant	\$ 18,003	\$ 43,797	\$ 42,166	\$ 19,634
Technical Vocational Initiative Grant	4,738	-	4,738	-
Education Property Tax Credit	660,874	1,531,427	1,524,873	667,428
Other Province of Manitoba Grants	7,069	-	2,000	5,069
Grants from outside sources	2,734	3,040	2,588	3,186
Capital Fund	96,922	104,384	40,950	160,356
Charitable Scholarship and Other Fund	75,279	90,544	125,112	40,711
School Generated Funds	20,419	17,194	20,419	17,194
	<u>\$ 886,038</u>	<u>\$ 1,790,386</u>	<u>\$ 1,762,846</u>	<u>\$ 913,578</u>

#### 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 \$1,113 for 2011, \$1,194 in 2010.

School generated funds revenue and expenses reported in the Consolidated Statement of Revenue, Expenses and Accumulated Surplus as at June 30, 2011 covers a period of twelve months from July 1, 2010 to June 30, 2011.

#### 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 2011 to 2031. Payment of principal and interest is funded entirely by grants from the Province of Manitoba. The debentures carry interest rates that range from 4.625% to 10.375%. Debenture interest expense payable as at June 30, 2011, 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
2012	\$ 320,909	\$ 320,447	\$ 641,356
2013	329,921	299,507	629,428
2014	351,066	278,362	629,428
2015	358,444	255,798	614,242
2016	366,713	233,138	599,851
	<u>\$ 1,727,053</u>	<u>\$ 1,387,252</u>	<u>\$ 3,114,305</u>

## 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 \$1,630 (previous year \$761).

## 10. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	<u>2011</u>	<u>2010</u>
Operating Fund		
Designated Surplus	31,614	36,315
Undesignated Surplus	<u>625,819</u>	<u>622,748</u>
	<u>657,433</u>	<u>659,063</u>
Capital Fund		
Reserve Accounts	1,670,145	1,355,145
Equity in Tangible Capital Assets	<u>1,999,073</u>	<u>2,114,828</u>
	<u>3,669,218</u>	<u>3,469,973</u>
Special Purpose Fund		
School Generated Funds	153,056	174,296
Other Special Purpose Funds	<u>-</u>	<u>-</u>
	<u>153,056</u>	<u>174,296</u>
Total Accumulated Surplus	<u>\$ 4,479,707</u>	<u>4,303,332</u>

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.

	<u>2011</u>	<u>2010</u>
Board approved appropriation by motion	-	-
School budget carryovers by Board policy	31,614	36,315
Designated surplus	<u>\$ 31,614</u>	<u>36,315</u>

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.

	<u>2011</u>	<u>2010</u>
Bus reserves	661,296	657,296
Other reserves	<u>1,008,849</u>	<u>697,849</u>
Capital Reserve	<u>\$ 1,670,145</u>	<u>1,355,145</u>

# 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 2010 tax year and 55% from 2011 tax year. Below are the related revenue and receivable amounts:

	2011	2010
Revenue - Municipal Government-Property Tax	\$ 4,555,272	\$ 4,522,498
Receivable - Due from Municipal-Property Tax	\$ 2,377,633	\$ 2,411,219

# 12. Interest Received and Paid

The Division received interest during the year of \$30,148 (previous year \$12,095); interest paid during the year was \$1,630 (previous year \$761).

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

	2011
Operating Fund	
Fiscal-short term loan, interest and bank charges	\$ -
Capital Fund	
Debenture debt interest	315,362
Other interest	1,630
	<u>\$ 316,992</u>

The accrual portion of debenture debt interest expense of \$186,136 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 2011	Budget 2011	Actual 2010
Salaries	\$ 13,753,132	\$ 13,972,512	\$ 13,334,373
Employees benefits & allowances	1,275,904	1,386,704	1,223,699
Services	1,514,127	1,621,236	1,479,125
Supplies, materials & minor equipment	1,733,663	1,596,155	1,686,595
Interest	315,362	8,610	295,046
Bad debts	-	-	-
Payroll tax	294,755	300,390	286,007
Transfers	13,000	2,600	11,300
Amortization	870,047	-	819,180
Other capital items	-	-	35,223
School generated funds	427,389	-	501,722
Other special purpose funds	15,514	-	19,775
	<u>\$ 20,212,893</u>	<u>\$ 18,888,207</u>	<u>\$ 19,692,045</u>

# 14. Commitment

As a result of a resolution approved at the 24 May 2011 school trustees meeting the Division is committed to purchase three new school buses in the amount of approximately \$ 277,152 during 2011/2012 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.

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Chairperson

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Secretary-Treasurer

October 26, 2011



## Independent Auditors' Report

(In accordance with subsection 41 (11) of the Public Schools Act)

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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, 2011, 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, 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 Turtle Mountain School Division as at June 30, 2011 and the results of its operations, changes in net assets and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Brandon, Manitoba

October 26, 2011

**MNP LLP**  
Chartered Accountants

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

as at June 30

Notes		2011	2010
	<b>Financial Assets</b>		
	Cash and Bank	-	-
	Short Term Investments	-	-
	Due from - Provincial Government	218,511	228,740
	- Federal Government	56,485	29,932
	- Municipal Government	2,301,745	2,166,971
	- Other School Divisions	-	-
	- First Nations	-	-
	Accounts Receivable	65,052	51,652
	Accrued Investment Income	-	-
	Other Investments	-	-
		<u>2,641,793</u>	<u>2,477,295</u>
	<b>Liabilities</b>		
(4)	Overdraft	199,857	35,813
	Accounts Payable	1,057,668	1,221,862
	Accrued Liabilities	28,332	12,272
(5)	Employee Future Benefits	373,874	202,356
	Accrued Interest Payable	68,403	78,596
	Due to - Provincial Government	-	-
	- Federal Government	-	-
	- Municipal Government	31,944	34,856
	- Other School Divisions	13,845	10,988
	- First Nations	-	-
(6)	Deferred Revenue	448,538	428,626
(7)	Debenture Debt	3,507,377	3,227,194
	Other Borrowings	-	-
	School Generated Funds Liability	117,044	88,792
		<u>5,846,882</u>	<u>5,341,355</u>
	<b>Net Debt</b>	<u>(3,205,089)</u>	<u>(2,864,060)</u>
	<b>Non-Financial Assets</b>		
(9)	Net Tangible Capital Assets (TCA Schedule)	4,536,973	3,848,205
	Inventories	52,017	60,717
	Prepaid Expenses	95,602	114,036
		<u>4,684,592</u>	<u>4,022,958</u>
(12)	<b>Accumulated Surplus</b>	<u>1,479,503</u>	<u>1,158,898</u>

See accompanying notes to the Financial Statements



# **CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS**

For the Year Ended June 30

Notes		2011	2010
	<b>Revenue</b>		
	Provincial Government	7,887,162	7,670,679
	Federal Government	175	20,327
	Municipal Government - Property Tax	3,955,088	3,677,293
	- Other	-	-
	Other School Divisions	33,800	26,650
	First Nations	9,040	9,032
	Private Organizations and Individuals	101,650	115,097
	Other Sources	46,021	53,618
	School Generated Funds	314,444	287,501
	Other Special Purpose Funds	-	-
		<u>12,347,380</u>	<u>11,860,197</u>
	<b>Expenses</b>		
	Regular Instruction	5,886,220	5,859,274
	Student Support Services	1,968,429	1,662,481
	Adult Learning Centres	228,573	190,256
	Community Education and Services	12,978	9,940
	Divisional Administration	608,054	596,888
	Instructional and Other Support Services	383,700	330,359
	Transportation of Pupils	905,133	832,326
	Operations and Maintenance	902,647	925,918
(13)	Fiscal - Interest	223,780	243,251
	- Other	178,420	179,577
	Amortization	431,356	417,488
	Other Capital Items	-	-
	School Generated Funds	297,485	309,499
	Other Special Purpose Funds	-	-
		<u>12,026,775</u>	<u>11,557,257</u>
	Current Year Surplus (Deficit)	<u>320,605</u>	<u>302,940</u>
	Opening Accumulated Surplus	1,158,898	855,958
	Adjustments: Tangible Cap. Assets and Accum. Amort.	-	-
	Other than Tangible Cap. Assets	-	-
	Opening Accumulated Surplus, as adjusted	<u>1,158,898</u>	<u>855,958</u>
	<b>Closing Accumulated Surplus</b>	<u>1,479,503</u>	<u>1,158,898</u>

See accompanying notes to the Financial Statements

**CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT**

For the Year Ended June 30, 2011

	2011	2010
Current Year Surplus (Deficit)	320,605	302,940
Amortization of Tangible Capital Assets	431,356	417,488
Acquisition of Tangible Capital Assets	(1,120,124)	(239,822)
(Gain) / Loss on Disposal of Tangible Capital Assets	-	(8,244)
Proceeds on Disposal of Tangible Capital Assets	-	13,895
	(688,768)	183,317
Inventories (Increase)/Decrease	8,700	(18,721)
Prepaid Expenses (Increase)/Decrease	18,434	(24,803)
	27,134	(43,524)
(Increase)/Decrease in Net Debt	(341,029)	442,733
Net Debt at Beginning of Year	(2,864,060)	(3,306,793)
Adjustments Other than Tangible Cap. Assets	-	-
Net Debt at Beginning of Year as Adjusted	(2,864,060)	(3,306,793)
<b>Net Debt at End of Year</b>	<b>(3,205,089)</b>	<b>(2,864,060)</b>

**CONSOLIDATED STATEMENT OF CASH FLOW**

For the Year Ended June 30, 2011

	2011	2010
<b>Operating Transactions</b>		
Current Year Surplus/(Deficit)	320,605	302,940
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	431,356	417,488
(Gain)/Loss on Disposal of Tangible Capital Assets	-	(8,244)
Employee Future Benefits Increase/(Decrease)	171,518	10,577
Short Term Investments (Increase)/Decrease	-	-
Due from Other Organizations (Increase)/Decrease	(151,098)	(125,049)
Accounts Receivable & Accrued Income (Increase)/Decrease	(13,400)	42,668
Inventories and Prepaid Expenses - (Increase)/Decrease	27,134	(43,524)
Due to Other Organizations Increase/(Decrease)	(55)	(5,133)
Accounts Payable & Accrued Liabilities Increase/(Decrease)	(158,327)	(577,607)
Deferred Revenue Increase/(Decrease)	19,912	27,184
School Generated Funds Liability Increase/(Decrease)	28,252	24,650
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by Operating Transactions	675,897	65,950
<b>Capital Transactions</b>		
Acquisition of Tangible Capital Assets	(1,120,124)	(239,822)
Proceeds on Disposal of Tangible Capital Assets	-	13,895
Cash (Applied to)/Provided by Capital Transactions	(1,120,124)	(225,927)
<b>Investing Transactions</b>		
Other Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
<b>Financing Transactions</b>		
Debenture Debt Increase/(Decrease)	280,183	(302,181)
Other Borrowings Increase/(Decrease)	-	-
Cash Provided by (Applied to) Financing Transactions	280,183	(302,181)
Cash and Bank / Overdraft (Increase)/Decrease	(164,044)	(462,158)
Cash and Bank (Overdraft) at Beginning of Year	(35,813)	426,345
<b>Cash and Bank (Overdraft) at End of Year</b>	<b>(199,857)</b>	<b>(35,813)</b>

**SCHEDULE OF TANGIBLE CAPITAL ASSETS**

at June 30, 2011

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	2011 TOTALS	2010 TOTALS
	School	Non-School									
<b>Tangible Capital Asset Cost</b>											
Opening Cost, as previously reported	6,934,499	580,476	2,156,360	60,339	94,551	20,467	45,451	320,207	1,250	10,213,600	10,090,389
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	6,934,499	580,476	2,156,360	60,339	94,551	20,467	45,451	320,207	1,250	10,213,600	10,090,389
Add:											
Additions during the year	949,752	-	94,152	-	44,213	33,257	-	-	(1,250)	1,120,124	239,822
Less:											
Disposals and write downs	-	-	-	-	-	-	-	-	-	-	116,611
Closing Cost	7,884,251	580,476	2,250,512	60,339	138,764	53,724	45,451	320,207	-	11,333,724	10,213,600
<b>Accumulated Amortization</b>											
Opening, as previously reported	4,392,014	391,370	1,229,611	18,146	43,294	12,792	-	278,168	-	6,365,395	6,058,867
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening adjusted	4,392,014	391,370	1,229,611	18,146	43,294	12,792	-	278,168	-	6,365,395	6,058,867
Add:											
Current period Amortization	196,267	9,225	171,097	12,068	13,552	6,780	-	22,367	-	431,356	417,488
Less:											
Accumulated Amortization on Disposals and Writedowns	-	-	-	-	-	-	-	-	-	-	110,960
Closing Accumulated Amortization	4,588,281	400,595	1,400,708	30,214	56,846	19,572	-	300,535	-	6,796,751	6,365,395
<b>Net Tangible Capital Asset</b>	3,295,970	179,881	849,804	30,125	81,918	34,152	45,451	19,672	-	4,536,973	3,848,205
<b>Proceeds from Disposal of Capital Assets</b>	-	-	-	-	-	-	-	-	-	-	13,895

\* Includes network infrastructure.

**TURTLE MOUNTAIN SCHOOL DIVISION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2011**

**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) 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 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 & 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.

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.

**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 were implemented to comply with the PSAB standard:

- (i) Tangible capital assets were restated and amortized over their useful lives to reflect net book value. Amortization of tangible capital assets and gain or loss on disposal of capital assets are recorded in the Statement of Revenue, Expenses and Accumulated Surplus.
- (ii) The Operating Fund, Capital Fund and Special Purpose Fund are consolidated in the financial statements. The Special Purpose Fund was created to include school generated funds and charitable foundations controlled by the Division.



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

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

#### **4. Overdraft**

The Division has an authorized line of credit with Westoba Credit Union of \$2,500,000.00 by way of overdrafts and is repayable on demand at prime less 0.5%; 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	Balance at June 30, 2011
Provincial Education Property Tax Credit Advance	\$448,538

#### **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 2012 to 2031. 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 5.00% to 11.125 %. Debenture interest expense payable as at June 30, 2011, 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.

#### **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 \$117,044.

## 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 2011 tax year and 40.4% from 2010 tax year. Below are the related revenue and receivable amounts:

Description	2011	2010
Revenue-Municipal Government-Property Tax	\$3,955,088	\$3,677,293
Receivable-Due from Municipal-Property Tax	\$2,301,745	\$2,166,971

## 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 \$258,707 for 2010-2111.

## 12. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2011
Operating Fund	
Designated Surplus	295,696
Undesignated Surplus(Deficit)	306,641
	<hr/> 602,337 <hr/>
Capital Fund	
Reserve Account	133,324
Equity in Tangible Capital Assets	659,645
	<hr/> 792,969 <hr/>
Special Purpose Fund	
School Generated Funds	84,197
Other Special Purpose Funds	0
Total Accumulated Surplus	<hr/> \$1,479,503 <hr/>



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.

