VOLUME 4 - SECTION 2

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Section 2:

CROWN ORGANIZATIONS (CONTINUED):

NOTICE TO READER
VOLUME 4 – SECTION 2

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

MANAGEMENT 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 is described in Note # 2 to the consolidated financial statements.

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

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

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

Chairperson

Secretary-Treasurer

October 2, 2012

MNP LLP

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, 2012, 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. 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 the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Beautiful Plains School Division as at June 30, 2012 and the consolidated results of its operations, consolidated changes in net assets and its consolidated cash flow for the year then ended in accordance with Canadian generally accepted accounting principles established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

Other Matters

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

Brandon, Manitoba
October 2, 2012

MNP LLP
Chartered Accountants

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

October 2, 2012.

Chairperson of the Board

Date

Praxity MEMBER GLOBAL ALLIANCE OF INDEPENDENT FIRMS

BEST EMPLOYERS IN CANADA 2011

ACCOUNTING › CONSULTING › TAX
1401 PRINCESS AVENUE, BRANDON, MB R7A 7L7
1.800.446.0890 P: 204.727.0661 F: 204.726.1543 mnp.ca

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2012	2011
	Financial Assets		
	Cash and Bank	-	613,162
	Short Term Investments	-	-
	Due from - Provincial Government	918,600	1,588,079
	- Federal Government	54,203	38,995
10	- Municipal Government	2,821,266	2,534,352
	- Other School Divisions	-	-
	- First Nations	-	-
	Accounts Receivable	49,556	34,001
	Accrued Investment Income	-	-
	Other Investments	-	-
		3,843,625	4,808,589
	Liabilities		
5	Overdraft	140,657	-
	Accounts Payable	116,619	724,652
	Accrued Liabilities	1,578,397	1,554,485
4	Employee Future Benefits	22,058	46,623
	Accrued Interest Payable	501,662	521,119
	Due to - Provincial Government	-	-
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	-	16,670
	- First Nations	-	-
6	Deferred Revenue	778,918	758,728
8	Debenture Debt	17,953,131	18,513,982
	Other Borrowings	-	-
	School Generated Funds Liability	63,887	41,345
		21,155,329	22,177,604
	Net Debt	(17,311,704)	(17,369,015)
	Non-Financial Assets		
2e	Net Tangible Capital Assets (TCA Schedule)	20,589,125	20,273,944
	Inventories	-	-
	Prepaid Expenses	28,732	14,773
		20,617,857	20,288,717
9	**Accumulated Surplus**	3,306,153	2,919,702

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes			2012	2011
	Revenue			
	Provincial Government		11,878,470	11,662,597
	Federal Government		-	-
10	Municipal Government	- Property Tax	5,427,354	5,053,394
		- Other	-	-
	Other School Divisions		31,200	30,550
	First Nations		15,371	-
	Private Organizations and Individuals		43,645	51,386
	Other Sources		121,130	103,883
	School Generated Funds		315,207	237,338
	Other Special Purpose Funds		-	-
			17,832,377	17,139,148
	Expenses			
	Regular Instruction		9,217,128	8,630,979
	Student Support Services		2,068,711	1,941,763
	Adult Learning Centres		-	-
	Community Education and Services		17,339	19,782
	Divisional Administration		554,877	568,358
	Instructional and Other Support Services		304,914	302,091
	Transportation of Pupils		1,067,446	1,008,906
	Operations and Maintenance		1,605,280	1,633,308
11	Fiscal	- Interest	1,058,015	1,100,577
		- Other	247,633	234,596
	Amortization		1,043,764	1,055,029
	Other Capital Items		-	27,930
7	School Generated Funds		285,384	227,400
	Other Special Purpose Funds		-	-
			17,470,491	16,750,719
	Current Year Surplus (Deficit)		361,886	388,429
	Non-vested sick leave		24,565	(29,668)
	Opening Accumulated Surplus		2,919,702	2,577,896
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	-
		Other than Tangible Cap. Assets	-	-
3		Non-vested sick leave	-	(16,955)
	Opening Accumulated Surplus, as adjusted		2,919,702	2,560,941
	Closing Accumulated Surplus		3,306,153	2,919,702

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2012

	2012	2011
Current Year Surplus (Deficit)	361,886	388,429
Amortization of Tangible Capital Assets	1,043,764	1,055,029
Acquisition of Tangible Capital Assets	(1,358,945)	(499,216)
(Gain) / Loss on Disposal of Tangible Capital Assets	-	(1,300)
Proceeds on Disposal of Tangible Capital Assets	-	1,300
	(315,181)	555,813
Inventories (Increase)/Decrease	-	-
Prepaid Expenses (Increase)/Decrease	(13,959)	(242)
	(13,959)	(242)
(Increase)/Decrease in Net Debt	32,746	944,000
Net Debt at Beginning of Year	(17,369,015)	(18,266,392)
Adjustments Other than Tangible Cap. Assets	24,565	(46,623)
	(17,344,450)	(18,313,015)
Net Debt at End of Year	(17,311,704)	(17,369,015)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2012

	2012	2011
Operating Transactions		
Current Year Surplus/(Deficit)	361,886	388,429
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	1,043,764	1,055,029
(Gain)/Loss on Disposal of Tangible Capital Assets	-	(1,300)
Employee Future Benefits Increase/(Decrease)	(24,565)	46,623
Short Term Investments (Increase)/Decrease	-	-
Due from Other Organizations (Increase)/Decrease	367,357	(684,151)
Accounts Receivable & Accrued Income (Increase)/Decrease	(15,555)	(28,759)
Inventories and Prepaid Expenses - (Increase)/Decrease	(13,959)	(242)
Due to Other Organizations Increase/(Decrease)	(16,670)	3,286
Accounts Payable & Accrued Liabilities Increase/(Decrease)	(603,578)	198,956
Deferred Revenue Increase/(Decrease)	20,190	35,315
School Generated Funds Liability Increase/(Decrease)	22,542	3,654
Adjustments Other than Tangible Cap. Assets	24,565	(46,623)
Cash Provided by Operating Transactions	1,165,977	970,217
Capital Transactions		
Acquisition of Tangible Capital Assets	(1,358,945)	(499,216)
Proceeds on Disposal of Tangible Capital Assets	-	1,300
Cash (Applied to)/Provided by Capital Transactions	(1,358,945)	(497,916)
Investing Transactions		
Other Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
Financing Transactions		
Debenture Debt Increase/(Decrease)	(560,851)	(887,566)
Other Borrowings Increase/(Decrease)	-	-
Cash Provided by (Applied to) Financing Transactions	(560,851)	(887,566)
Cash and Bank / Overdraft (Increase)/Decrease	(753,819)	(415,265)
Cash and Bank (Overdraft) at Beginning of Year	613,162	1,028,427
Cash and Bank (Overdraft) at End of Year	(140,657)	613,162