	2011
Board approved appropriation by motion	157,310
School/Maintenance Budget carryovers by board policy	138,386
Designated surplus	<u>\$295,696</u>

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.

	2011
Bus reserves	133,324
Other reserves	0
Capital Reserve	<u>\$133,324</u>

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

	2011
School generated funds	84,197
Other	0
Other Special Purpose Funds	<u>\$84,197</u>

### 13. Interest Received and Paid

The Division received interest during the year of \$4,016 (previous year \$4,247); interest paid during the year was \$223,780 (previous year \$243,251).

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

	2011
Operating Fund	
Fiscal-short term loan, interest and bank charges	\$16,243
Capital Fund	
Debenture debt interest	207,537
Other interest	0

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\$223,780

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The accrual portion of debenture debt interest expense of \$68,403 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 2011	Budget 2011	Actual 2010
Salaries	\$8,362,999	\$8,226,388	\$8,027,129
Employee benefits and allowances	594,907	793,344	608,897
Services	1,050,329	1,081,798	990,260
Supplies, materials & minor equip.	862,149	920,642	750,239
Interest	223,780	26,000	243,251
Payroll tax / Transfers/Bad Dept Exp	203,770	188,000	210,494
Amortization	431,356	0	417,488
School generated funds	297,485	0	309,499
Total	\$12,026,775	\$11,236,172	\$11,557,257

## 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.

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Chairperson

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Secretary-Treasurer

October 25, 2011

## Independent Auditors' Report

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To the Members 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, 2011, 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, 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 Turtle River School Division as at June 30, 2011 and the results of its operations, changes in net debt and its cash flow for the year then ended in accordance with Canadian generally accepted accounting principles.

Brandon, Manitoba

October 25, 2011

**MNP LLP**  
Chartered Accountants



**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

as at June 30

Notes		2011	2010
	<b>Financial Assets</b>		
	Cash and Bank	1,433,757	588,684
	Short Term Investments	-	-
	Due from - Provincial Government	433,551	442,446
	- Federal Government	54,809	59,372
	- Municipal Government	923,495	2,071,480
	- Other School Divisions	41,267	31,482
	- First Nations	25,710	25,710
	Accounts Receivable	5,815	5,606
	Accrued Investment Income	-	-
	Other Investments	-	-
		<u>2,918,404</u>	<u>3,224,780</u>
	<b>Liabilities</b>		
	Overdraft	-	-
	Accounts Payable	282,086	299,329
	Accrued Liabilities	707,292	637,203
	Employee Future Benefits	-	-
	Accrued Interest Payable	96,877	99,382
	Due to - Provincial Government	140	140
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	5,177	-
	- First Nations	-	-
6	Deferred Revenue	326,889	1,373,048
8	Debenture Debt	2,953,997	3,013,071
	Other Borrowings	-	-
	School Generated Funds Liability	-	-
		<u>4,372,458</u>	<u>5,422,173</u>
	<b>Net Debt</b>	<u>(1,454,054)</u>	<u>(2,197,393)</u>
	<b>Non-Financial Assets</b>		
3	Net Tangible Capital Assets (TCA Schedule)	3,663,657	4,000,774
	Inventories	82,283	75,836
	Prepaid Expenses	61,454	64,503
		<u>3,807,394</u>	<u>4,141,113</u>
9	<b>Accumulated Surplus</b>	<u>2,353,340</u>	<u>1,943,720</u>

See accompanying notes to the Financial Statements



**CONSOLIDATED STATEMENT  
OF REVENUE, EXPENSES  
AND ACCUMULATED SURPLUS**

For the Year Ended June 30

Notes		2011	2010
	<b>Revenue</b>		
	Provincial Government	8,126,474	7,691,286
	Federal Government	-	-
	Municipal Government - Property Tax	1,983,665	2,025,032
	- Other	-	-
	Other School Divisions	10,400	14,950
	First Nations	-	25,710
	Private Organizations and Individuals	16,028	14,160
	Other Sources	12,622	657
	School Generated Funds	368,015	311,904
	Other Special Purpose Funds	-	-
		<u>10,517,204</u>	<u>10,083,699</u>
	<b>Expenses</b>		
	Regular Instruction	5,262,763	4,973,124
	Student Support Services	1,398,182	1,332,277
	Adult Learning Centres	-	-
	Community Education and Services	5,991	6,466
	Divisional Administration	327,715	332,258
	Instructional and Other Support Services	235,680	233,752
	Transportation of Pupils	872,065	834,918
	Operations and Maintenance	895,948	923,919
11	Fiscal - Interest	197,382	204,382
	- Other	141,468	152,164
	Amortization	430,038	430,830
	Other Capital Items	-	5,467
	School Generated Funds	340,352	328,480
	Other Special Purpose Funds	-	-
		<u>10,107,584</u>	<u>9,758,037</u>
	Current Year Surplus (Deficit)	<u>409,620</u>	<u>325,662</u>
	Opening Accumulated Surplus	1,943,720	1,618,058
	Adjustments: Tangible Cap. Assets and Accum. Amort.	-	-
	Other than Tangible Cap. Assets	-	-
	Opening Accumulated Surplus, as adjusted	<u>1,943,720</u>	<u>1,618,058</u>
	<b>Closing Accumulated Surplus</b>	<u><u>2,353,340</u></u>	<u><u>1,943,720</u></u>

See accompanying notes to the Financial Statements

**CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT**

For the Year Ended June 30, 2011

	2011	2010
Current Year Surplus (Deficit)	409,620	325,662
Amortization of Tangible Capital Assets	430,038	430,830
Acquisition of Tangible Capital Assets	(92,921)	(362,335)
(Gain) / Loss on Disposal of Tangible Capital Assets	-	-
Proceeds on Disposal of Tangible Capital Assets	-	-
	337,117	68,495
Inventories (Increase)/Decrease	(6,447)	(3,061)
Prepaid Expenses (Increase)/Decrease	3,049	65,196
	(3,398)	62,135
(Increase)/Decrease in Net Debt	743,339	456,292
Net Debt at Beginning of Year	(2,197,393)	(2,653,685)
Adjustments Other than Tangible Cap. Assets	-	-
Net Debt at Beginning of Year as Adjusted	(2,197,393)	(2,653,685)
<b>Net Debt at End of Year</b>	<b>(1,454,054)</b>	<b>(2,197,393)</b>

**CONSOLIDATED STATEMENT OF CASH FLOW**

For the Year Ended June 30, 2011

	2011	2010
<b>Operating Transactions</b>		
Current Year Surplus/(Deficit)	409,620	325,662
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	430,038	430,830
(Gain)/Loss on Disposal of Tangible Capital Assets	-	-
Employee Future Benefits Increase/(Decrease)	-	-
Short Term Investments (Increase)/Decrease	-	-
Due from Other Organizations (Increase)/Decrease	1,151,658	(19,680)
Accounts Receivable & Accrued Income (Increase)/Decrease	(209)	2,040
Inventories and Prepaid Expenses - (Increase)/Decrease	(3,398)	62,135
Due to Other Organizations Increase/(Decrease)	5,177	-
Accounts Payable & Accrued Liabilities Increase/(Decrease)	50,341	(245,725)
Deferred Revenue Increase/(Decrease)	(1,046,159)	(55,914)
School Generated Funds Liability Increase/(Decrease)	-	-
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by Operating Transactions	997,068	499,348
<b>Capital Transactions</b>		
Acquisition of Tangible Capital Assets	(92,921)	(362,335)
Proceeds on Disposal of Tangible Capital Assets	-	-
Cash (Applied to)/Provided by Capital Transactions	(92,921)	(362,335)
<b>Investing Transactions</b>		
Other Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
<b>Financing Transactions</b>		
Debenture Debt Increase/(Decrease)	(59,074)	379,157
Other Borrowings Increase/(Decrease)	-	-
Cash Provided by (Applied to) Financing Transactions	(59,074)	379,157
Cash and Bank / Overdraft (Increase)/Decrease	845,073	516,170
Cash and Bank (Overdraft) at Beginning of Year	588,684	72,514
<b>Cash and Bank (Overdraft) at End of Year</b>	<b>1,433,757</b>	<b>588,684</b>

# **SCHEDULE OF TANGIBLE CAPITAL ASSETS**

at June 30, 2011

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	2011 TOTALS	2010 TOTALS
	School	Non-School									
<b>Tangible Capital Asset Cost</b>											
Opening Cost, as previously reported	8,940,324	411,192	2,046,812	95,968	91,629	107,695	36,325	-	12,519	11,742,464	11,380,129
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	8,940,324	411,192	2,046,812	95,968	91,629	107,695	36,325	-	12,519	11,742,464	11,380,129
Add:											
Additions during the year	20,776	-	-	-	25,622	27,296	-	-	19,227	92,921	362,335
Less:											
Disposals and write downs	-	-	-	-	-	-	-	-	-	-	-
Closing Cost	8,961,100	411,192	2,046,812	95,968	117,251	134,991	36,325	-	31,746	11,835,385	11,742,464
<b>Accumulated Amortization</b>											
Opening, as previously reported	5,808,925	411,192	1,293,779	85,072	50,477	92,245	-	-	-	7,741,690	7,310,860
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening adjusted	5,808,925	411,192	1,293,779	85,072	50,477	92,245	-	-	-	7,741,690	7,310,860
Add:											
Current period Amortization	242,199	-	152,054	7,264	14,808	13,713	-	-	-	430,038	430,830
Less:											
Accumulated Amortization on Disposals and Writedowns	-	-	-	-	-	-	-	-	-	-	-
Closing Accumulated Amortization	6,051,124	411,192	1,445,833	92,336	65,285	105,958	-	-	-	8,171,728	7,741,690
<b>Net Tangible Capital Asset</b>	2,909,976	-	600,979	3,632	51,966	29,033	36,325	-	31,746	3,663,657	4,000,774
<b>Proceeds from Disposal of Capital Assets</b>	-	-	-	-	-	-	-	-	-	-	-

\* Includes network infrastructure.

**TURTLE RIVER SCHOOL DIVISION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2011**

**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**

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. 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.

**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 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 & 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.

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 11.65% (dependant on age) of earnings to the plan. The Division matches this contribution and remits both contributions monthly.

#### **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 \$621,850, a reserve for a project to upgrade the wide area network wireless computer communication system in the amount of \$70,000, a reserve for a project to install air conditioning to a portion of Alonsa School not currently air conditioned in the amount of \$291,883, a reserve for a project to upgrade playgrounds in the amount of \$40,573 and a reserve for a project to upgrade school canteens in the amount of \$140,000.

#### **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 \$1,500,000 line of credit with the Royal Bank of Canada by way of overdraft. (By-Law #169) The Division does not receive any 2011 property taxation until October 31 each year.

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, 2010	Additions in the period	Revenue recognized in the period	Balance as at June 30, 2011
Municipal Revenue	\$1,060,170		\$1,060,170	\$0
Education Property Tax Credit	307,448	324,889	307,448	324,889
Hydro Grant - Grass River	5,430	2,000	5,430	2,000
	<u>\$ 1,373,048</u>	<u>\$ 326,889</u>	<u>\$ 1,373,048</u>	<u>\$ 326,889</u>

## 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, 2011 covers a period of twelve months from July 1, 2010 to June 30, 2011.

## 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 2012 to 2030. Payment of principal and interest is funded entirely by grants from the Province of Manitoba. The debentures carry interest rates that range from 4.75% to 12.125%. Debenture interest expense payable as at June 30, 2011, 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
2012	\$ 287,873	\$ 143,244	431,117
2013	301,776	121,009	422,785
2014	181,197	97,843	279,040
2015	171,265	86,627	257,892
2016	170,581	76,518	247,099
	<u>\$ 1,112,692</u>	<u>\$ 525,241</u>	<u>\$ 1,637,933</u>



## 9. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	<u>2011</u>
Operating Fund	
Designated Surplus	42,346
Undesignated Surplus	342,671
	<u>385,017</u>
Capital Fund	
Reserve Accounts	1,164,306
Equity in Tangible Capital Assets	693,377
	<u>1,857,683</u>
Special Purpose Fund	
School Generated Funds	110,640
Other Special Purpose Funds	-
	<u>110,640</u>
Total Accumulated Surplus	<u>\$ 2,353,340</u>

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.

	<u>2011</u>
School budget carryovers by board policy	42,346
Designated surplus	<u>\$ 42,346</u>

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.

	<u>2011</u>
Bus reserves	621,850
Other reserves	542,456
Capital Reserve	<u>\$ 1,164,306</u>

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

Education property tax or Special Levy is raised as the Division's contribution to the cost of providing public education for the students resident in the division. The Municipal Government-Property Tax shown on the consolidated revenue and expense is raised over the two calendar (tax) years; 50% from 2010 tax year and 50% from 2011 tax year. Below are the related revenue and receivable amounts:

	<u>2011</u>	<u>2010</u>
Revenue-Municipal Government-Property Tax	\$ 1,983,665	\$ 2,025,032
Receivable-Due from Municipal-Property Tax	\$ 923,495	\$ 2,071,480

## 11. Interest Received and Paid

The Division received interest during the year of \$8,122 (previous year \$4,657).

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

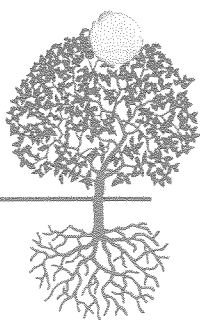
	<u>2011</u>
Operating Fund	
Fiscal-short term loan, interest and bank charges	\$ 1,528
Capital Fund	
Debenture debt interest	195,854
Other interest	-
	<u>\$ 197,382</u>

The accrual portion of debenture debt interest expense of \$96,877 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 <u>2011</u>	Budget <u>2011</u>	Actual <u>2010</u>
Salaries	\$ 6,625,350	\$ 6,863,920	\$ 6,374,124
Employees benefits & allowances	493,466	583,870	500,897
Services	845,267	1,134,725	831,798
Supplies, materials & minor equipment	920,932	838,873	829,010
Interest	197,382	198,854	204,382
Transfers	113,329	116,600	100,885
Payroll tax	141,468	150,775	152,164
Amortization	430,038	-	430,830
Other capital items	-	-	5,467
School generated funds	340,352	-	328,480
Other special purpose funds	-	-	-
	<u>\$ 10,107,584</u>	<u>\$ 9,887,617</u>	<u>\$ 9,758,037</u>



## 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 Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Division's consolidated financial statements.

\_\_\_\_\_  
Chairperson

\_\_\_\_\_  
Secretary-Treasurer

October 28, 2011

Board of Trustees: Brian Fransen, Ken Klassen, Deanna Pentland, Barb Petkau, Robyn Wiebe

**STEPHEN ROSS**  
Superintendent / CEO

**CARL PEDERSEN**  
Secretary / Treasurer

**CYNDY KUTZNER**  
Assistant Superintendent

**ALLAN TOEWS**  
Operations

## AUDITORS' REPORT

To the board of trustees  
Western School Division

We have audited the Consolidated Statement of Financial Position for the Operating Fund, Capital Fund and Special Fund of Western School Division as at June 30, 2011, and the Consolidated Statements of Revenue, Expenses and Accumulated Surplus and Cash Flow for the year then ended.