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2012

	Buildings and Leasehold Improvements		School	Other	Furniture / Fixtures &	Computer Hardware &		Land	Assets Under	2012	2011
	School	Non-School	Buses	Vehicles	Equipment	Software *	Land	Improvements	Construction	TOTALS	TOTALS
Tangible Capital Asset Cost											
Opening Cost, as previously reported	28,966,005	841,511	2,112,023	79,676	339,658	85,218	221,168	-	265,059	32,910,318	32,455,199
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	28,966,005	841,511	2,112,023	79,676	339,658	85,218	221,168	-	265,059	32,910,318	32,455,199
Add: Additions during the year	648,887	-	85,536	-	-	42,680	-	-	581,842	1,358,945	499,216
Less: Disposals and write downs	-	-	-	-	-	-	-	-	-	-	44,097
Closing Cost	29,614,892	841,511	2,197,559	79,676	339,658	127,898	221,168	-	846,901	34,269,263	32,910,318
Accumulated Amortization											
Opening, as previously reported	10,347,246	258,244	1,660,508	43,262	241,896	85,218		-		12,636,374	11,625,442
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	10,347,246	258,244	1,660,508	43,262	241,896	85,218		-		12,636,374	11,625,442
Add: Current period Amortization	834,628	25,368	126,981	12,081	39,371	5,335		-		1,043,764	1,055,029
Less: Accumulated Amortization on Disposals and Writedowns	-	-	-	-	-	-		-		-	44,097
Closing Accumulated Amortization	11,181,874	283,612	1,787,489	55,343	281,267	90,553		-		13,680,138	12,636,374
Net Tangible Capital Asset	18,433,018	557,899	410,070	24,333	58,391	37,345	221,168	-	846,901	20,589,125	20,273,944
Proceeds from Disposal of Capital Assets	-	-	-	-	-	-				-	1,300

* Includes network infrastructure.

BEAUTIFUL PLAINS SCHOOL DIVISION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2012

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

b) Basis of Accounting

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

c) Fund Accounting

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

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

d) School Generated Funds

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

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

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

e) Tangible Capital Assets

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

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

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

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

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

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

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.

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

g) Capital Reserve

Certain amounts, as approved by the Board of Trustees and the Public Schools Finance Board (PSFB), have been set aside in reserve accounts for future capital purposes. These Capital Reserve accounts are internally restricted funds that form part of the Accumulated Surplus presented in the Consolidated Statement of Financial Position. The Division has a reserve for school bus purchases in the amount of $ 556,944, another vehicles reserve in the amount of $ 15,000 and a reserve for the renovation and upgrade of the Neepawa Collegiate Home Economics Room in the amount of $ 70,000.

h) Use of Estimates

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

i) Financial Instruments

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

3. Change in Accounting Policy – Future Sick Leave

Previously, the School Division did not recognize an accrued benefit obligation related to sick leave benefits as the benefits do not vest. The benefit costs were only recognized and recorded in the period when an employee was sick. Public Sector Accounting Standards require that a liability and an expense be recognized for post-employment benefits and compensated absences that vest or accumulate in the period in which employees render services to the School Division in return for the benefits. An adjustment was made to recognize a liability and an expense related to accumulated sick leave entitlement. The resulting adjustment to the liability for Employee Future Benefits at July 1, 2011 was $16,955. An additional expense of $29,668 was recognized in the 2010-11 fiscal year. The liability for employee future benefits recorded at June 30, 2012 was decreased by $24,565 related to the accrual for accumulated sick leave entitlement, determined using net present value techniques.

4. Employee Future Benefits

Non-vested accumulated sick leave benefits are measured using net present value techniques on the expected future utilization of excess of sick benefits used over earned per year, to maximum entitlement. The impact of the estimated non-vested sick leave benefit cost for 2011-2012 is a reduction of the liability in the amount of $ 24,565.

5. Overdraft

The Division has an operating $ 3,700,000 line of credit with the Beautiful Plains Credit Union by way of overdraft. (By-Law # 258) The Division does not receive any property taxation until November each year thus operates in overdraft for a portion of each year.

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 Division has a Scholarship Fund which is included in Other Special Purpose Funds below. The following is a breakdown of the account balance:

	Balance as at June 30, 2011	Additions in the period	Revenue recognized in the period	Balance as at June 30, 2012
Education Property Tax Credits (Fall)	688,358	720,637	688,358	720,637
Charitable Scholarship Fund	70,370	19,623	31,712	58,281
	$ 758,728	$ 740,260	$ 720,070	$ 778,918

7. 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 $63,887.

School generated funds revenue and expenses reported in the Consolidated Statement of Revenue, Expenses and Accumulated Surplus as at June 30, 2012 covers a period of twelve months from April 1, 2011 to March 31, 2012.

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 4.125% to 9.25%. Debenture interest expense payable as at June 30, 2012, 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
2012/13	$	1,181,348	$	1,088,489	$	2,269,837
2013/14		1,245,663		1,016,481	$	2,262,144
2014/15		1,321,535		940,609	$	2,262,144
2015/16		1,402,219		859,925	$	2,262,144
2016/17		1,430,918		774,112	$	2,205,030
	$	6,581,683	$	4,679,616	$	11,261,299

9. Accumulated Surplus

The opening accumulated surplus has been restated to reflect a prior period adjustment for non-vested sick leave benefits. (See notes 3 and 4)

The consolidated accumulated surplus is comprised of the following:

	2011/12
Operating Fund	
Designated Surplus	51,026
Undesignated Surplus	391,467
Non-vested Sick Leave Benefits	22,058
	464,551
Capital Fund	
Reserve Accounts	641,944
Equity in Tangible Capital Assets	1,977,733
	2,619,677
Special Purpose Fund	
School Generated Funds	221,925
Other Special Purpose Funds	-
	221,925
Total Accumulated Surplus	$ 3,306,153

Unexpended school instructional budgets from the 2011/12 year totaling $ 51,026 have been carried forward to the 2012/13 school year.