### 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, 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 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 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, these consolidated financial statements present fairly, in all material respects, the financial position of the organization as at June 30, 2011 and the results of operations and cash flow of the organization for the year then ended, in accordance with Canadian generally accepted accounting principles.

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.

Partners *Dale R. Gislason, FCGA\** *Robert J. Friesen, B. Comm. (Hons.), CGA\**  
*Saul Targownik, CMA, CGA\** *Darren Funk, CGA\**  
Retired Partner *Ernest Peters, FCGA\**

\*Professional Corporation

*Gislason Targownik Peters*

**CERTIFIED GENERAL ACCOUNTANTS**

Winkler, Manitoba  
October 28, 2011

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.

October 28, 2011  
Date

\_\_\_\_\_  
Chairperson



**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

as at June 30

Notes		2011	2010
	<b>Financial Assets</b>		
	Cash and Bank	-	-
	Short Term Investments	-	-
	Due from - Provincial Government	362,609	412,315
	- Federal Government	28,057	266,335
	- Municipal Government	2,382,204	2,229,879
	- Other School Divisions	125,529	74,394
	- First Nations	-	-
	Accounts Receivable	60,396	58,836
	Accrued Investment Income	-	-
	Other Investments	-	-
		<u>2,958,795</u>	<u>3,041,759</u>
	<b>Liabilities</b>		
3	Overdraft	2,108,797	2,766,750
	Accounts Payable	786,434	896,609
	Accrued Liabilities	571,032	267,570
	Employee Future Benefits	-	-
	Accrued Interest Payable	99,379	114,051
	Due to - Provincial Government	5,637	6,653
	- Federal Government	12,128	12,691
	- Municipal Government	-	-
	- Other School Divisions	204,574	226,588
	- First Nations	-	-
4	Deferred Revenue	814,767	725,337
5	Debenture Debt	4,919,125	4,670,262
6	Other Borrowings	550,684	605,814
7	School Generated Funds Liability	93,874	91,285
		<u>10,166,431</u>	<u>10,383,610</u>
	<b>Net Debt</b>	<u>(7,207,636)</u>	<u>(7,341,851)</u>
	<b>Non-Financial Assets</b>		
8	Net Tangible Capital Assets (TCA Schedule)	11,100,134	11,212,696
	Inventories	-	-
	Prepaid Expenses	72,335	96,148
		<u>11,172,469</u>	<u>11,308,844</u>
9	<b>Accumulated Surplus</b>	<u>3,964,833</u>	<u>3,966,993</u>

See accompanying notes to the Financial Statements

**CONSOLIDATED STATEMENT  
OF REVENUE, EXPENSES  
AND ACCUMULATED SURPLUS**

For the Year Ended June 30

Notes		2011	2010
	<b>Revenue</b>		
	Provincial Government	11,379,172	11,039,708
	Federal Government	10,661	4,486
10	Municipal Government - Property Tax	4,300,088	3,938,906
	- Other	3,200	3,200
	Other School Divisions	45,500	43,550
	First Nations	-	-
	Private Organizations and Individuals	238,434	256,107
	Other Sources	56,077	118,387
	School Generated Funds	41,836	41,911
	Other Special Purpose Funds	-	-
		<u>16,074,968</u>	<u>15,446,255</u>
	<b>Expenses</b>		
	Regular Instruction	8,798,877	8,507,973
	Student Support Services	2,411,644	2,183,059
	Adult Learning Centres	360,000	364,000
	Community Education and Services	27,474	29,327
	Divisional Administration	546,631	512,796
	Instructional and Other Support Services	474,968	509,209
	Transportation of Pupils	598,300	564,602
	Operations and Maintenance	1,489,855	1,411,857
11	Fiscal - Interest	413,601	341,465
	- Other	243,013	231,736
	Amortization	669,284	557,029
	Other Capital Items	-	-
	School Generated Funds	43,481	39,225
	Other Special Purpose Funds	-	-
		<u>16,077,128</u>	<u>15,252,278</u>
	Current Year Surplus (Deficit)	<u>(2,160)</u>	<u>193,977</u>
	Opening Accumulated Surplus	3,966,993	3,773,016
	Adjustments: Tangible Cap. Assets and Accum. Amort.	-	-
	Other than Tangible Cap. Assets	-	-
	Opening Accumulated Surplus, as adjusted	<u>3,966,993</u>	<u>3,773,016</u>
	<b>Closing Accumulated Surplus</b>	<u><u>3,964,833</u></u>	<u><u>3,966,993</u></u>

See accompanying notes to the Financial Statements

**CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT**

For the Year Ended June 30, 2011

	2011	2010
Current Year Surplus (Deficit)	<u>(2,160)</u>	<u>193,977</u>
Amortization of Tangible Capital Assets	669,284	557,029
Acquisition of Tangible Capital Assets	(559,134)	(5,431,238)
(Gain) / Loss on Disposal of Tangible Capital Assets	2,412	(15,657)
Proceeds on Disposal of Tangible Capital Assets	<u>-</u>	<u>15,657</u>
	<u>112,562</u>	<u>(4,874,209)</u>
Inventories (Increase)/Decrease	-	21,957
Prepaid Expenses (Increase)/Decrease	<u>23,813</u>	<u>22,368</u>
	<u>23,813</u>	<u>44,325</u>
(Increase)/Decrease in Net Debt	<u>134,215</u>	<u>(4,635,907)</u>
Net Debt at Beginning of Year	(7,341,851)	(2,705,944)
Adjustments Other than Tangible Cap. Assets	<u>-</u>	<u>-</u>
Net Debt at Beginning of Year as Adjusted	<u>(7,341,851)</u>	<u>(2,705,944)</u>
<b>Net Debt at End of Year</b>	<u><u>(7,207,636)</u></u>	<u><u>(7,341,851)</u></u>

**CONSOLIDATED STATEMENT OF CASH FLOW**

For the Year Ended June 30, 2011

	2011	2010
<b>Operating Transactions</b>		
Current Year Surplus/(Deficit)	(2,160)	193,977
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	669,284	557,029
(Gain)/Loss on Disposal of Tangible Capital Assets	2,412	(15,657)
Employee Future Benefits Increase/(Decrease)	-	-
Short Term Investments (Increase)/Decrease	-	-
Due from Other Organizations (Increase)/Decrease	84,524	(380,216)
Accounts Receivable & Accrued Income (Increase)/Decrease	(1,560)	(32,378)
Inventories and Prepaid Expenses - (Increase)/Decrease	23,813	44,325
Due to Other Organizations Increase/(Decrease)	(23,593)	28,283
Accounts Payable & Accrued Liabilities Increase/(Decrease)	178,615	521,733
Deferred Revenue Increase/(Decrease)	89,430	7,876
School Generated Funds Liability Increase/(Decrease)	2,589	5,632
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by Operating Transactions	1,023,354	930,604
<b>Capital Transactions</b>		
Acquisition of Tangible Capital Assets	(559,134)	(5,431,238)
Proceeds on Disposal of Tangible Capital Assets	-	15,657
Cash (Applied to)/Provided by Capital Transactions	(559,134)	(5,415,581)
<b>Investing Transactions</b>		
Other Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
<b>Financing Transactions</b>		
Debenture Debt Increase/(Decrease)	248,863	1,209,955
Other Borrowings Increase/(Decrease)	(55,130)	605,814
Cash Provided by (Applied to) Financing Transactions	193,733	1,815,769
Cash and Bank / Overdraft (Increase)/Decrease	657,953	(2,669,208)
Cash and Bank (Overdraft) at Beginning of Year	(2,766,750)	(97,542)
<b>Cash and Bank (Overdraft) at End of Year</b>	<b>(2,108,797)</b>	<b>(2,766,750)</b>

# **SCHEDULE OF TANGIBLE CAPITAL ASSETS**

at June 30, 2011

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	2011 TOTALS	2010 TOTALS
	School	Non-School									
<b>Tangible Capital Asset Cost</b>											
Opening Cost, as previously reported	15,400,180	1,276,112	1,521,289	79,388	352,055	192,763	629,054	124,180	120,776	19,695,797	14,346,264
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	15,400,180	1,276,112	1,521,289	79,388	352,055	192,763	629,054	124,180	120,776	19,695,797	14,346,264
Add:											
Additions during the year	516,310	-	-	-	68,233	88,475	-	-	(113,884)	559,134	5,431,238
Less:											
Disposals and write downs	-	-	-	-	24,114	-	-	-	-	24,114	81,705
Closing Cost	15,916,490	1,276,112	1,521,289	79,388	396,174	281,238	629,054	124,180	6,892	20,230,817	19,695,797
<b>Accumulated Amortization</b>											
Opening, as previously reported	7,041,293	168,397	969,485	32,726	103,750	154,464		12,986		8,483,101	8,007,777
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	7,041,293	168,397	969,485	32,726	103,750	154,464		12,986		8,483,101	8,007,777
Add:											
Current period Amortization	441,752	51,044	91,315	11,385	46,279	15,091		12,418		669,284	557,029
Less:											
Accumulated Amortization on Disposals and Writedowns	-	-	-	-	21,702	-		-		21,702	81,705
Closing Accumulated Amortization	7,483,045	219,441	1,060,800	44,111	128,327	169,555		25,404		9,130,683	8,483,101
<b>Net Tangible Capital Asset</b>	8,433,445	1,056,671	460,489	35,277	267,847	111,683	629,054	98,776	6,892	11,100,134	11,212,696
<b>Proceeds from Disposal of Capital Assets</b>	-	-	-	-	-	-				-	15,657

\* Includes network infrastructure.



**WESTERN SCHOOL DIVISION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2011**

**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) 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	5,000	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.

#### **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. Overdraft**

The Division has an authorized line of credit with Access Credit Union Limited of \$5,550,000 by way of overdrafts and is repayable on demand at prime less 0.5%.

### **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, 2010	Additions in the period	Revenue recognized in the period	Balance as at June 30, 2011
Manitoba Textbook Bureau	\$ 35,277	\$ 48,283	\$ 44,802	\$ 38,758
Education & Property Tax Credit	646,353	726,104	646,353	726,104
Other	43,707	154,293	148,095	49,905
	<u>\$ 725,337</u>	<u>\$ 928,680</u>	<u>\$ 839,250</u>	<u>\$ 814,767</u>

## 5. 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 2011 to 2030. 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 5.250% to 11.875%. Debenture interest expense payable as at June 30, 2011, 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
2012	449,309	325,747	\$ 775,056
2013	479,015	289,247	768,262
2014	445,011	250,390	695,402
2015	480,554	214,848	695,402
2016	358,460	176,341	534,802
	<u>\$ 2,212,349</u>	<u>\$ 1,256,574</u>	<u>\$ 3,468,923</u>

## 6. Other Borrowings

Other borrowings are debts other than overdrafts or debentures. This includes a loan to purchase property.

	2011
Division Office Loan	<u>\$550,684</u>

The Division Office Loan has prime less 0.5% interest per annum, due in 2020 and a monthly payment 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
2011	56,400	13,163	\$ 69,562
2012	57,862	11,700	69,562
2013	59,325	10,237	69,562
2014	60,825	8,737	69,562
2015	62,344	7,218	69,562
	<u>\$ 296,756</u>	<u>\$ 51,055</u>	<u>\$ 347,811</u>

## 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 \$98,654.

## 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	2011 Net Book Value
Owned-tangible capital assets	<u>\$ 20,230,817</u>	<u>\$ 9,130,683</u>	<u>\$ 11,100,134</u>

## 9. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	<u>2011</u>
Operating Fund	
Designated Surplus	-
Undesignated Surplus	228,399
	<u>228,399</u>
Capital Fund	
Reserve Accounts	160,623
Equity in Tangible Capital Assets	3,571,029
	<u>3,731,652</u>
Special Purpose Fund	
School Generated Funds	4,781
Other Special Purpose Funds	-
	<u>4,781</u>
Total Accumulated Surplus	<u>\$ 3,964,833</u>

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.

	<u>2011</u>
Bus reserves	<u>\$ 160,623</u>

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

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

Education property tax or Special Levy is raised as the Division's contribution to the cost of providing public education for the students resident in the division. The Municipal Government-Property Tax shown on the consolidated revenue and expense is raised over the two calendar (tax) years; 40% from 2010 tax year and 60% from 2011 tax year. Below are the related revenue and receivable amounts:

	<u>2011</u>	<u>2010</u>
Revenue-Municipal Government-Property Tax	\$ 4,300,088	\$ 3,938,906
Receivable-Due from Municipal-Property Tax	<u>\$ 2,382,204</u>	<u>\$ 2,229,879</u>

## 11. Interest Received and Paid

The Division received interest during the year of \$156 (previous year \$156); interest paid during the year was \$413,591 (previous year \$341,465).

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

	<u>2011</u>
Operating Fund	
Fiscal-short term loan, interest and bank charges	\$ 19,673
Capital Fund	
Debenture debt interest	328,712
Other interest	65,216
	<u>\$ 413,601</u>

The accrual portion of debenture debt interest expense of \$99,379 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 <u>2011</u>	Budget <u>2011</u>	Actual <u>2010</u>
Salaries	\$ 11,531,269	\$ 11,510,078	\$ 10,885,440
Employees benefits & allowances	833,304	845,856	785,089
Services	1,250,678	1,314,610	1,239,812
Supplies, materials & minor equipment	984,203	993,002	985,188
Interest	413,591	23,000	341,465
Payroll tax	243,013	247,467	231,736
Amortization	557,029	-	557,029
Other capital items	-	-	-
School generated funds	43,481	-	39,225
Transfers	108,295	166,600	187,294
	<u>\$ 15,964,863</u>	<u>\$ 15,100,613</u>	<u>\$ 15,252,278</u>

## 13. Contractual Obligations

The Division has entered into a lease agreement for its Adult Learning Centre premises with monthly payments expiring October 2013.

The minimum annual lease payments for the next two years are as follows:

2012	\$58,953
2013	\$20,035



## MANAGEMENT REPORT

### Management's Responsibility for the Financial Statements

The accompanying consolidated financial statements of The Winnipeg School Division are the responsibility of the Division's management and have been prepared in compliance with legislation, and in accordance with 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. 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.

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Chairperson

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Secretary-Treasurer

October 17, 2011



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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, 2011, 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 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 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 The Winnipeg School Division as at June 30, 2011, and its consolidated results of operations and its consolidated 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 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.



Chartered Accountants

October 17, 2011

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.

NOV 01 2011

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Chairperson of the Board

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Date

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

as at June 30

Notes		2011	2010
	<b>Financial Assets</b>		
	Cash and Bank	-	-
(4)	Short Term Investments	2,441,880	2,394,150
	Due from - Provincial Government	15,570,579	12,651,296
	- Federal Government	485,886	748,390
	- Municipal Government	62,378,155	63,514,173
	- Other School Divisions	57,079	55,032
	- First Nations	1,059,930	617,849
	Accounts Receivable	2,448,119	1,325,236
	Accrued Investment Income	2,423	4,278
	Other Investments	3,154,017	3,561,733
		<u>87,598,068</u>	<u>84,872,137</u>
	<b>Liabilities</b>		
(3)	Overdraft	12,105,313	25,678,774
	Accounts Payable	9,266,316	9,827,127
	Accrued Liabilities	40,881,261	13,361,003
(5)	Employee Future Benefits	3,729,783	4,012,656
	Accrued Interest Payable	2,091,780	2,199,068
	Due to - Provincial Government	1,166,302	1,078,503
	- Federal Government	5,059,633	14,232,797
	- Municipal Government	-	-
	- Other School Divisions	764,372	669,716
	- First Nations	-	-
(6)	Deferred Revenue	14,323,647	12,467,683
(8)	Debenture Debt	79,909,620	78,850,228
	Other Borrowings	-	-
(7)	School Generated Funds Liability	2,246,583	2,109,470
		<u>171,544,610</u>	<u>164,487,025</u>
	<b>Net Debt</b>	<u>(83,946,542)</u>	<u>(79,614,888)</u>
	<b>Non-Financial Assets</b>		
	Net Tangible Capital Assets (TCA Schedule)	130,533,412	124,556,686
	Inventories	1,000,730	943,233
	Prepaid Expenses	5,381,480	4,965,246
		<u>136,915,622</u>	<u>130,465,165</u>
	<b>Accumulated Surplus</b>	<u>52,969,080</u>	<u>50,850,277</u>

See accompanying notes to the Financial Statements



# CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes	2011	2010
<b>Revenue</b>		
Provincial Government	235,020,660	226,047,924
Federal Government	-	-
Municipal Government - Property Tax	102,222,595	104,495,826
- Other	510,364	524,977
Other School Divisions	2,180,654	2,245,665
First Nations	2,127,925	1,877,930
Private Organizations and Individuals	906,850	959,110
Other Sources	911,371	646,826
School Generated Funds	333,943	284,391
Other Special Purpose Funds	(55,624)	190,386
	<u>344,158,738</u>	<u>337,273,035</u>
<b>Expenses</b>		
Regular Instruction	171,645,670	169,927,816
Student Support Services	78,876,026	74,721,900
Adult Learning Centres	723,536	713,177
Community Education and Services	8,372,961	8,227,912
Divisional Administration	8,596,258	8,647,508
Instructional and Other Support Services	10,136,498	10,056,228
Transportation of Pupils	5,159,217	5,240,610
Operations and Maintenance	40,510,114	41,703,190
Fiscal - Interest	5,131,339	4,950,654
- Other	5,588,114	5,492,538
Amortization	6,667,686	6,105,121
Other Capital Items	86,619	-
School Generated Funds	289,267	283,075
Other Special Purpose Funds	256,630	296,105
	<u>342,039,935</u>	<u>336,365,834</u>
Current Year Surplus (Deficit)	<u>2,118,803</u>	<u>907,201</u>
Opening Accumulated Surplus	50,850,277	49,943,076
Adjustments: Tangible Cap. Assets and Accum. Amort.	-	-
Other than Tangible Cap. Assets	-	-
Opening Accumulated Surplus, as adjusted	<u>50,850,277</u>	<u>49,943,076</u>
<b>Closing Accumulated Surplus</b>	<u>52,969,080</u>	<u>50,850,277</u>

See accompanying notes to the Financial Statements

**CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT**

For the Year Ended June 30, 2011

	2011	2010
Current Year Surplus (Deficit)	2,118,803	907,201
Amortization of Tangible Capital Assets	6,667,686	6,105,121
Acquisition of Tangible Capital Assets	(12,644,412)	(19,568,213)
(Gain) / Loss on Disposal of Tangible Capital Assets	(12,459)	(11,585)
Proceeds on Disposal of Tangible Capital Assets	12,459	13,410
	(5,976,726)	(13,461,267)
Inventories (Increase)/Decrease	(57,497)	(11,100)
Prepaid Expenses (Increase)/Decrease	(416,234)	(1,880,652)
	(473,731)	(1,891,752)
(Increase)/Decrease in Net Debt	(4,331,654)	(14,445,818)
Net Debt at Beginning of Year	(79,614,888)	(65,169,070)
Adjustments Other than Tangible Cap. Assets	-	-
Net Debt at Beginning of Year as Adjusted	(79,614,888)	(65,169,070)
<b>Net Debt at End of Year</b>	<b>(83,946,542)</b>	<b>(79,614,888)</b>



**CONSOLIDATED STATEMENT OF CASH FLOW**

For the Year Ended June 30, 2011

	2011	2010
<b>Operating Transactions</b>		
Current Year Surplus/(Deficit)	2,118,803	907,201
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	6,667,686	6,105,121
(Gain)/Loss on Disposal of Tangible Capital Assets	(12,459)	(11,585)
Employee Future Benefits Increase/(Decrease)	(282,873)	257,077
Short Term Investments (Increase)/Decrease	(47,730)	502,339
Due from Other Organizations (Increase)/Decrease	(1,964,889)	(2,464,121)
Accounts Receivable & Accrued Income (Increase)/Decrease	(1,121,028)	(75,388)
Inventories and Prepaid Expenses - (Increase)/Decrease	(473,731)	(1,891,752)
Due to Other Organizations Increase/(Decrease)	(8,990,709)	504,533
Accounts Payable & Accrued Liabilities Increase/(Decrease)	26,852,159	(321,933)
Deferred Revenue Increase/(Decrease)	1,855,964	30,778
School Generated Funds Liability Increase/(Decrease)	137,113	48,577
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by Operating Transactions	24,738,306	3,590,847
<b>Capital Transactions</b>		
Acquisition of Tangible Capital Assets	(12,644,412)	(19,568,213)
Proceeds on Disposal of Tangible Capital Assets	12,459	13,410
Cash (Applied to)/Provided by Capital Transactions	(12,631,953)	(19,554,803)
<b>Investing Transactions</b>		
Other Investments (Increase)/Decrease	407,716	(1,001,675)
Cash Provided by (Applied to) Investing Transactions	407,716	(1,001,675)
<b>Financing Transactions</b>		
Debenture Debt Increase/(Decrease)	1,059,392	7,994,383
Other Borrowings Increase/(Decrease)	-	-
Cash Provided by (Applied to) Financing Transactions	1,059,392	7,994,383
Cash and Bank / Overdraft (Increase)/Decrease	13,573,461	(8,971,248)
Cash and Bank (Overdraft) at Beginning of Year	(25,678,774)	(16,707,526)
<b>Cash and Bank (Overdraft) at End of Year</b>	<b>(12,105,313)</b>	<b>(25,678,774)</b>

# SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2011

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	2011 TOTALS	2010 TOTALS
	School	Non-School									
<b>Tangible Capital Asset Cost</b>											
Opening Cost, as previously reported	188,723,724	4,359,922	6,806,120	588,131	5,186,258	1,908,488	21,546,082	1,202,959	6,647,852	236,969,536	217,474,336
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	188,723,724	4,359,922	6,806,120	588,131	5,186,258	1,908,488	21,546,082	1,202,959	6,647,852	236,969,536	217,474,336
Add:											
Additions during the year	6,980,478	46,501	781,656	88,902	605,293	393,180	236,089	122,458	3,389,855	12,644,412	19,568,213
Less:											
Disposals and write downs	-	-	125,984	-	-	-	-	-	-	125,984	73,013
Closing Cost	195,704,202	4,406,423	7,461,792	677,033	5,791,551	2,301,668	21,782,171	1,325,417	10,037,707	249,487,964	236,969,536
<b>Accumulated Amortization</b>											
Opening, as previously reported	100,890,925	3,012,546	4,043,382	371,262	2,924,374	949,121		221,240		112,412,850	106,378,917
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	100,890,925	3,012,546	4,043,382	371,262	2,924,374	949,121		221,240		112,412,850	106,378,917
Add:											
Current period Amortization	4,853,407	77,144	462,234	79,992	696,948	371,542		126,419		6,667,686	6,105,121
Less:											
Accumulated Amortization on Disposals and Writedowns	-	-	125,984	-	-	-		-		125,984	71,188
Closing Accumulated Amortization	105,744,332	3,089,690	4,379,632	451,254	3,621,322	1,320,663		347,659		118,954,552	112,412,850
<b>Net Tangible Capital Asset</b>	89,959,870	1,316,733	3,082,160	225,779	2,170,229	981,005	21,782,171	977,758	10,037,707	130,533,412	124,556,686
<b>Proceeds from Disposal of Capital Assets</b>	-	-	12,459	-	-	-				12,459	13,410

\* Includes network infrastructure.

# THE WINNIPEG SCHOOL DIVISION

## Notes to Consolidated Financial Statements

Year ended June 30, 2011

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### 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, 2010 were \$619,790 (2009 - \$551,169).

# THE WINNIPEG SCHOOL DIVISION

Notes to Consolidated Financial Statements (continued)

Year ended June 30, 2011

---

## 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, 2011 funds on hand in these schools for this purpose totaled \$17,821 (2010 - \$20,426).

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 \$1,132,578 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 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.

### (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.

# THE WINNIPEG SCHOOL DIVISION

Notes to Consolidated Financial Statements (continued)

Year ended June 30, 2011

## 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	\$ 25,000	10
Buildings - bricks, mortar and steel	25,000	40
Building - wood frame	25,000	25
Network infrastructure	25,000	10
Leasehold improvements	25,000	Over term of the lease
School buses	20,000	10
Vehicles	10,000	5
Computer software	10,000	4
Equipment	5,000	5
Computer hardware, services and peripherals	5,000	4
Furniture and fixtures	5,000	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.

# THE WINNIPEG SCHOOL DIVISION

Notes to Consolidated Financial Statements (continued)

Year ended June 30, 2011

---

## 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) 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.

### (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.



# THE WINNIPEG SCHOOL DIVISION

Notes to Consolidated Financial Statements (continued)

Year ended June 30, 2011

---

## 2. Significant accounting principles (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) Investment income:

Investment income is reported as revenue in the period earned.

### (k) 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, liabilities, revenues and expenditures and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements during the reporting period. Actual subsequent results could differ from these estimates.

## 3. Overdraft:

The Division has an authorized overdraft limit with a chartered bank of \$49,000,000. As at June 30, 2011, \$28,000,000 of the authorized overdraft has been utilized in the form of fixed rate promissory notes, bearing interest at rates ranging from 1.99 percent to 2.15 percent. These promissory notes were repaid on July 29, 2011.

Included in the overdraft are funding of capital projects totaling approximately \$2,698,731 which has been submitted to PSFB for debenture funding (note 8), funds held on behalf of the Winnipeg Teachers Association's dental plan totaling \$1,517,745 (2010 - \$2,012,890) and funds held on behalf of the Winnipeg Teachers Association and the Winnipeg Association of Non Teaching employees extended health care plan totaling \$1,402,063 (2010 - \$1,438,487).

Overdrafts are secured by borrowing By-Law No. 1182.

## 4. Short-term investments:

Short-term investments consist of Federal, Provincial and Corporate bonds and debentures, and mortgage backed securities. All short-term investments are recorded at the lower of cost or market. As at June 30, 2011, the market value of short-term investments was \$2,569,534 (2010 - \$2,538,321); gain (loss) on short-term investment during the year was \$47,730 (2010 - (\$25,046)).

# THE WINNIPEG SCHOOL DIVISION

Notes to Consolidated Financial Statements (continued)

Year ended June 30, 2011

## 5. Employee future benefits:

The Division sponsors a contributory defined benefit pension plan and other future benefits for certain employees.

### (i) Benefit plans:

Employees eligible for the pension plan are required to contribute a percentage of earnings in accordance with the following schedule:

Year	Pensionable salary	Excess pensionable salary
2006	5.50%	7.00%
2007	6.00%	7.40%
2008	6.50%	7.80%
2009	7.00%	8.20%
2010	7.00%	8.20%

The Division is required to contribute an amount each year equal to 127.4 percent of employees' required pension contributions.

The benefit plans are actuarially valued every two years. The most recent actuarial report was prepared on December 31, 2010.

Information about the Division's benefit plans in aggregate, is as follows:

#### Benefit plan assets:

Fair value, beginning of year	\$ 268,344,676
Expected return	15,942,985
Actuarial investment gain/(loss)	1,549,184
Employer contributions	5,273,881
Employee contributions	4,968,234
Benefits paid	(13,343,927)
Fair value, end of year	\$ 282,735,033

#### Accrued benefit plan obligations:

Balance, beginning of year	\$ 256,975,497
Current service costs	10,242,115
Interest costs	15,613,220
Benefits paid	(13,343,927)
Actuarial gain/loss	(2,689,963)
Actuarial assumption change	—
Balance, end of year	\$ 266,796,942

# THE WINNIPEG SCHOOL DIVISION

Notes to Consolidated Financial Statements (continued)

Year ended June 30, 2011

## 5. Employee future benefits (continued):

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Surplus of plan assets versus plan obligations	\$ 15,938,091
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Unamortized net actuarial gain (loss)	\$ —
Benefit plan surplus	15,938,091
Less: valuation allowance	(15,938,091)

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Net accrued benefits plan asset	\$ —
---------------------------------	------

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Pursuant to the Division's by-laws it does not have any access to any benefit plan surplus. As such, a valuation allowance has been recorded to offset the benefit plan asset.

Included in the accrued benefit plan obligations and the fair value of benefit plan assets at year end are amounts in respect of the Disability Income Plan which has an accrued benefit plan obligation in excess of plan assets.

The total net cost for the Division's benefit plans is as follows:

---

Net defined benefit plans cost:	
Current service cost less employee contributions	\$ 5,273,881
Interest on plan obligations	15,613,220
Expected return on plan assets	(15,942,985)
Amortization of actuarial (gains) and losses	—
Valuation allowance increase (decrease)	329,765

---

Net defined benefit plans cost	\$ 5,273,881
--------------------------------	--------------

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The significant actuarial assumptions adopted in measuring the Division's pension cost and accrued benefit obligations are as follows:

---

Discount rate	6.00%
Expected long-term rate of return on plan assets	6.00%
Rate of compensation increase	4.00%

---

# THE WINNIPEG SCHOOL DIVISION

Notes to Consolidated Financial Statements (continued)

Year ended June 30, 2011

## 5. Employee future benefits (continued):

The benefit plan assets are held in trust and are invested as follows:

Equities	51%
Bonds	43%
Cash and cash equivalents	6%

### (ii) 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, 2011, the Division has recorded an estimated liability of \$3,729,783 (2010 - \$4,012,656) in respect of these benefits.

## 6. Deferred revenue:

	Balance as at June 30, 2010	Additions in the period	Revenue recognized in the period	Balance as at June 30, 2011
Educational property tax credit	\$ 10,904,712	\$ 11,709,663	\$ 10,904,712	\$ 11,709,663
Manitoba Textbook Bureau	745,651	877,002	737,458	885,195
Other special purpose funds	817,320	1,657,229	745,760	1,728,789
	\$ 12,467,683	\$ 14,243,894	\$ 12,387,930	\$ 14,323,647

## 7. 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, 2011, school funds held totaled \$2,346,114 (2010 - \$2,164,325).