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

		2011/12
School Bus Reserve		556,944
Other Vehicle Reserve		15,000
Home Ec. - Neepawa Collegiate		70,000
Total Capital Reserves	$	641,944

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

Education Property Tax or Special Levy is raised as the Division's contribution to the cost of providing public education for the students resident in the division. The Municipal Government-Property Tax shown on the consolidated revenue and expense statement is raised over the two calendar (tax) years; 48% from 2011 tax year and 52% from the 2012 tax year. Below are the related revenue and receivable amounts:

	2011/12	2010/11
Revenue-Municipal Government-Property Tax	5,427,354	5,053,394
Receivable-Due from Municipal-Property Tax	2,821,266	2,534,352

11. Interest Received and Paid

The Division received interest during the year of $ 11,368 (previous year $ 12,731). Interest expense is included in Fiscal and is comprised of the following:

		2011/12
Operating Fund		
Fiscal-short term loan, interest and bank charges	$	7,807
Capital Fund		
Debenture debt interest		1,050,208
Other interest		-
	$	1,058,015

The accrual portion of debenture debt interest expense of $ 501,662 included under the Capital Fund-Debenture debt interest is offset by an accrual of the debt servicing grant from the Province of Manitoba.

12. High Speed Connectivity Agreement

The Division has entered into a long term agreement with Westman Communications Group to provide high speed internet and wide area network connectivity for all community schools. The initial term of the agreement is ten years and two options to renew for a further five years each. Carberry and Neepawa Schools and the Division Office will utilize fiber optic cable technology and Brookdale and J.M. Young Schools will have wireless service using towers. A prepaid expense in the amount of $ 566,079 will be established in the 2012/13 fiscal year. This expense will be recognized over the initial term of the agreement commencing in the 2012/13 fiscal year. The cost for construction of the infrastructure owned by the Division is $ 188,693. This amount is currently reflected as construction in progress in the capital fund and will be amortized over 10 years as network infrastructure.

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 2011/12	Budget 2011/12	Actual 2010/11
Salaries	$ 11,452,645	$ 11,478,200	$ 10,854,763
Employees benefits & allowances	796,821	779,070	738,952
Services	1,387,159	1,511,452	1,397,485
Supplies, materials & minor equipment	1,159,920	1,100,818	1,073,047
Interest	1,058,015	1,063,208	1,100,577
Transfers (Other than Capital)	39,150	45,100	40,940
Payroll tax	247,633	242,000	234,596
Amortization	1,043,764	-	1,055,029
Other capital items	-	-	27,930
School generated funds	285,384	-	227,400
	$ 17,470,491	$ 16,219,848	$ 16,750,719

BORDER LAND
SCHOOL DIVISION

MANAGEMENT REPORT

Management's Responsibility for the Consolidated 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 14, 2012

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Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of **Border Land School Division** ("Division"), which comprise the consolidated statement of financial position as at June 30, 2012, and the consolidated statement of revenue, expenses and accumulated surplus, statement of change in net debt and statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

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

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

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **Border Land School Division** as at June 30, 2012, 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 14, 2012

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 14, 2012
Date

Chairperson

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2012	2011
	Financial Assets		
	Cash and Bank	2,034,025	749,277
	Short Term Investments	-	-
	Due from - Provincial Government	2,266,753	2,292,972
	- Federal Government	96,756	214,351
11	- Municipal Government	4,965,938	4,498,581
	- Other School Divisions	426,436	395,076
	- First Nations	155,855	224,034
	Accounts Receivable	169,264	165,284
	Accrued Investment Income	-	-
	Other Investments	-	-
		10,115,027	8,539,575
	Liabilities		
3	Overdraft	-	-
	Accounts Payable	1,297,124	950,010
	Accrued Liabilities	268,047	793,824
4	Employee Future Benefits	-	-
	Accrued Interest Payable	247,892	263,385
	Due to - Provincial Government	95,147	89,596
	- Federal Government	1,078,175	47,850
	- Municipal Government	74,362	74,671
	- Other School Divisions	221,037	186,055
	- First Nations	-	-
5	Deferred Revenue	1,216,484	1,127,902
6	Debenture Debt	9,585,713	10,139,008
7	Other Borrowings	22,400	28,000
8	School Generated Funds Liability	-	-
		14,106,381	13,700,301
	Net Debt	(3,991,354)	(5,160,726)
	Non-Financial Assets		
9	Net Tangible Capital Assets (TCA Schedule)	13,248,267	13,711,066
	Inventories	117,430	112,964
	Prepaid Expenses	41,590	14,978
		13,407,287	13,839,008
10	**Accumulated Surplus**	9,415,933	8,678,282

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes			2012	2011
	Revenue			
	Provincial Government		21,551,408	20,983,142
	Federal Government		592,693	474,683
	Municipal Government	- Property Tax	8,189,455	7,854,540
		- Other	3,000	2,940
	Other School Divisions		477,524	429,835
	First Nations		404,903	218,270
	Private Organizations and Individuals		188,029	138,294
	Other Sources		259,319	315,149
	School Generated Funds		291,665	278,921
	Other Special Purpose Funds		-	-
			31,957,996	30,695,774
13	**Expenses**			
	Regular Instruction		16,789,326	15,823,115
	Student Support Services		4,327,559	4,306,835
	Adult Learning Centres		513,088	515,068
	Community Education and Services		45,012	46,271
	Divisional Administration		852,004	803,856
	Instructional and Other Support Services		705,728	597,747
	Transportation of Pupils		2,150,114	2,037,601
	Operations and Maintenance		3,082,363	2,925,408
12	Fiscal	- Interest	579,885	575,599
		- Other	466,016	431,785
	Amortization		1,419,599	1,401,351
	Other Capital Items		(23)	7,151
	School Generated Funds		289,674	254,819
	Other Special Purpose Funds		-	-
			31,220,345	29,726,606
	Current Year Surplus (Deficit)		737,651	969,168
	Less: Non-vested sick leave		0	0
	Opening Accumulated Surplus		8,678,282	7,709,114
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	-
		Other than Tangible Cap. Assets	-	-
		Non-vested sick leave	-	-
	Opening Accumulated Surplus, as adjusted		8,678,282	7,709,114
10	**Closing Accumulated Surplus**		9,415,933	8,678,282