The school generated funds liability of \$2,246,583 (2010 - \$2,109,470) comprises the portion of school generated funds that are not controlled and included in the cash and bank balances noted above.

# THE WINNIPEG SCHOOL DIVISION

Notes to Consolidated Financial Statements (continued)

Year ended June 30, 2011

## 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 2011 to 2030. Payment of principal and interest is funded entirely by grants from the Province of Manitoba. The debentures carry interest rates that range from 4.875 percent to 12.125 percent. The debenture principal and interest repayments in the next five years and thereafter are:

	Principal	Interest	Total
2012	\$ 6,356,510	\$ 4,877,250	\$ 11,233,760
2013	6,133,772	4,407,994	10,541,766
2014	5,723,668	3,974,249	9,697,917
2015	5,297,512	3,587,422	8,884,934
2016	5,259,936	3,242,723	8,502,659
Thereafter	51,138,222	17,303,478	68,441,700
	<u>\$ 79,909,620</u>	<u>\$ 37,393,116</u>	<u>\$ 117,302,706</u>

As June 30, 2011, the Division has submitted claims for capital projects to the Public Schools Finance Board totaling \$2,698,731.

## 9. 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.

	Gross amount	Accumulated amortization	Net book value
Tangible capital assets	\$ 249,487,965	\$ -118,954,552	\$ 130,533,413

## 10. Expenditures by type:

Expenditures by type not otherwise disclosed in these consolidated financial statements are listed on page 11.

# THE WINNIPEG SCHOOL DIVISION

Notes to Consolidated Financial Statements (continued)

Year ended June 30, 2011

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## **11. Contractual obligations:**

The Division is committed to payments under operating leases for equipment and building rentals through 2015 in the amount of \$3,818,875. Annual payments are: 2012 - \$1,301,048; 2013 - \$1,126,153; 2014 - \$993,898; 2015 - \$262,814; 2016 - \$134,962.

## **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, 2011, the amount of this special levy was \$1,166,872 (2010 - \$1,145,938). These amounts are not included in the Division's consolidated financial statements.



## Independent Auditors' Report

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To The Governing Board of  
**Winnipeg Technical College**

We have audited the accompanying consolidated financial statements of **Winnipeg Technical College**, which comprise the consolidated financial position as at June 30, 2011, 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 College'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 College'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 **Winnipeg Technical College** as at June 30, 2011, 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.

Our examination did not include the budget figures and we do not express any opinion concerning them.

Winnipeg, Manitoba

November 15, 2011

Chartered Accountants

I hereby certify that the preceding report and the statements and reports referenced herein have been presented to the members of the Governing Board of Winnipeg Technical College.

\_\_\_\_\_  
Chairperson of the Governing Board

Nov 15, 2011  
Date

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

as at June 30

Notes		2011	2010
	<b>Financial Assets</b>		
	Cash and Bank	308,225	-
*	Short Term Investments	2,397,208	2,454,970
	Due from - Provincial Government	872,320	624,200
	- Federal Government	29,527	22,178
	- Municipal Government	-	44,081
	- Other School Divisions	804	65,559
	- First Nations	-	-
	Accounts Receivable	107,207	35,013
	Accrued Investment Income	-	-
	Other Investments	-	-
		<u>3,715,291</u>	<u>3,246,001</u>
	<b>Liabilities</b>		
	Overdraft	-	114,317
	Accounts Payable	305,569	281,963
	Accrued Liabilities	247,202	221,241
*	Employee Future Benefits	635,817	583,691
	Accrued Interest Payable	40,905	43,594
	Due to - Provincial Government	-	-
	- Federal Government	2,533	6,443
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
*	Deferred Revenue	428,597	381,264
*	Debenture Debt	2,295,981	2,418,856
*	Other Borrowings	38,218	12,802
	School Generated Funds Liability	-	-
		<u>3,994,822</u>	<u>4,064,171</u>
	<b>Net Debt</b>	<u>(279,531)</u>	<u>(818,170)</u>
	<b>Non-Financial Assets</b>		
*	Net Tangible Capital Assets (TCA Schedule)	6,696,585	6,908,811
	Inventories	-	-
	Prepaid Expenses	87,964	86,467
		<u>6,784,549</u>	<u>6,995,278</u>
*	<b>Accumulated Surplus</b>	<u>6,505,018</u>	<u>6,177,108</u>

See accompanying notes to the Financial Statements

# CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes		2011	2010
	<b>Revenue</b>		
	Provincial Government	10,624,530	10,136,235
	Federal Government	-	-
	Municipal Government - Property Tax	-	-
	- Other	-	-
	Other School Divisions	1,690,016	1,708,381
	First Nations	-	-
	Private Organizations and Individuals	3,213,047	2,884,088
	Other Sources	143,860	102,549
	School Generated Funds	-	-
	Other Special Purpose Funds	2,000	409
		<u>15,673,453</u>	<u>14,831,662</u>
	<b>Expenses</b>		
	Regular Instruction	5,295,207	5,374,856
	Student Support Services	783,956	778,612
	Adult Learning Centres	2,573,556	2,622,600
	Community Education and Services	3,575,875	3,459,200
	Divisional Administration	1,053,290	866,147
	Instructional and Other Support Services	416,983	341,166
	Transportation of Pupils	-	-
	Operations and Maintenance	1,030,405	957,688
*	Fiscal - Interest	154,203	156,535
	- Other	106,987	119,359
	Amortization	355,081	327,872
	Other Capital Items	-	-
	School Generated Funds	-	-
	Other Special Purpose Funds	-	8
		<u>15,345,543</u>	<u>15,004,043</u>
	Current Year Surplus (Deficit)	<u>327,910</u>	<u>(172,381)</u>
	Opening Accumulated Surplus	6,177,108	6,349,489
	Adjustments: Tangible Cap. Assets and Accum. Amort.	-	-
	Other than Tangible Cap. Assets	-	-
	Opening Accumulated Surplus, as adjusted	<u>6,177,108</u>	<u>6,349,489</u>
	<b>Closing Accumulated Surplus</b>	<u>6,505,018</u>	<u>6,177,108</u>

See accompanying notes to the Financial Statements

\* NOTE REQUIRED

## CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2011

	2011	2010
Current Year Surplus (Deficit)	327,910	(172,381)
Amortization of Tangible Capital Assets	355,081	327,872
Acquisition of Tangible Capital Assets	(142,855)	(152,763)
(Gain) / Loss on Disposal of Tangible Capital Assets	-	-
Proceeds on Disposal of Tangible Capital Assets	-	-
	212,226	175,109
Inventories (Increase)/Decrease	-	-
Prepaid Expenses (Increase)/Decrease	(1,497)	(6,855)
	(1,497)	(6,855)
(Increase)/Decrease in Net Debt	538,639	(4,127)
Net Debt at Beginning of Year	(818,170)	(814,043)
Adjustments Other than Tangible Cap. Assets	-	-
Net Debt at Beginning of Year as Adjusted	(818,170)	(814,043)
<b>Net Debt at End of Year</b>	<b>(279,531)</b>	<b>(818,170)</b>

**CONSOLIDATED STATEMENT OF CASH FLOW**

For the Year Ended June 30, 2011

	2011	2010
<b>Operating Transactions</b>		
Current Year Surplus/(Deficit)	327,910	(172,381)
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	355,081	327,872
(Gain)/Loss on Disposal of Tangible Capital Assets	-	-
Employee Future Benefits Increase/(Decrease)	52,126	(173,478)
Short Term Investments (Increase)/Decrease	57,762	(1,201,770)
Due from Other Organizations (Increase)/Decrease	(146,633)	(33,296)
Accounts Receivable & Accrued Income (Increase)/Decrease	(72,194)	70,165
Inventories and Prepaid Expenses - (Increase)/Decrease	(1,497)	(6,855)
Due to Other Organizations Increase/(Decrease)	(3,910)	905
Accounts Payable & Accrued Liabilities Increase/(Decrease)	46,878	340,426
Deferred Revenue Increase/(Decrease)	47,333	85,568
School Generated Funds Liability Increase/(Decrease)	-	-
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by Operating Transactions	662,856	(762,844)
<b>Capital Transactions</b>		
Acquisition of Tangible Capital Assets	(142,855)	(152,763)
Proceeds on Disposal of Tangible Capital Assets	-	-
Cash (Applied to)/Provided by Capital Transactions	(142,855)	(152,763)
<b>Investing Transactions</b>		
Other Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
<b>Financing Transactions</b>		
Debenture Debt Increase/(Decrease)	(122,875)	(120,174)
Other Borrowings Increase/(Decrease)	25,416	(9,101)
Cash Provided by (Applied to) Financing Transactions	(97,459)	(129,275)
Cash and Bank / Overdraft (Increase)/Decrease	422,542	(1,044,882)
Cash and Bank (Overdraft) at Beginning of Year	(114,317)	930,565
<b>Cash and Bank (Overdraft) at End of Year</b>	<b>308,225</b>	<b>(114,317)</b>



**SCHEDULE OF TANGIBLE CAPITAL ASSETS**

at June 30, 2011

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	2011 TOTALS	2010 TOTALS
	School	Non-School									
<b>Tangible Capital Asset Cost</b>											
Opening Cost, as previously reported	10,787,376	-	-	-	301,139	122,058	899,310	-	-	12,109,883	11,957,120
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	10,787,376	-	-	-	301,139	122,058	899,310	-	-	12,109,883	11,957,120
Add:											
Additions during the year	85,091	-	-	-	57,764	-	-	-	-	142,855	152,763
Less:											
Disposals and write downs	-	-	-	-	-	-	-	-	-	-	-
Closing Cost	10,872,467	-	-	-	358,903	122,058	899,310	-	-	12,252,738	12,109,883
<b>Accumulated Amortization</b>											
Opening, as previously reported	4,958,124	-	-	-	198,450	44,498	-	-	-	5,201,072	4,873,200
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening adjusted	4,958,124	-	-	-	198,450	44,498	-	-	-	5,201,072	4,873,200
Add:											
Current period Amortization	293,930	-	-	-	45,531	15,620	-	-	-	355,081	327,872
Less:											
Accumulated Amortization on Disposals and Writedowns	-	-	-	-	-	-	-	-	-	-	-
Closing Accumulated Amortization	5,252,054	-	-	-	243,981	60,118	-	-	-	5,556,153	5,201,072
<b>Net Tangible Capital Asset</b>	5,620,413	-	-	-	114,922	61,940	899,310	-	-	6,696,585	6,908,811
<b>Proceeds from Disposal of Capital Assets</b>	-	-	-	-	-	-	-	-	-	-	-

\* Includes network infrastructure.

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# Winnipeg Technical College

## Notes To Consolidated Financial Statements

June 30, 2010

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### 1. Nature of Organization and Economic Dependence

The Winnipeg Technical College is a public body that provides vocational training to adults and secondary students. The division is funded primarily through a five year agreement with the Province of Manitoba and the Pembina Trails School Division which details operational requirements of the College. The Pembina Trails School Division contributed \$935,853 to the partnership relationship recorded in 'Other School Division Revenue' on page 10: Operating Fund – Revenue Detail.

The College is exempt from income tax and operates a registered charity.

The College is economically dependent on the Province and Pembina Trails School Division for the majority of its revenue and capital financing requirements. Without this funding, continued operation of the College would be difficult.

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### 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 College. The College reporting entity includes funds associated with the SWTC Scholarship/ Trust Fund controlled by the College.

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 College 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 College.

#### 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 College 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.

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## Winnipeg Technical College

Notes To Consolidated Financial Statements  
June 30, 2010

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### 2. Significant Accounting Policies (continued)

#### e) Tangible Capital Assets

Tangible capital assets are non-financial assets that are used by the College 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

<u>Asset Description</u>	<u>Capitalization Threshold</u>	<u>Estimated Useful Life</u>
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	5,000	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.

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.



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## Winnipeg Technical College

Notes To Consolidated Financial Statements  
June 30, 2010

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### 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 College. The College does not contribute to TRAF, and no costs relating to this plan are included in the College's financial statements.

The College 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 College adopted the following policies with respect to accounting for these employee future benefits:

##### (i) Defined contribution/ insured benefit plans

The Retirement Plan offered non-certified staff is a money-purchase plan administered by the Manitoba Association of School Trustees (MAST). The plan requires the College to make a specific fixed contribution each period. The College 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 College 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 yearend.

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 yearend.

##### (iii) Accumulated Sick Days

The College offers sick leave to its employees which do not vest, but accumulate for use by the employee beyond the current period. The College concurs with the Province of Manitoba that the liability for accumulated sick days would not be material; therefore a liability has not been recorded for this benefit.

#### 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 College 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.

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## Winnipeg Technical College

Notes To Consolidated Financial Statements  
June 30, 2010

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### 3. Overdraft

The College has an authorized demand facility with the TD Bank of Canada of \$1,000,000 by way of overdraft and loan and is repayable on demand at TD Prime (Interest is paid monthly in arrears).

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### 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.

The College 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 College 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.

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### 5. Debenture Debt

The debenture debt of the Division is in the form of twenty-year debentures payable, principal and interest, in twenty equal yearly instalments and maturing at various dates from 2018 to 2029. Payment of principal and interest is funded entirely by grants from the Province of Manitoba, except for debenture debt on two self-funded capital projects which matures in 2018 and 2029. The debentures carry interest rates that range from 4.875 % to 6.125 %. Debenture interest expense payable as at June 30, 2011, 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:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 129,855	\$ 128,997	\$ 258,852
2013	137,232	121,620	258,852
2014	145,030	113,822	258,852
2015	153,273	105,579	258,852
2016	<u>161,986</u>	<u>96,866</u>	<u>258,852</u>
	<u>\$ 727,376</u>	<u>\$ 566,884</u>	<u>\$ 1,294,260</u>

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### 6. 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.

	<u>Gross Amount</u>	<u>Accumulated Amortization</u>	<u>2011 Net Book Value</u>
Owned-tangible capital assets	\$ 12,207,553	\$ 5,524,861	\$ 6,682,692
Capital lease	<u>45,185</u>	<u>31,292</u>	<u>13,893</u>
	<u>\$ 12,252,738</u>	<u>\$ 5,556,153</u>	<u>\$ 6,696,585</u>

## Winnipeg Technical College

Notes To Consolidated Financial Statements  
June 30, 2010

### 7. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	<u>2011</u>	<u>2010</u>
Operating fund		
Designated surplus	\$ 903,620	\$ 1,034,873
Undesignated surplus	<u>1,023,900</u>	<u>366,409</u>
	<u>1,927,520</u>	<u>1,401,282</u>
Capital fund		
Reserve accounts	1,000,000	-
Equity in tangible capital assets	<u>3,574,915</u>	<u>4,775,243</u>
	<u>4,574,915</u>	<u>4,775,243</u>
Special purpose fund		
School generated funds	-	-
Other special purpose funds	<u>2,583</u>	<u>583</u>
	<u>2,583</u>	<u>583</u>
Total accumulated surplus	<u>\$ 6,505,018</u>	<u>\$ 6,177,108</u>

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.

	<u>2011</u>	<u>2010</u>
Board approved appropriation by motion	\$ 309,620	\$ 1,034,873
School budget carryovers by board policy	<u>-</u>	<u>-</u>
Designated surplus	<u>\$ 309,620</u>	<u>\$ 1,034,873</u>

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

	<u>2011</u>	<u>2010</u>
Foundation-Scholarship	\$ 2,583	\$ 583
Other – specify	<u>-</u>	<u>-</u>
Other special purpose funds	<u>\$ 2,583</u>	<u>\$ 583</u>

### 8. Interest Received and Paid

The Division received interest during the year of \$76,875 (previous year \$37,817); interest paid during the year was \$154,203 (previous year \$156,535).

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

	<u>2011</u>	<u>2010</u>
Operating Fund		
Fiscal-short term loan, interest and bank charges	\$ 17,513	\$ 13,898
Capital Fund		
Debenture debt interest	134,771	140,154
Other interest	<u>1,919</u>	<u>2,483</u>
	<u>\$ 154,203</u>	<u>\$ 156,535</u>

The accrual portion of debenture debt interest expense of \$26,091 included under the Capital Fund-Debenture debt interest is offset by an accrual of the debt servicing grant from the Province of Manitoba.



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## Winnipeg Technical College

Notes To Consolidated Financial Statements  
June 30, 2010

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### 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 2011	Budget 2011	Actual 2010
Salaries	\$ 9,254,107	\$ 9,640,170	\$ 9,140,113
Employees benefits and allowances	890,229	1,038,817	865,333
Services	2,350,395	2,277,322	2,077,274
Supplies, materials and minor equipment	1,474,429	1,733,909	1,552,466
Interest	17,513	-	13,898
Bad debts	-	-	-
Payroll tax	106,987	138,732	119,359
Amortization	355,081	-	327,872
Other capital items	136,690	-	142,637
School generated funds	-	-	-
Other special purpose funds	-	-	8
	<u>\$14,585,431</u>	<u>\$ 14,828,950</u>	<u>\$14,238,960</u>

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### 10. Contractual Obligations

An agreement providing guaranteed access to program seats for students from the Louis Riel School Division was concluded and is effective from July 1, 2011 through to June 30, 2014. Under the terms of the agreement, the Louis Riel School Division will purchase a minimum number of program seats (training spaces), as follows:

- 40 full time program seats for the 2011-2012 school year;
- 35 full time program seats for the 2012-2013 school year;
- 30 full time program seats for the 2013-2014 school year.

In addition to these program seats the Louis Riel School Division has the right to purchase additional training spaces for any of the school years, subject to availability at the Winnipeg Technical College. The cost to be charged to these program seats will be based upon the residual cost per program seat. During the 2010-2011 school year, the College provided access to 54.5 full time equivalent students from the Louis Riel School Division for a fee for these services of \$605,640.

**Management's Responsibility for the Financial Statements**

The accompanying consolidated financial statements of the Whiteshell School District are the responsibility of the District 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. 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.

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Chairperson

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Secretary-Treasurer

November 2, 2011

## Independent Auditors' Report

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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, 2011, and the consolidated statements of revenue, expenses, and accumulated surplus, change in net debt and cash flows 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, 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, 2011 and the results of its operations, changes in net debt and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles established by the Public Sector Accounting Board.

### *Other Matter*

Further, in our opinion, the other statements and reports, when considered in relation to the aforementioned consolidated financial statements, present fairly, in all material respects, the supplemental information shown.

Winnipeg, Manitoba

November 2, 2011

*MNP LLP*

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 the School District of Whiteshell:

DATE

CHAIRPERSON

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

as at June 30

Notes		2011	2010
	<b>Financial Assets</b>		
	Cash and Bank	671,099	570,207
	Short Term Investments	-	-
	Due from - Provincial Government	150,840	138,726
	- Federal Government	19,850	27,058
	- Municipal Government	-	192,382
	- Other School Divisions	-	-
	- First Nations	-	-
	Accounts Receivable	-	-
	Accrued Investment Income	-	-
	Other Investments	-	-
		<u>841,789</u>	<u>928,373</u>
	<b>Liabilities</b>		
	Overdraft	-	-
	Accounts Payable	135,674	9,684
	Accrued Liabilities	259,950	268,936
	Employee Future Benefits	-	-
	Accrued Interest Payable	-	-
	Due to - Provincial Government	-	-
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
*	Deferred Revenue	163,535	147,404
	Debenture Debt	-	65,613
*	Other Borrowings	200,000	-
	School Generated Funds Liability	-	-
		<u>759,159</u>	<u>491,637</u>
	<b>Net Debt</b>	<u>82,630</u>	<u>436,736</u>
	<b>Non-Financial Assets</b>		
*	Net Tangible Capital Assets (TCA Schedule)	1,517,949	1,131,773
	Inventories	-	-
	Prepaid Expenses	711	-
		<u>1,518,660</u>	<u>1,131,773</u>
*	<b>Accumulated Surplus</b>	<u>1,601,290</u>	<u>1,568,509</u>

See accompanying notes to the Financial Statements



# CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes		2011	2010
	<b>Revenue</b>		
	Provincial Government	1,327,248	1,296,809
	Federal Government	-	-
	Municipal Government - Property Tax	1,762,989	1,733,339
	- Other	-	-
	Other School Divisions	40,459	76,711
	First Nations	-	-
	Private Organizations and Individuals	-	-
	Other Sources	8,320	8,867
	School Generated Funds	58,894	77,798
	Other Special Purpose Funds	-	-
		<u>3,197,910</u>	<u>3,193,524</u>
	<b>Expenses</b>		
	Regular Instruction	1,753,563	1,678,342
	Student Support Services	365,330	426,585
	Adult Learning Centres	-	-
	Community Education and Services	11,000	9,000
	Divisional Administration	298,743	137,109
	Instructional and Other Support Services	61,165	74,714
	Transportation of Pupils	28,063	31,922
	Operations and Maintenance	459,810	425,064
*	Fiscal - Interest	6,455	4,322
	- Other	36,609	18,490
	Amortization	86,654	84,937
	Other Capital Items	-	-
	School Generated Funds	57,737	88,393
	Other Special Purpose Funds	-	-
		<u>3,165,129</u>	<u>2,978,878</u>
	Current Year Surplus (Deficit)	<u>32,781</u>	<u>214,646</u>
	Opening Accumulated Surplus	1,568,509	1,353,863
	Adjustments: Tangible Cap. Assets and Accum. Amort.	-	-
	Other than Tangible Cap. Assets	-	-
	Opening Accumulated Surplus, as adjusted	<u>1,568,509</u>	<u>1,353,863</u>
	<b>Closing Accumulated Surplus</b>	<u>1,601,290</u>	<u>1,568,509</u>

See accompanying notes to the Financial Statements

\* NOTE REQUIRED

**CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT**

For the Year Ended June 30, 2011

	2011	2010
Current Year Surplus (Deficit)	32,781	214,646
Amortization of Tangible Capital Assets	86,654	84,937
Acquisition of Tangible Capital Assets	(472,830)	(29,363)
(Gain) / Loss on Disposal of Tangible Capital Assets	-	-
Proceeds on Disposal of Tangible Capital Assets	-	-
	(386,176)	55,574
Inventories (Increase)/Decrease	-	-
Prepaid Expenses (Increase)/Decrease	(711)	-
	(711)	-
(Increase)/Decrease in Net Debt	(354,106)	270,220
Net Debt at Beginning of Year	436,736	166,516
Adjustments Other than Tangible Cap. Assets	-	-
Net Debt at Beginning of Year as Adjusted	436,736	166,516
<b>Net Debt at End of Year</b>	<b>82,630</b>	<b>436,736</b>



**CONSOLIDATED STATEMENT OF CASH FLOW**

For the Year Ended June 30, 2011

	2011	2010
<b>Operating Transactions</b>		
Current Year Surplus/(Deficit)	32,781	214,646
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	86,654	84,937
(Gain)/Loss on Disposal of Tangible Capital Assets	-	-
Employee Future Benefits Increase/(Decrease)	-	-
Short Term Investments (Increase)/Decrease	-	-
Due from Other Organizations (Increase)/Decrease	187,476	(251,377)
Accounts Receivable & Accrued Income (Increase)/Decrease	-	-
Inventories and Prepaid Expenses - (Increase)/Decrease	(711)	-
Due to Other Organizations Increase/(Decrease)	-	-
Accounts Payable & Accrued Liabilities Increase/(Decrease)	117,004	33,684
Deferred Revenue Increase/(Decrease)	16,131	(17,104)
School Generated Funds Liability Increase/(Decrease)	-	-
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by Operating Transactions	439,335	64,786
<b>Capital Transactions</b>		
Acquisition of Tangible Capital Assets	(472,830)	(29,363)
Proceeds on Disposal of Tangible Capital Assets	-	-
Cash (Applied to)/Provided by Capital Transactions	(472,830)	(29,363)
<b>Investing Transactions</b>		
Other Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
<b>Financing Transactions</b>		
Debenture Debt Increase/(Decrease)	(65,613)	(61,536)
Other Borrowings Increase/(Decrease)	200,000	(25,000)
Cash Provided by (Applied to) Financing Transactions	134,387	(86,536)
Cash and Bank / Overdraft (Increase)/Decrease	100,892	(51,113)
Cash and Bank (Overdraft) at Beginning of Year	570,207	621,320
<b>Cash and Bank (Overdraft) at End of Year</b>	<b>671,099</b>	<b>570,207</b>

# **SCHEDULE OF TANGIBLE CAPITAL ASSETS**

at June 30, 2011

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	2011 TOTALS	2010 TOTALS
	School	Non-School									
<b>Tangible Capital Asset Cost</b>											
Opening Cost, as previously reported	3,002,001	-	-	-	-	54,230	15,400	-	-	3,071,631	3,042,268
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	3,002,001	-	-	-	-	54,230	15,400	-	-	3,071,631	3,042,268
Add:											
Additions during the year	444,053	-	-	-	-	28,777	-	-	-	472,830	29,363
Less:											
Disposals and write downs	-	-	-	-	-	-	-	-	-	-	-
Closing Cost	3,446,054	-	-	-	-	83,007	15,400	-	-	3,544,461	3,071,631
<b>Accumulated Amortization</b>											
Opening, as previously reported	1,926,863	-	-	-	-	12,995	-	-	-	1,939,858	1,854,921
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening adjusted	1,926,863	-	-	-	-	12,995	-	-	-	1,939,858	1,854,921
Add:											
Current period Amortization	69,499	-	-	-	-	17,155	-	-	-	86,654	84,937
Less:											
Accumulated Amortization on Disposals and Writedowns	-	-	-	-	-	-	-	-	-	-	-
Closing Accumulated Amortization	1,996,362	-	-	-	-	30,150	-	-	-	2,026,512	1,939,858
<b>Net Tangible Capital Asset</b>	1,449,692	-	-	-	-	52,857	15,400	-	-	1,517,949	1,131,773
<b>Proceeds from Disposal of Capital Assets</b>	-	-	-	-	-	-	-	-	-	-	-

\* Includes network infrastructure.

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

The Whiteshell School District (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 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 District.

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

**Trust Funds**

The District 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 District. 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 district) 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 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 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

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 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 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.

**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.



**2. Significant Accounting Policies - Continued**

**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 Institution's designation of such instruments.

**Classification:**

Cash	Held-for-trading
Accounts receivable	Loans and receivables
Accounts payable and accrued liabilities	Other financial liabilities
Long-term 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, their carrying value approximates fair value. The fair value of the long-term debt also approximates its carrying 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 or credit 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.

**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. Long Term Debt**

Long-term debt consists of a demand loan repayable in annual instalments on September 1 of each year of \$45,292 including interest at 4.29% per annum. Long-term debt is secured by a borrowing by-law. Repayments over the next five years are estimated to be as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	36,684	8,608	45,292
2013	38,282	7,010	45,292
2014	39,925	5,367	45,292
2015	41,639	3,653	45,292
2016	43,470	1,822	45,292

**Whiteshell School District**  
**Notes to Consolidated Financial Statement**  
*For the year ended June 30, 2011*

**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.

	<u>Gross Amount</u>	<u>Accumulated Amortization</u>	<u>2011 Net Book Value</u>	<u>2010 Net Book Value</u>
Owned-tangible capital assets	\$ 3,544,461	\$ 2,026,512	\$ 1,517,949	\$ 1,131,773

**6. Accumulated Surplus**

The consolidated accumulated surplus is comprised of the following:

	<u>2011</u>	<u>2010</u>
Operating Fund		
Undesignated Surplus	\$ 267,856	\$ 488,021
Capital Fund		
Equity in Tangible Capital Assets	1,318,379	1,066,590
Special Purpose Fund		
School Generated Funds	15,055	13,898
Total Accumulated Surplus	\$ 1,601,290	\$ 1,568,509

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; 44% from 2010 tax year and 56% from 2011 tax year. Below is the related revenue amount:

	<u>2011</u>	<u>2010</u>
Revenue-Municipal Government-Property Tax	\$ 1,762,989	\$ 1,733,339
Receivable-Municipal Government-Property Tax	\$ -	\$ 192,382

**8. Interest Received and Paid**

The District received interest during the year of \$4,054 (2010; \$4,266); interest paid during the year was \$6,455 (2010; \$4,322).

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

	<u>2011</u>	<u>2010</u>
Operating Fund		
Fiscal-short term loan, interest and bank charges	\$ -	-
Capital Fund		
Debenture debt interest	6,455	4,322
Other Interest	-	-
	\$ 6,455	\$ 4,322



**Whiteshell School District**  
**Notes to Consolidated Financial Statement**  
*For the year ended June 30, 2011*

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**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 <u>2011</u>	Budget <u>2011</u>	Actual <u>2010</u>
Salaries	\$ 2,126,259	\$ 2,195,785	\$ 2,073,720
Employees benefits and allowances	133,075	153,456	129,383
Services	594,199	528,825	496,053
Supplies, materials and minor equipment	122,141	118,320	83,580
Interest	6,455	-	4,322
Payroll tax	38,609	37,000	18,490
Amortization	86,654	-	84,937
School generated funds	57,737	-	88,393
	<u>\$ 3,165,129</u>	<u>\$ 3,033,386</u>	<u>\$ 2,978,878</u>

**10. Budget Figures and Non Financial Information**

The 2011 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.

**11. Capital Management**

The District'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 \$1,601,290 (2010 - \$1,568,509). 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 period.



## 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, 2011, and the statements of operations and accumulated surplus and 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.