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2012

	2012	2011
Current Year Surplus (Deficit)	737,651	969,168
Amortization of Tangible Capital Assets	1,419,599	1,401,351
Acquisition of Tangible Capital Assets	(974,339)	(1,478,016)
(Gain) / Loss on Disposal of Tangible Capital Assets	(6,010)	7,821
Proceeds on Disposal of Tangible Capital Assets	23,549	2,421
	462,799	(66,423)
Inventories (Increase)/Decrease	(4,466)	(550)
Prepaid Expenses (Increase)/Decrease	(26,612)	33,663
	(31,078)	33,113
(Increase)/Decrease in Net Debt	1,169,372	935,858
Net Debt at Beginning of Year	(5,160,726)	(6,096,584)
Adjustments Other than Tangible Cap. Assets	-	-
	(5,160,726)	(6,096,584)
Net Debt at End of Year	(3,991,354)	(5,160,726)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2012

	2012	2011
Operating Transactions		
Current Year Surplus/(Deficit)	737,651	969,168
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	1,419,599	1,401,351
(Gain)/Loss on Disposal of Tangible Capital Assets	(6,010)	7,821
Employee Future Benefits Increase/(Decrease)	-	-
Short Term Investments (Increase)/Decrease	-	-
Due from Other Organizations (Increase)/Decrease	(286,724)	(658,528)
Accounts Receivable & Accrued Income (Increase)/Decrease	(3,980)	38,820
Inventories and Prepaid Expenses - (Increase)/Decrease	(31,078)	33,113
Due to Other Organizations Increase/(Decrease)	1,070,549	(50,886)
Accounts Payable & Accrued Liabilities Increase/(Decrease)	(194,156)	297,221
Deferred Revenue Increase/(Decrease)	88,582	128,424
School Generated Funds Liability Increase/(Decrease)	-	-
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by Operating Transactions	2,794,433	2,166,504
Capital Transactions		
Acquisition of Tangible Capital Assets	(974,339)	(1,478,016)
Proceeds on Disposal of Tangible Capital Assets	23,549	2,421
Cash (Applied to)/Provided by Capital Transactions	(950,790)	(1,475,595)
Investing Transactions		
Other Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
Financing Transactions		
Debenture Debt Increase/(Decrease)	(553,295)	730,363
Other Borrowings Increase/(Decrease)	(5,600)	28,000
Cash Provided by (Applied to) Financing Transactions	(558,895)	758,363
Cash and Bank / Overdraft (Increase)/Decrease	1,284,748	1,449,272
Cash and Bank (Overdraft) at Beginning of Year	749,277	(699,995)
Cash and Bank (Overdraft) at End of Year	2,034,025	749,277

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2012

	Buildings and Leasehold Improvements		School	Other	Furniture / Fixtures &	Computer Hardware &		Land	Assets Under	2012	2011
	School	Non-School	Buses	Vehicles	Equipment	Software *	Land	Improvements	Construction	TOTALS	TOTALS
Tangible Capital Asset Cost											
Opening Cost, as previously reported	22,513,538	651,882	3,856,309	136,362	2,033,429	411,477	207,919	-	-	29,810,916	28,721,186
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	22,513,538	651,882	3,856,309	136,362	2,033,429	411,477	207,919	-	-	29,810,916	28,721,186
Add: Additions during the year	100,000	-	284,168	22,479	81,479	76,485	-	257,627	152,101	974,339	1,478,016
Less: Disposals and write downs	-	-	333,552	-	-	18,462	-	-	-	352,014	388,286
Closing Cost	22,613,538	651,882	3,806,925	158,841	2,114,908	469,500	207,919	257,627	152,101	30,433,241	29,810,916
Accumulated Amortization											
Opening, as previously reported	12,114,460	294,428	2,305,661	44,411	1,141,446	199,444		-		16,099,850	15,076,543
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	12,114,460	294,428	2,305,661	44,411	1,141,446	199,444		-		16,099,850	15,076,543
Add: Current period Amortization	736,393	25,847	310,071	29,520	242,029	62,858		12,881		1,419,599	1,401,351
Less: Accumulated Amortization on Disposals and Writedowns	-	-	333,552	-	-	923		-		334,475	378,044
Closing Accumulated Amortization	12,850,853	320,275	2,282,180	73,931	1,383,475	261,379		12,881		17,184,974	16,099,850
Net Tangible Capital Asset	9,762,685	331,607	1,524,745	84,910	731,433	208,121	207,919	244,746	152,101	13,248,267	13,711,066
Proceeds from Disposal of Capital Assets	-	-	1,900	-	-	21,649				23,549	2,421

* Includes network infrastructure.

1. Nature of Organization and Economic Dependence

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

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

2. Significant Accounting Policies

The 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 extracurricular activities for the sole use of the school that the principal of each school, subject to the rules of the school board, may raise, hold, administer and expend for the purposes of the school.

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

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

Tangible Capital Assets

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

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

Asset Description	Capitalization Threshold ($)	Estimated Useful Life
Land improvements	25,000	10 years
Buildings – bricks, mortar, steel	25,000	40 years
Buildings – wood frame	25,000	25 years
School buses	20,000	10 years
Vehicles	10,000	5 years
Equipment	10,000	5 years
Network infrastructure	25,000	10 years
Computer hardware, servers, peripherals	5,000	4 years
Computer software	10,000	4 years
Furniture and fixtures	5,000	10 years
Leasehold improvements	25,000	Over term of lease

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

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

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

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

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

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

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

Employee Future Benefits

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

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

Defined Contribution Pension Plan

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

Defined Benefit/Self-Insured Employee Future Benefit Plans

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

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

Capital Reserve

Certain amounts, as approved by the Board of Trustees and the Public Schools Finance Board (PSFB), have been set aside in reserve accounts for future capital purposes. These Capital Reserve accounts are internally restricted funds that form part of the Accumulated Surplus presented in the 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 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, 2012); interest is paid monthly. Overdrafts are secured by a line of credit agreement and a borrowing by-law.

4. Employee Future Benefits

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

The employee future benefit expense is a part of the Employee Benefits and Allowances expense account. The total pension expense for the 2012 year was $371,313 ($292,806 in 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, 2011	Additions in the period	Revenue recognized in the period	Balance as at June 30, 2012
Education Property Tax Credit (EPTC)	$ 860,161	$ 1,773,772	$ 1,742,586	$ 891,347
Professional Development	34,994	32,536	19,995	47,535
First Nations Grant	59,397	85,000	79,275	65,122
Special Levy (DSFM)	47,434	73,596	78,769	42,261
Work Transition Pilot Project	3,066	-	3,066	-
Technical Vocational Funding	-	8,100	-	8,100
Transportation Services	-	26,550	-	26,550
Manitoba Textbook Bureau	-	67,179	56,438	10,741
Donations & Special Purpose Funds	67,485	36,427	29,978	73,934
Rhineland Child Care	55,365	-	4,471	50,894
	$ 1,127,902	$ 2,103,160	$ 2,014,578	$ 1,216,484

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 2032. 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 4.125% to 9.75%. Debenture interest expense payable as at June 30, 2012, 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:

2013	$ 1,169,542
2014	1,146,396
2015	1,109,542
2016	1,095,572
2017	1,095,552

7. Other Borrowing

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

	2012	2011
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.	$ 22,400	$ 28,000

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

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, 2012, an amount equal to the liability of nil (nil in 2011) 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 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 (nil in 2011).

10. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2012	2011
Operating Fund		
Designated Surplus	$ 1,130,616	$ 1,124,874
Undesignated Surplus	(232,138)	(207,590)
	898,478	917,284
Capital Fund		
Reserve Accounts	4,735,400	3,970,842
Equity in Tangible Capital Assets	3,510,225	3,520,317
	8,245,625	7,491,159
Special Purpose Fund		
School Generated Funds	271,830	269,839
Other	-	-
	271,830	269,839
Total Accumulated Surplus	$ 9,415,933	$ 8,678,282

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

	2012	2011
School budget carryovers by board policy	$ 616,621	$ 734,828
Applied to Budget and Special Levy	230,269	240,993
Projects and allowances	283,726	149,053
Designated surplus	$ 1,130,616	$ 1,124,874

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.

	2012	2011
Building Additions or Renovations	$ 2,248,999	$ 2,573,680
Software Conversion Projects	155,117	209,532
Wide Area Network	1,374,594	374,594
Equipment and Vehicles	237,283	259,762
Bus Reserve	719,407	553,274
Capital Reserve	$ 4,735,400	$ 3,970,842

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 2011 tax year and 60% from 2012 tax year. Below are the related revenue and receivable amounts:

	2012	2011
Revenue – Municipal Government – Property Tax	$ 8,189,455	$ 7,854,540
Receivable – Due from Municipal – Property Tax	$ 4,965,938	$ 4,498,581

12. Interest Received and Paid

The Division received interest during the year of $64,012 ($23,035 in 2011); interest paid during the year was $579,885 ($575,599 in 2011).

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

	2012	2011
Operating Fund		
Fiscal-short term loan, interest and bank charges	$ 30	$ 2,479
Capital Fund		
Debenture interest	579,855	573,120
	$ 579,885	$ 575,599

The accrual portion of debenture debt interest expense of $247,892 ($263,385 in 2011) 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:

	2012	2011
Salaries	$ 20,952,892	$ 20,274,176
Employees benefits and allowances	1,702,138	1,582,603
Services	2,627,110	2,398,456
Supplies, materials & minor equipment	2,848,478	2,497,269
Interest	579,885	575,599
Bad debts	-	-
Payroll tax	466,016	431,785
Amortization	1,419,599	1,401,351
Transfers	334,576	303,397
Other capital items	(23)	7,151
Loss on Disposal of Capital Assets	-	-
School generated funds	289,674	254,819
Other special purpose funds	-	-
	$ 31,220,345	$ 29,726,606

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, 2012, the amount of this special levy was $113,780 ($128,955 in 2011). 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 $1,130,616 at June 30, 2012 ($1,124,874 at June 30, 2011). 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 consolidated financial statements.

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

Independent Auditor's Report

To the Chairperson and Board of Trustees of
Brandon School Division

We have audited the accompanying financial statements of **Brandon School Division**, which comprise the consolidated statement of financial position as at June 30, 2012 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.

Opinion

In our opinion these consolidated financial statements present fairly, in all material respects, the financial position of **Brandon School Division** as at June 30, 2012 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

Chartered Accountants

Brandon, Manitoba
October 22, 2012

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 22/12

Date

Chairperson

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2012	2011
	Financial Assets		
	Cash and Bank	-	5,387,170
3	Short Term Investments	11,629	11,607
	Due from - Provincial Government	2,081,792	2,174,957
	- Federal Government	78,223	61,175
	- Municipal Government	14,781,580	13,477,648
	- Other School Divisions	22,047	7,673
	- First Nations	44,015	144,216
	Accounts Receivable	55,617	223,998
	Accrued Investment Income	-	-
	Other Investments	-	-
		17,074,903	21,488,444
	Liabilities		
4	Overdraft	770,485	-
	Accounts Payable	7,946,985	10,180,166
	Accrued Liabilities	8,110	325,848
5	Employee Future Benefits	1,157,080	1,379,460
	Accrued Interest Payable	274,575	316,482
	Due to - Provincial Government	-	-
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
6	Deferred Revenue	3,357,727	3,251,982
7	Debenture Debt	11,239,792	12,325,137
	Other Borrowings	-	-
8	School Generated Funds Liability	251,405	228,920
		25,006,159	28,007,995
	Net Debt	(7,931,256)	(6,519,551)
	Non-Financial Assets		
9	Net Tangible Capital Assets (TCA Schedule)	22,234,648	21,443,760
	Inventories	66,959	50,578
	Prepaid Expenses	111,693	74,458
		22,413,300	21,568,796
10	**Accumulated Surplus**	14,482,044	15,049,245

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes			2012	2011
	Revenue			
	Provincial Government		47,584,187	45,769,788
	Federal Government		69,534	71,007
	Municipal Government	- Property Tax	25,952,141	23,796,168
		- Other	-	-
	Other School Divisions		257,604	228,026
	First Nations		330,962	304,676
	Private Organizations and Individuals		808,617	832,102
	Other Sources		286,803	84,111
	School Generated Funds		2,491,430	2,168,856
	Other Special Purpose Funds		369,688	244,408
			78,150,966	73,499,142
	Expenses			
	Regular Instruction		43,759,696	39,891,090
	Student Support Services		16,084,108	14,312,124
	Adult Learning Centres		-	-
	Community Education and Services		413,259	227,537
	Divisional Administration		2,146,864	1,975,542
	Instructional and Other Support Services		2,070,144	2,098,211
	Transportation of Pupils		1,804,888	1,716,564
	Operations and Maintenance		6,107,523	6,223,588
13	Fiscal	- Interest	730,204	775,405
		- Other	1,205,102	1,137,628
	Amortization		1,617,743	1,669,516
	Other Capital Items		-	-
	School Generated Funds		2,565,946	2,081,376
	Other Special Purpose Funds		188,249	65,961
			78,693,726	72,174,542
	Current Year Surplus (Deficit)		(542,760)	1,324,600
	Less: Non-vested sick leave		(24,441)	(14,840)
	Opening Accumulated Surplus		15,049,245	13,990,935
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	-
		Other than Tangible Cap. Assets	-	-
		Non-vested sick leave	-	(251,450)
	Opening Accumulated Surplus, as adjusted		15,049,245	13,739,485
	Closing Accumulated Surplus		14,482,044	15,049,245