### 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, 2011, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Office of the Auditor General  
Winnipeg, Manitoba  
December 1, 2011

# THE PUBLIC SCHOOLS FINANCE BOARD

## Statement of Financial Position

As at June 30, 2011

	<u>2011</u>	<u>2010</u>
	(in thousands of dollars)	
<b>Financial Assets</b>		
Cash	\$ 1,233	\$ 9,949
Funds on deposit with the Province of Manitoba (Note 5)	288	373
Due from:		
Municipal corporations - Education Support Levy	84,516	85,890
Other	<u>1,792</u>	<u>1,931</u>
	<u><b>87,829</b></u>	<u><b>98,143</b></u>
<b>Liabilities</b>		
Accrued interest	\$ 381	\$ 324
Other payables	480	669
Due to:		
Support payable to school divisions (Note 6)	3,212	3,584
Province of Manitoba	606	3,023
Notes payable - Province of Manitoba (Note 7)	<u>77,812</u>	<u>86,343</u>
	<u><b>82,491</b></u>	<u><b>93,943</b></u>
<b>Accumulated Surplus and Net Assets</b>	<u><u><b>\$ 5,338</b></u></u>	<u><u><b>\$ 4,200</b></u></u>

The accompanying notes are an integral part of these statements.

# THE PUBLIC SCHOOLS FINANCE BOARD

## Statement of Operations and Accumulated Surplus and Net Assets

for the year ended June 30, 2011

	Budget 2011	Actual 2011	Actual 2010
	(in thousands of dollars)		
<b>Revenue</b>			
Province of Manitoba - Funding of Schools Program	\$ 894,585	\$ 868,236	\$ 867,588
Municipal corporations - Education Support Levy	141,595	141,691	136,617
	<b>1,036,180</b>	<b>1,009,927</b>	<b>1,004,205</b>
<b>Expenses</b>			
Operational support program (Note 8)	948,175	944,639	920,764
Capital support program (Note 9)	86,274	61,252	79,947
Administrative and other expenses (Note 10)	2,731	2,898	2,839
	<b>1,037,180</b>	<b>1,008,789</b>	<b>1,003,550</b>
<b>Annual Surplus / (Deficit)</b>	<b>(1,000)</b>	<b>1,138</b>	<b>655</b>
<b>Accumulated Surplus and Net Assets, Beginning of Year</b>	4,200	4,200	3,545
<b>Accumulated Surplus and Net Assets, End of Year</b>	<b>\$ 3,200</b>	<b>\$ 5,338</b>	<b>\$ 4,200</b>

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, 2011

	<u>2011</u>	<u>2010</u>
	(in thousands of dollars)	
<b>Operating Activities</b>		
Annual Surplus	\$ 1,138	\$ 655
Changes in Working Capital:		
Due from:		
Municipal Corporations - Education Support Levy	1,374	(9,630)
Other	139	(725)
Accrued Interest	57	(9)
Other Payables	(189)	200
Due to:		
Support payable to school divisions	(372)	(78)
Province of Manitoba	(2,417)	3,482
	<u>(270)</u>	<u>(6,105)</u>
<b>Financing Activities</b>		
Notes payable - Province of Manitoba	<u>(8,531)</u>	<u>14,526</u>
<b>Increase (decrease) in Cash and Funds on Deposit with the Province</b>	(8,801)	8,421
<b>Cash and Funds on Deposit with the Province, Beginning of year</b>	10,322	1,901
<b>Cash and Funds on Deposit with the Province, End of year</b>	<u><u>\$ 1,521</u></u>	<u><u>\$ 10,322</u></u>
<b>Consists of:</b>		
Cash	1,233	9,949
Funds on Deposit with Province of Manitoba	<u>288</u>	<u>373</u>
	<u><u>1,521</u></u>	<u><u>10,322</u></u>

The accompanying notes are an integral part of these statements.

# THE PUBLIC SCHOOLS FINANCE BOARD

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## Notes to the Financial Statements As at June 30, 2011

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### 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. 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 generally accepted accounting principles as recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants.

(b) Revenue:

The Province of Manitoba Funding of School Program revenue is recognized as funds are drawn from the Province of Manitoba appropriations.

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) Liabilities:

Liabilities are recognized in the financial statements when there is an appropriate basis of measurement and a reasonable estimate can be made of the amount involved.

(e) Net Financial Assets:

Net financial assets are equivalent to accumulated surplus as there are no non-financial assets.



# THE PUBLIC SCHOOLS FINANCE BOARD

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## Notes to the Financial Statements

### As at June 30, 2011

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#### 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 those estimated.

#### 4. 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.

Actual contributions to the Plan during the year by the Public Schools Finance Board on behalf of these employees are included in the Statement of Operations and Accumulated Surplus.

#### 5. Funds on Deposit with the Province of Manitoba

The funds on deposit with the Province of Manitoba do not accrue interest and are recorded at cost which approximated fair market value.

#### 6. Support payable to school divisions

This represents the present obligations of operational support costs owing to school divisions as a result of more current calculations of certain Funding of Schools Program costs and other non-operational grants occurring prior to the end of the year.

#### 7. 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.

# THE PUBLIC SCHOOLS FINANCE BOARD

## Notes to the Financial Statements As at June 30, 2011

### 8. Operational support program

	Actual <b>2011</b>	Actual <b>2010</b>
	(in thousands of dollars)	
Instructional Support	\$ 318,550	\$ 319,436
Sparsity Support	11,134	11,190
Curricular Materials	9,929	9,957
Information Technology	7,447	7,468
Library Services	15,224	15,268
Student Services Grant	61,675	62,225
Additional Instructional Support for Small Schools	877	808
Counselling and Guidance	13,570	13,608
Professional Development	6,883	8,083
Occupancy	85,223	85,076
Physical Education	3,687	3,668
Transportation	43,182	43,221
Board and Room	437	426
Special Needs	95,897	95,202
Senior Years Technology Education	9,331	9,007
English as an Additional Language	10,095	9,488
Aboriginal Academic Achievement	7,526	7,526
Aboriginal and International Language	202	200
French Language Programs / Instruction	6,337	6,211
Small Schools	2,974	2,981
Enrolment Change Support	6,370	8,889
Northern Allowance	4,348	4,456
Early Childhood Development Initiative	6,278	1,592
Early Literacy Intervention	1,751	6,194
Early Numeracy	826	825
Experiential Learning	514	523
Education for Sustainable Development	479	479
Equalization Support	193,542	179,012
Formula Guarantee	17,581	4,742
Amalgamated School Division Guarantee	46	116
Miscellaneous (Pipeline)	-	(10)
Vocational Equipment Replacement	2,200	2,200
Vocational Equipment Upgrade	715	652
Adjustment of previous years' support to school divisions from estimated to actual	(191)	45
	<b>\$ 944,639</b>	<b>\$ 920,764</b>

# THE PUBLIC SCHOOLS FINANCE BOARD

## Notes to the Financial Statements As at June 30, 2011

### 9. Capital support program

#### Capital grants:

	Actual <b>2011</b>	Actual <b>2010</b>
	(in thousands of dollars)	
Major school construction	\$ 54,947	\$ 73,698
Minor capital projects	95	59
School buildings "D" support	6,210	6,190
<b>Total capital support program</b>	<b>\$ 61,252</b>	<b>\$ 79,947</b>

### 10. Administrative and other expenses

#### Board administration:

	Actual <b>2011</b>	Actual <b>2010</b>
	(in thousands of dollars)	
Staff salaries	\$ 1,428	\$ 1,514
Service agreement	173	174
Professional services	42	57
Meetings and travel	46	51
Relocation costs	4	143
Desktop management	81	79
Rent	140	139
Printing, stationery, postage and supplies	28	29
Telephone and fax	16	14
Professional development	26	25
Computers, software and minor equipment	55	16
<b>Total board administration expenses</b>	<b>2,039</b>	<b>2,241</b>
<b>Interest charges on notes payable to the Province of Manitoba</b>	<b>859</b>	<b>598</b>
	<b>\$ 2,898</b>	<b>\$ 2,839</b>



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## 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 June 30, 2011, the statements of operations, changes in net assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, 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 the College as at June 30, 2011 and its results of operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Our examination did not extend to the budget which has been provided as additional information and therefore we do not express any opinion concerning the budget.

*KPMG LLP*

Chartered Accountants

October 26, 2011

Winnipeg, Canada

# RED RIVER COLLEGE

Statement of Financial Position  
(In thousands of dollars)

June 30, 2011, with comparative figures for 2010

	2011	2010
<b>Assets</b>		
Current assets:		
Cash and short-term investments - trust and endowment (note 3)	\$ 1,254	\$ 1,602
Cash and short-term investments (note 3)	19,114	17,591
Accounts receivable (note 4)	4,511	7,635
Current portion of note receivable - RRC Students' Association [note 21(a)]	25	105
Inventories (note 5)	936	808
Prepaid expenses (note 6)	2,769	2,193
	<u>28,609</u>	<u>29,934</u>
Long term investments - trust and endowment (note 7)	16,731	14,596
Due from Province of Manitoba (note 8)	9,253	9,253
Note receivable - RRC Students' Association [note 21(a)]	—	25
Capital assets (note 9)	104,358	92,338
Intangible asset	5	6
	<u>\$ 158,956</u>	<u>\$ 146,152</u>

## Liabilities, Deferred Contributions and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (note 11)	\$ 29,545	\$ 29,772
Current portion of obligations under capital leases (note 12)	1,855	1,973
Deferred revenue	7,772	6,792
	<u>39,172</u>	<u>38,537</u>
Obligations under capital leases (note 12)	1,360	2,197
Deferred contributions (note 13)	11,048	7,124
Deferred capital campaign contributions (note 14)	2,938	3,331
Deferred contributions related to capital assets (note 15)	80,208	72,268
Net assets:		
Invested in capital and intangible assets (note 16)	18,002	12,574
Restricted for endowments (note 17)	14,279	13,324
Internally restricted (note 17)	5,176	4,606
Unrestricted net assets	(13,227)	(7,809)
	<u>24,230</u>	<u>22,695</u>
Commitments (note 20)		
	<u>\$ 158,956</u>	<u>\$ 146,152</u>

See accompanying notes to financial statements.

Approved by the Board of Governors:

\_\_\_\_\_ Chair

\_\_\_\_\_ Vice Chair



# RED RIVER COLLEGE

Statement of Operations  
(In thousands of dollars)

Year ended June 30, 2011, with comparative figures for 2010

	Budget (Unaudited)	2011	2010
Revenue:			
Academic training fees	\$ 30,789	\$ 37,018	\$ 33,077
Grants and reimbursements	85,909	86,186	87,768
International education	1,737	1,920	1,455
Continuing education	9,134	8,812	8,352
Sundry and other revenue	15,090	15,140	14,089
Gain (loss) on disposal of capital assets	—	(9)	34
Amortization of deferred contributions	5,658	6,458	6,170
	148,317	155,525	150,945
Expenses:			
Instruction	82,094	91,713	85,949
Library	2,092	2,129	2,349
Administration and general	30,695	26,939	26,155
Physical plant	17,640	17,327	17,123
Student services	4,546	5,869	5,487
Amortization of capital and intangible assets	9,950	9,959	9,902
	147,017	153,936	146,965
Excess of revenue over expenses before the undernoted	1,300	1,589	3,980
Other:			
Net increase in accrued vacation and severance liability	1,300	1,009	1,386
Excess of revenue over expenses	\$ —	\$ 580	\$ 2,594

See accompanying notes to financial statements.

# RED RIVER COLLEGE

## Statement of Changes in Net Assets (In thousands of dollars)

Year ended June 30, 2011, with comparative figures for 2010

	Invested in capital and intangible assets	Restricted for endow- ments	Internally restricted	Unrestricted	2011 Total	2010 Total
Balance, beginning of year	\$ 12,574	\$ 13,324	\$ 4,606	\$ (7,809)	\$ 22,695	\$ 17,901
Endowment gifts	—	775	—	—	775	2,200
Amounts restricted for endowments	—	180	—	—	180	—
Transfer to internally restricted	—	—	570	(570)	—	—
Excess (deficiency) of revenue over expenses	(4,311)	—	—	4,891	580	2,594
Investment in capital assets	9,739	—	—	(9,739)	—	—
Balance, end of year	\$ 18,002	\$ 14,279	\$ 5,176	\$ (13,227)	\$ 24,230	\$ 22,695

See accompanying notes to financial statements.

# RED RIVER COLLEGE

## Statement of Cash Flows (In thousands of dollars)

Year ended June 30, 2011, with comparative figures for 2010

	2011	2010
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 580	\$ 2,594
Adjustments for:		
Amortization of intangible assets	1	2
Amortization of capital assets	9,958	9,900
Amortization of deferred capital contributions	(5,657)	(5,314)
Other deferred contributions recognized as revenue	(4,800)	(5,503)
Loss (gain) on disposal of capital assets	9	(34)
Changes in fair value of investments	(660)	(236)
Changes in non-cash working capital balances (note 18)	3,173	4,381
	2,604	5,790
Investing activities:		
Purchase of capital assets	(20,333)	(7,460)
Long-term investment for trust and endowment	(2,500)	(3,911)
Proceeds on disposal of capital assets	78	34
Proceeds on disposal of long-term investments for trust and endowment	1,026	25
Note principal repayments by RRC Students' Association	105	120
	(21,624)	(11,192)
Financing activities:		
Endowment gifts received	775	2,200
Contributions received for capital purposes	13,121	6,640
Capital campaign contributions	(103)	275
Repayment of obligations under capital leases	(2,502)	(2,570)
Other deferred contributions received	8,904	5,373
	20,195	11,918
Increase in cash and short-term investments	1,175	6,516
Cash and short-term investments, beginning of year	19,193	12,677
Cash and short-term investments, end of year	\$ 20,368	\$ 19,193
Comprised of:		
Cash and short-term investments - trust and endowment	\$ 1,254	\$ 1,602
Cash and short-term investments	19,114	17,591
	\$ 20,368	\$ 19,193
Supplementary cash flow information:		
Interest paid	\$ 228	\$ 239
Interest received	1,090	741

The following have been excluded from the financing activities on the statement of cash flows:

The portion of the purchase price of assets under capital lease satisfied by the assumption of debt in the amount of \$1,546 (2010 - \$3,700).

See accompanying notes to financial statements.

# RED RIVER COLLEGE

Notes to Financial Statements

(In thousands of dollars)

Year ended June 30, 2011

## 1. General:

Red River College (the College) operates under the authority of *The Colleges Act of Manitoba*. This legislation, which established the College as a board-governed institution on April 1, 1993, allowed for the transfer of assets, liabilities, investment in capital assets and contributed surplus from the Province of Manitoba (the Province). The College is a registered charity under the *Income Tax Act*.

## 2. Significant accounting policies:

### (a) Inventories:

Inventories are valued at the lower of cost and net realizable value.

### (b) Long-term investments:

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 year, 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.

### (c) 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%
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



# RED RIVER COLLEGE

Notes to Financial Statements (continued)  
(In thousands of dollars)

Year ended June 30, 2011

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## 2. Significant accounting policies (continued):

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.

### (d) Donations:

Donations are recorded when received. Donations of materials and equipment are recorded at fair value.

### (e) 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 year in which the related expenses are incurred. Endowment contributions 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 year is recorded as deferred revenue.

Restricted investment income is recognized as revenue in the year in which the related expenses are recognized.

### (f) Intangible asset:

The intangible asset is recorded at cost and is amortized on a straight-line basis using an annual rate of 10 percent.

### (g) 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 amortized over the average remaining service period of active employees expected to receive severance. The average remaining service period for the plan is 9 years in 2011.