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2012

	2012	2011
Current Year Surplus (Deficit)	(542,760)	1,324,600
Amortization of Tangible Capital Assets	1,617,743	1,669,516
Acquisition of Tangible Capital Assets	(2,513,501)	(1,398,405)
(Gain) / Loss on Disposal of Tangible Capital Assets	(196,409)	-
Proceeds on Disposal of Tangible Capital Assets	301,279	-
	(790,888)	271,111
Inventories (Increase)/Decrease	(16,381)	16,936
Prepaid Expenses (Increase)/Decrease	(37,235)	22,081
	(53,616)	39,017
(Increase)/Decrease in Net Debt	(1,387,264)	1,634,728
Net Debt at Beginning of Year	(6,519,551)	(7,887,989)
Adjustments Other than Tangible Cap. Assets	(24,441)	(266,290)
	(6,543,992)	(8,154,279)
Net Debt at End of Year	(7,931,256)	(6,519,551)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2012

	2012	2011
Operating Transactions		
Current Year Surplus/(Deficit)	(542,760)	1,324,600
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	1,617,743	1,669,516
(Gain)/Loss on Disposal of Tangible Capital Assets	(196,409)	-
Employee Future Benefits Increase/(Decrease)	(222,380)	600,724
Short Term Investments (Increase)/Decrease	(22)	(307)
Due from Other Organizations (Increase)/Decrease	(1,141,988)	(1,330,009)
Accounts Receivable & Accrued Income (Increase)/Decrease	168,381	(8,005)
Inventories and Prepaid Expenses - (Increase)/Decrease	(53,616)	39,017
Due to Other Organizations Increase/(Decrease)	-	-
Accounts Payable & Accrued Liabilities Increase/(Decrease)	(2,592,826)	3,084,332
Deferred Revenue Increase/(Decrease)	105,745	226,447
School Generated Funds Liability Increase/(Decrease)	22,485	33,188
Adjustments Other than Tangible Cap. Assets	(24,441)	(266,290)
Cash Provided by Operating Transactions	(2,860,088)	5,373,213
Capital Transactions		
Acquisition of Tangible Capital Assets	(2,513,501)	(1,398,405)
Proceeds on Disposal of Tangible Capital Assets	301,279	-
Cash (Applied to)/Provided by Capital Transactions	(2,212,222)	(1,398,405)
Investing Transactions		
Other Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
Financing Transactions		
Debenture Debt Increase/(Decrease)	(1,085,345)	273,331
Other Borrowings Increase/(Decrease)	-	-
Cash Provided by (Applied to) Financing Transactions	(1,085,345)	273,331
Cash and Bank / Overdraft (Increase)/Decrease	(6,157,655)	4,248,139
Cash and Bank (Overdraft) at Beginning of Year	5,387,170	1,139,031
Cash and Bank (Overdraft) at End of Year	(770,485)	5,387,170

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2012

	Buildings and Leasehold Improvements		School	Other	Furniture / Fixtures &	Computer Hardware &		Land	Assets Under	2012	2011
	School	Non-School	Buses	Vehicles	Equipment	Software *	Land	Improvements	Construction	TOTALS	TOTALS
Tangible Capital Asset Cost											
Opening Cost, as previously reported	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
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	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
Add: Additions during the year	344,756	-	291,579	-	-	214,722	(81,679)	81,679	1,662,444	2,513,501	1,398,405
Less: Disposals and write downs	286,718	-	173,527	-	-	116,510	104,870	-	-	681,625	69,364
Closing Cost	53,709,208	1,937,773	3,565,817	238,946	2,283,281	214,722	1,079,084	81,679	1,683,406	64,793,916	62,962,040
Accumulated Amortization											
Opening, as previously reported	35,573,400	1,266,193	2,084,671	221,817	2,255,689	116,510		-		41,518,280	39,918,128
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	35,573,400	1,266,193	2,084,671	221,817	2,255,689	116,510		-		41,518,280	39,918,128
Add: Current period Amortization	1,275,964	46,382	262,398	8,690	20,225	-		4,084		1,617,743	1,669,516
Less: Accumulated Amortization on Disposals and Writedowns	286,718	-	173,527	-	-	116,510		-		576,755	69,364
Closing Accumulated Amortization	36,562,646	1,312,575	2,173,542	230,507	2,275,914	-		4,084		42,559,268	41,518,280
Net Tangible Capital Asset	17,146,562	625,198	1,392,275	8,439	7,367	214,722	1,079,084	77,595	1,683,406	22,234,648	21,443,760
Proceeds from Disposal of Capital Assets	191,521	-	3,270	-	-	-	106,488			301,279	-

* Includes network infrastructure.

1. Nature of Organization 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).

a) Reporting Entity and Consolidation

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

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

b) Basis of Accounting

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

c) Fund Accounting

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

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

d) School Generated Funds

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

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

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

e) Tangible Capital Assets

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

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

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

Grouping of assets is not permitted except for computer 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.

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

Benefits plans that provide for future benefits to employees are costed in the period in which the future benefit was earned. For non-vesting accumulating sick days, the benefit costs are recognized, if deemed material, based on a projection of expected future utilization of sick time, discounted using net present value techniques.

g) Capital Reserve

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

h) Use of Estimates

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

i) Measurement Uncertainty

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

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

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

j) Financial Instruments

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

3. Short Term Investments

Short term investments consist of guaranteed investment certificate that mature within one year. Short term investments are recorded at the lower of cost or market. As at June 30, 2012, the cost of short term investment was $11,629 (last year $11,607); investment income earned during the year was $22 (last year $307).

4. 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. The unused portion of the line of credit at June 30, 2012 is $3,729,515. Interest earned is the monthly average Banker's Acceptance rate less the Banker's Acceptance cap.

5. Employee Future Benefits

Non-vested accumulated sick leave benefits are measured using net present value techniques on the expected future utilization of excess sick benefits used over earned per year, to maximum entitlement. The impact of the estimated non-vested sick leave benefit cost for 2011-2012 is $24,441.

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, 2011	Additions in the period	Revenue recognized in the period	Balance as at June 30, 2012
Education property tax credit	$ 3,125,344	$ 7,409,670	$ 7,206,939	$ 3,328,075
Other special purpose funds	126,638	15,404	112,390	29,652
	$ 3,251,982	$ 7,425,074	$ 7,319,329	$ 3,357,727

7. 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 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 9.875%.

Debenture interest expense payable as at June 30, 2012, 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
2012-13	$ 905,652	$ 676,721	$ 1,582,373
2013-14	962,547	613,955	1,576,503
2014-15	1,006,996	544,246	1,551,242
2015-16	924,862	471,839	1,396,701
2016-17	763,113	411,825	1,174,938
Thereafter	6,676,621	2,037,659	8,714,280
	$ 11,239,792	$ 4,756,245	$ 15,996,037

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 $251,405.

	2012
Parent council funds	$ 223,279
Other parent group funds	13,187
Students council funds	11,875
Staff funds	3,064
	$ 251,405

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	2012 Net Book Value
Owned-tangible capital assets	$ 64,516,298	$ 42,559,268	$ 21,957,030
Capital lease	277,618	-	277,618
	$ 64,793,916	$ 42,559,268	$ 22,234,648

10. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2012
Operating Fund:	
Designated Surplus	$ 946,202
Undesignated Surplus	1,256,325
Non-vested Sick leave to date	290,731
	2,493,258
Capital Fund:	
Reserve Accounts	1,068,590
Equity in Tangible Capital Assets	9,381,443
	10,450,033
Special Purpose Fund:	
School Generated Funds	580,568
Other Special Purpose Funds	958,185
	1,538,753
Total Accumulated Surplus	$ 14,482,044

BRANDON SCHOOL DIVISION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2012

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.

	2012
Prior year designated balances	$ 307,259
School budget carryovers by board policy	140,600
Ameresco software	22,760
Teacher Mentorship Initiative	32,000
Real-Time Streaming and Archiving of Board Meetings	16,500
Riverheights School Parking Lot Extension	52,500
Joint Job Evaluation Secretary	49,883
Teachers for Increased Enrollment and Provincial K-3 class size initiative	216,000
All-Day/Every Day Kindergarten for George Fitton School	108,700
Designated surplus	$ 946,202

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.

	2012
Bus Reserves	$ 358,345
Computer Reserves	228,032
School Building Reserves	306,687
Administration Building Reserves	175,526
Capital Reserve	$ 1,068,590

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

	2012
Scholarship Trust	$ 11,629
Property Trust	719,489
Charitable Donation Fund	227,067
Other Special Purpose Funds	$ 958,185

11. Restatement of Opening Accumulated Surplus

Restatement of Opening Accumulated Surplus is comprised of:

	2012
Operating Fund	
Employee Future Benefits	$ 266,290
Capital Fund	
Tangible Capital Assets	-
Accumulated Amortization	-
	-
Special Purpose Fund	
School Generated Funds	-
Other Special Purpose Funds	-
	-
Total Restatement of Opening Accumulated Surplus	$ 266,290

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

The prior year's employee future benefits liability has been increased by $266,290 to correct the omission of the estimated Non-Vested Sick Leave liability. Previously, these costs were only recognized and recorded in the period when an employee was sick. PSA standards require that a liability and an expense be recognized for post-employment benefits and compensated absences that vest or accumulate in the period in which employees render services to the School Division in return for the benefits. The resulting decrease to the Operating Fund Accumulated Surplus (Deficit) at July 1, 2011 was $266,290. July 1, 2010 Opening Accumulated Surplus (Deficit) was decreased by $251,450 and accounts payable was increased by $251,450. June 30, 2011 salary expense and accounts payable were both increased by $14,840.

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

Education property tax or Special Levy is raised as the Division's contribution to the cost of providing public education for the student 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 2011 tax year and 56.5% from 2012 tax year. Below are the related revenue and receivable amounts:

	2012	2011
Revenue-Municipal Government-Property Tax	$ 25,952,141	$ 23,796,168
Receivable-Due from Municipal-Property Tax	$ 14,781,580	$ 13,477,648

13. Interest Received and Paid

The Division received interest during the year of $99,667 (previous year $90,679); interest paid during the year was $730,204 (previous year $775,405).

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

	2012
Operating Fund	
Fiscal-short term loan, interest and bank charges	$ 10,830
Capital Fund	
Debenture debt interest	719,374
Other interest	-
	$ 730,204

The accrual portion of debenture debt interest expense of $274,575 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.

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 la Division scolaire franco-manitobaine. As at June 30, 2012, the amount of this special levy was $250,347 (2011 - $227,600). These amounts are not included in the Division's consolidated financial statements.

DIVISION • SCOLAIRE
FRANCO-MANITOBAINE

Bernard Lesage
Président
CSFM

Denis Ferré
Directeur général
DSFM

RAPPORT DE LA DIRECTION

La responsabilité de la direction pour la préparation des états financiers

Les états financiers consolidés de la Division scolaire franco-manitobaine qui accompagnent ce rapport sont la responsabilité de la direction et ont été préparés conformément à la législation, et selon les 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 audité 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 24 octobre 2012

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Winnipeg MB R3C 4L5 Canada

Rapport de l'auditeur indépendant

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

Nous avons effectué l'audit des états financiers consolidés ci-joints de la Division scolaire franco-manitobaine, qui comprennent l'état consolidé de la situation financière au 30 juin 2012, 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 planifiions et réalisions l'audit de façon à obtenir l'assurance raisonnable que les états financiers ne comportent pas d'anomalies significatives.

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

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

Opinion

À notre avis, les états financiers consolidés donnent, dans tous les aspects significatifs, une image fidèle de la situation financière de la Division scolaire franco-manitobaine au 30 juin 2012, 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 24 octobre 2012