# RED RIVER COLLEGE

Notes to Financial Statements (continued)  
(In thousands of dollars)

Year ended June 30, 2011

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## 2. Significant accounting policies (continued):

### (h) Deferred contributions:

Debt owing to the Province is reflected as deferred contributions related to capital assets in the statement of financial position. The related revenue earned from the Council on Post-Secondary Education (COPSE) to offset the principal repayment and the related interest expense are both excluded from the statement of operations.

### (i) 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 year incurred.

### (j) Financial instruments:

All financial instruments are initially recorded at fair value. Subsequent measurement is determined by the classification of each financial asset and liability. Financial instruments are classified as one of the following: held-for-trading, loans and receivables, held-to-maturity, available-for-sale or other liabilities. Financial instruments classified as held-for-trading are measured at fair value with gains and losses recognized in the statement of operations. Financial instruments classified as held-to-maturity, loans and receivables and other liabilities are measured at amortized cost using the effective interest method. Available-for-sale financial instruments are measured at fair value, with unrealized gains and losses recognized directly in unrestricted net assets.

Cash and bank indebtedness and long-term investments are designated as held-for-trading; accounts receivable, due from Province of Manitoba and note receivable from the RRC Students' Association as loans and receivables; accounts payable and accrued liabilities, and long-term liabilities as other liabilities.

The College does not have any held-to-maturity instruments.

Except for held-for-trading designated financial instruments, transaction costs that are directly attributable to the acquisition or issuance of financial assets or liabilities are accounted for as part of the respective asset or liability's carrying value at inception and amortized over the expected life of the financial instrument using the effective interest method. For held-for-trading financial assets and liabilities, transaction costs are recorded in the statement of operations as incurred.



# RED RIVER COLLEGE

Notes to Financial Statements (continued)

(In thousands of dollars)

Year ended June 30, 2011

## 2. Significant accounting policies (continued):

The College has adopted the Canadian Institute of Chartered Accountants (CICA) Handbook Section 3861, *Financial Instruments - Disclosure and Presentation*. In accordance with the Accounting Standards Board's decision to exempt not-for-profit organizations from the disclosure requirements with respect to financial instruments contained within Section 3862, *Financial Instruments - Disclosures*, and Section 3863, *Financial Instruments - Presentation*, the College has elected not to adopt these standards in the financial statements.

### (k) Foreign currency translation:

Monetary assets and liabilities in foreign currencies have been translated into Canadian dollars at year end exchange rates with any gain or loss included in income in the year. Revenues and expenses have been translated at the exchange rate in effect at the transaction date.

### (l) 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 in short-term deposits. Interest rates on short-term investments ranges between 0.85 percent and 0.90 percent. Short-term investments mature between July 2011 and October 2011.

The carrying value of the short-term investments at the beginning and end of the year approximated fair value due to the short-term maturity of these deposits.

## 4. Accounts receivable:

	2011	2010
Trust and endowment receivables	\$ 155	\$ 251
Other accounts receivable	4,356	7,384
	<u>\$ 4,511</u>	<u>\$ 7,635</u>

# RED RIVER COLLEGE

Notes to Financial Statements (continued)  
(In thousands of dollars)

Year ended June 30, 2011

## 5. Inventories:

Inventories consist primarily of books purchased for resale. During the year ended June 30, 2011, inventories totaling \$4,368 were expensed (2010 - \$4,337).

## 6. Prepaid expenses:

	2011	2010
Prepaid property taxes	\$ 1,032	\$ 974
Other prepaid expenses	1,312	1,219
Deferred salary & benefits	425	—
	\$ 2,769	\$ 2,193

## 7. Long-term investments:

	2011		2010	
	Fair value	Cost	Fair value	Cost
Cash and fixed term instruments	\$ 12,706	\$ 11,859	\$ 11,290	\$ 10,745
Equity investments	3,591	2,963	2,950	2,812
Debentures	434	434	356	356
	\$ 16,731	\$ 15,256	\$ 14,596	\$ 13,913

Fair value as represented above was derived from the quoted market value of investments.

## 8. Due from the Province of Manitoba:

The balance due from the Province is non-interest bearing, unsecured and has no fixed terms of repayment. This balance arose when the severance and vacation pay liabilities were transferred from the Province to the College in 1996. The College is responsible for funding liabilities for vacation pay and severance pay benefits accumulated after the transfer through its operating grants from the Province of Manitoba. As a result, the change in the severance liability, including the interest accretion, is reflected in the funding for severance expense. The portion of the receivable related to the vacation pay is paid annually through the operating grants.

# RED RIVER COLLEGE

Notes to Financial Statements (continued)  
(In thousands of dollars)

Year ended June 30, 2011

## 9. Capital assets:

			2011	2010
	Cost	Accumulated amortization	Net book value	Net book value
Equipment and furniture	\$ 42,920	\$ 29,329	\$ 13,591	\$ 13,533
Computer equipment and software	19,576	17,933	1,643	1,771
Major renovations	6,430	3,086	3,344	3,653
Buildings	65,337	9,703	55,634	57,163
Vehicles	324	238	86	119
Aircraft	2,035	705	1,330	1,232
Leasehold improvements	7,189	5,294	1,895	2,494
Construction in progress	21,996	—	21,996	6,397
Assets under capital leases	15,272	11,656	3,616	4,753
Library holdings	1,223	—	1,223	1,223
	\$ 182,302	\$ 77,944	\$ 104,358	\$ 92,338

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 \$ 2,596 (2010 - \$2,501).

The increase in net book value of capital assets is due to the following:

	2011	2010
Balance, beginning of year	\$ 92,338	\$ 88,349
Purchase of capital assets:		
Funded by deferred capital contributions	3,121	3,260
Funded by deferred capital campaign contributions	47	275
Funded by deferred capital revenue (construction in progress)	9,850	4,300
Internally funded	9,739	2,161
Financed through capital lease, net of obligation paid	(956)	1,131
Donations of capital assets	186	48
Donations of construction in progress	—	2,680
Gain on disposal of capital assets	(9)	34
Amortization of capital assets	(9,958)	(9,900)
Balance, end of year	\$ 104,358	\$ 92,338

On July 24, 2009, the College acquired the property at 500-504 Main Street, the former Union Bank Tower, for nominal consideration. The fair market value of the building at the time of transfer was \$2,680.

# RED RIVER COLLEGE

Notes to Financial Statements (continued)  
(In thousands of dollars)

Year ended June 30, 2011

## 10. Operating line of credit:

The College has a \$5,000 operating line of credit with the Province, bearing interest at prime. At June 30, 2011, there had been no withdrawals on this operating line.

## 11. Accounts payable and accrued liabilities:

	2011	2010
Trade payables	\$ 7,742	\$ 4,253
Trust and endowment payables	13	-
Accrued salaries and benefits	1,902	6,640
Accrued retirement severance pay	8,629	8,347
Accrued vacation pay	11,259	10,532
	\$ 29,545	\$ 29,772

The accrued retirement severance pay is actuarially determined. The latest valuation as at March 31, 2011, resulted in an actuarial loss of \$3,082. The actuarial loss is being amortized over the average remaining service period for the plan (2011 - 9 years). Significant actuarial assumptions used in the severance obligations at June 30, 2011 and 2010 are as follows:

	2011	2010
Interest rate on obligations	6.50%	7.00%
Employer current service cost as a percentage of salary	0.89%	0.64%



# RED RIVER COLLEGE

Notes to Financial Statements (continued)  
(In thousands of dollars)

Year ended June 30, 2011

## 12. Obligations under capital leases:

The following is a schedule of future minimum lease payments under capital leases expiring between July 2011 and April 2014 together with the balances of the obligations under capital leases:

2012	\$	1,976
2013		992
2014		408
Total minimum lease payments		3,376
Less amount representing interest (ranging from 2.3% to 13.3%)		(161)
Balance of obligations		3,215
Current portion		1,855
	\$	1,360

Interest expense on the lease obligations amounted to \$224 (2010 - \$260).

## 13. Deferred contributions:

Deferred contributions represent the portion of the provincial operating grant and other contributions that pertains to expenditures of the following year and donations for various scholarships, bursaries and other specific purposes to be paid out in future years.

	2011	2010
Deferred provincial operating grant:		
Balance, beginning of year	\$ 3,999	\$ 4,647
Amount recognized as revenue during the year	(3,999)	(4,647)
Amount received related to following year	7,201	3,999
Balance, end of year	7,201	3,999
Deferred other contributions:		
Balance, beginning of year	3,125	2,607
Amount recognized as revenue during the year	(801)	(856)
Amount restricted for endowment	(180)	-
Amount received related to following year	1,703	1,374
Balance, end of year	3,847	3,125
	\$ 11,048	\$ 7,124

# RED RIVER COLLEGE

Notes to Financial Statements (continued)

(In thousands of dollars)

Year ended June 30, 2011

## 14. Deferred capital campaign contributions:

Deferred capital campaign contributions represent donations received for capital fundraising campaigns. The donations are being amortized on the same basis as the capital assets to which they relate. The changes in the deferred capital campaign contributions balance are as follows:

	2011	2010
Balance, beginning of year	\$ 3,331	\$ 3,354
Less amortization of deferred capital campaign contributions during the year	(290)	(298)
Add donations received during the year	47	275
Less donations transferred to deferred capital contributions	(150)	-
Balance, end of year	\$ 2,938	\$ 3,331

## 15. 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:

	2011	2010
Balance, beginning of year	\$ 72,268	\$ 67,916
Less amortization of deferred contributions	(5,367)	(5,016)
Add:		
Contributions received for capital purposes	12,971	9,320
Transferred from deferred capital campaign contributions	150	-
Donations-in-kind	186	48
Balance, end of year	\$ 80,208	\$ 72,268

Unamortized capital contributions of \$80,208 (2010 - \$72,268) 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 the COPSE.



# RED RIVER COLLEGE

Notes to Financial Statements (continued)

(In thousands of dollars)

Year ended June 30, 2011

## 15. Deferred contributions related to capital assets (continued):

No revenue or expense is recorded in accordance with their extinguishment, except for the amortization of the deferred contributions. The balances of the promissory notes are as follows:

	2011	2010
Princess Street campus:		
Phase 1 - 6.3% interest, maturing July 31, 2042, repayable in monthly instalments which in the current year ranged from \$83 - \$90 including principal and interest	\$ 10,961	\$ 11,314
Phase 2 - 6.3% interest, maturing July 31, 2043, repayable in monthly instalments which in the current year ranged from \$143 - \$155 including principal and interest	19,054	19,648
Phase 3 - 6.3% interest, maturing March 31, 2044, repayable in monthly instalments which in the current year ranged from \$59 - \$64 including principal and interest	7,961	8,204
Heavy Equipment Transportation Centre of Excellence:		
5.5% interest, maturing January 31, 2048, repayable in monthly instalments of \$60 including principal and interest	11,398	11,492
	<u>\$ 49,374</u>	<u>\$ 50,658</u>

## 16. Investment in capital and intangible assets:

The investment in capital and intangible assets consists of the following:

	2011	2010
Capital assets, net book value	\$ 104,358	\$ 92,338
Intangible asset, net book value	5	6
Less:		
Amounts financed by deferred capital campaign contributions	(2,938)	(3,331)
Deferred capital contributions	(80,208)	(72,269)
Amounts financed by capital lease	(3,215)	(4,170)
	<u>\$ 18,002</u>	<u>\$ 12,574</u>

# RED RIVER COLLEGE

Notes to Financial Statements (continued)  
(In thousands of dollars)

Year ended June 30, 2011

## 16. Investment in capital and intangible assets (continued):

The change in investment in capital and intangible assets is calculated as follows:

	2011	2010
Purchase of capital assets internally financed	\$ 9,739	\$ 2,161
Amortization of:		
Capital and intangible assets	(9,959)	(9,902)
Deferred capital contributions	5,367	5,016
Deferred capital campaign contributions	290	298
Gain (loss) on disposal of capital assets	(9)	34
Increase (decrease) in investment in capital and intangible assets	\$ 5,428	\$ (2,393)

## 17. 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:

	2011	2010
Princess Street campus structural reserve	\$ 693	\$ 693
Notre Dame campus structural reserve	400	400
Contract training net proceeds	3,438	3,255
Campus renovation reserve	645	258
Balance, end of year	\$ 5,176	\$ 4,606

Under College internal best practice guidelines, net proceeds earned from designated contract training activities are restricted and eligible for expenditure under certain conditions, in the years following contract completion.

# RED RIVER COLLEGE

Notes to Financial Statements (continued)  
(In thousands of dollars)

Year ended June 30, 2011

## 18. Change in non-cash working capital balances:

	2011	2010
Accounts receivable	\$ 3,124	\$ (1,815)
Inventories	(128)	30
Prepaid expenses	(576)	323
Accounts payable and accrued liabilities	(227)	5,140
Deferred revenue	980	703
Changes in non-cash working capital	\$ 3,173	\$ 4,381

## 19. 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 Canadian Institute of Chartered Accountants Handbook, Section 3461.

The expense related to the pension plan was \$4,380 (2010 - \$3,799). 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.

## 20. Commitments:

The College leases classroom and office space in Winnipeg, Portage la Prairie, Steinbach 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, services, construction costs and equipment, in aggregate, for each of the next five years, is approximately as follows:

2012	\$ 3,312
2013	2,364
2014	1,271
2015	1,102
2016	1,100
	\$ 9,149



# RED RIVER COLLEGE

Notes to Financial Statements (continued)  
(In thousands of dollars)

Year ended June 30, 2011

## 21. 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. In 2007, the College agreed to loan \$375 to SABF that was used to construct a new student lounge on the Notre Dame campus. The note receivable is unsecured and non-interest bearing.

Repayment began in February 2008 and the balance will be repaid as follows:

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2012	\$	25
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The net assets and results of operations of the Students' Association and SABF are not included in the financial statements of the College.

### (b) Crecomm Radio Inc.:

Crecomm Radio Inc. (Crecomm), is an organization controlled for accounting purposes by the College, with College representation on its Board. Crecomm is partially funded by the College. It operates a campus radio station and provides training and educational opportunities for Creative Communication students. Crecomm is incorporated under the *Corporations Act* of Manitoba and is exempt from income taxes. As at June 30, 2011, net assets of Crecomm amount to a deficit of \$163 and there is a net receivable owing to the College of \$41.

The net assets and results from operations of Crecomm are not included in the financial statements of the College.

# RED RIVER COLLEGE

Notes to Financial Statements (continued)  
(In thousands of dollars)

Year ended June 30, 2011

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## 21. Related parties (continued):

### (c) 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 who 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 May 31, 2011, net resources of the Blood Bank amount to \$185.

The net assets and results of operations of the Blood Bank are not included in the financial statements of the College.

## 22. 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 are 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 note receivable from the Red River College Students' Association and 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.

# RED RIVER COLLEGE

Notes to Financial Statements (continued)  
(In thousands of dollars)

Year ended June 30, 2011

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## 22. Financial instruments (continued):

### (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.

## 23. 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 year ended June 30, 2011, the College has met its externally imposed capital requirements.

## 24. Comparative figures:

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.