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 24 octobre 2012
Date

Président de la commission scolaire

ÉTAT CONSOLIDÉ DE LA SITUATION FINANCIÈRE

au 30 juin

Notes		2012	2011
	Actif		
	Encaisse et fonds en banque	3,645,082	-
*	Placements à court terme	55,181	54,213
	Sommes - au gouv. du Manitoba	2,840,777	2,860,669
	- au gouv. fédéral	430,700	434,680
	- à l'admin. municipale	9,037,496	8,505,495
	- à d'autres divisions scol.	30,124	24,582
	- aux Premières nations	-	-
	Comptes clients	182,738	212,748
	Revenu de placements à recevoir	-	-
	Autres placements	-	-
		16,222,098	12,092,387
	Passif		
	Découverts	-	237,893
	Comptes fournisseurs	4,152,588	2,565,127
	Charges à payer	562,579	1,730,861
*	Avantages sociaux à venir	723,178	677,323
	Intérêts courus à payer	783,171	820,544
	Sommes - au gouv. du Manitoba	300,757	574,564
	- au gouv. fédéral	2,931,533	2,250,665
	- à l'admin. municipale	4,932	9,213
	- à d'autres divisions scol.	104,997	74,314
	- aux Premières nations	-	-
*	Revenus reportés	3,639,633	2,206,654
*	Dette obligataire	30,494,301	31,518,251
*	Autres emprunts	1,038,160	1,196,474
	Passif des fonds générés par les écoles	178,145	133,842
		44,913,974	43,995,725
	Dette nette	(28,691,876)	(31,903,338)
	Actif non financier		
*	Immobilisations corporelles nettes (État des IC)	53,680,819	53,614,930
	Inventaires	-	-
	Dépenses payées d'avance	95,652	86,654
		53,776,471	53,701,584
*	**Excédent accumulé**	25,084,595	21,798,246

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			2012	2011
	Recettes			
	Gouvernement du Manitoba		57,487,575	55,205,701
	Gouvernement fédéral		56,613	804,703
	Administration municipale	- Taxe foncière	14,707,599	14,123,928
		- Autres	-	-
	Autres divisions scolaires		1,078,873	992,786
	Premières nations		-	-
	Organismes privés et particuliers		102,809	95,086
	Autres sources		450,089	241,774
	Fonds générés par les écoles		1,608,642	2,082,836
	Autres fonds à fins spéciales		105,234	107,181
			75,597,434	73,653,995
	Dépenses			
	Enseignement ordinaire		37,076,694	35,855,968
	Services de soutien aux élèves		8,677,420	8,518,843
	Centres d'apprentissage pour adultes		237,201	196,974
	Éducation et services communautaires		843,173	864,436
	Administration de la division		2,588,120	2,416,516
	Services pédagogiques et autres serv. de soutien		2,418,338	2,243,423
	Transport des élèves		7,049,787	6,612,426
	Fonctionnement et entretien		6,921,560	6,554,439
*	Frais et taxes	- Intérêts	1,908,707	1,994,415
		- Autres	980,881	967,421
	Amortissement		1,899,848	1,669,490
	Autres dépenses de capital		16,708	20,728
	Fonds générés par les écoles		1,578,737	1,936,798
	Autres fonds à fins spéciales		133,594	61,465
			72,330,768	69,913,342
	Excédent (Déficit) de l'exercice en cours		3,266,666	3,740,653
	Moins : Congé de maladie en surplus		19,683	21,060
	Excédent accumulé d'ouverture		21,798,246	18,369,289
	Redressements :	Imm. corp. et amortissements acc.	-	-
		Autres que immobilisations corporelles	-	-
		Congé de maladie en surplus	-	(332,756)
	Excédent accumulé d'ouverture, réévalué		21,798,246	18,036,533
	Excédent accumulé de clôture		25,084,595	21,798,246

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 2012

	2012	2011
Excédent (Déficit) de l'exercice en cours	3,266,666	3,740,653
Amortissement des immobilisations corporelles	1,899,848	1,669,490
Acquisition d'immobilisations corporelles	(1,979,268)	(3,318,066)
(Gain) Perte à la liquidation d'immobilisations corporelles	2,671	-
Produit de la liquidation d'immobilisations corporelles	10,860	-
	(65,889)	(1,648,576)
Inventaires – (Augmentation) Diminution	-	-
Dépenses payées d'avance – (Augmentation) Diminution	(8,998)	(23,799)
	(8,998)	(23,799)
(Augmentation) Diminution de la dette nette	3,191,779	2,068,278
Dette nette au début de l'exercice	(31,903,338)	(33,659,920)
Redressements : Autres que les immobilisations corporelles	19,683	(311,696)
	(31,883,655)	(33,971,616)
Dette nette à la fin de l'exercice	(28,691,876)	(31,903,338)

ÉTAT CONSOLIDÉ DE L'ÉVOLUTION DES LIQUIDITÉS

pour l'exercice se terminant le 30 juin 2012

	2012	2011
Fonctionnement		
Excédent (Déficit) de l'exercice en cours	3,266,666	3,740,653
Éléments sans effet sur les liquidités inclus dans l'excédent (le déficit) de l'exercice en cours :		
Amortissement des immobilisations corporelles	1,899,848	1,669,490
(Gain) Perte à la liquidation des immobilisations corporelles	2,671	-
Augmentation (Diminution) des avantages sociaux à venir	45,855	365,513
Placements à court terme – (Augmentation) Diminution	(968)	14,335
Sommes recevables d'autres organismes – (Augmentation) Diminution	(513,671)	4,199,376
Comptes clients et recettes accumulées – (Augmentation) Diminution	30,010	(79,862)
Inventaires et dépenses payées d'avance – (Augmentation) Diminution	(8,998)	(23,799)
Sommes payables à d'autres organismes – Augmentation (Diminution)	433,463	466,653
Comptes fournisseurs et passif accumulé – Augmentation (Diminution)	381,806	893,561
Recettes reportées – Augmentation (Diminution)	1,432,979	(273,697)
Passif des fonds générés par les écoles – Augmentation (Diminution)	44,303	(172,720)
Redressements autres que celle des immobilisations corporelles	19,683	(311,696)
Liquidités issues des opérations du fonds d'adm. générale	7,033,647	10,487,807
Immobilisations		
Acquisition d'immobilisations corporelles	(1,979,268)	(3,318,066)
Produit de la liquidation d'immobilisations corporelles	10,860	-
Liquidités (appliquées aux) fournies par les opér. portant sur les imm.	(1,968,408)	(3,318,066)
Placements		
Autres placements – (Augmentation) Diminution	-	-
Liquidités fournies par (appliquées aux) opérations de placement	-	-
Financement		
Dette obligataire – Augmentation (Diminution)	(1,023,950)	(640,311)
Autres emprunts – Augmentation (Diminution)	(158,314)	(185,953)
Liquidités fournies par (appliquées aux) opérations de financement	(1,182,264)	(826,264)
Encaisse et fonds en banque (Découverts) – (Augmentation) Diminution	3,882,975	6,343,477
Encaisse et fonds en banque (Découverts) au début de l'exercice	(237,893)	(6,581,370)
Encaisse et fonds en banque (Découverts) à la fin de l'exercice	3,645,082	(237,893)

ÉTAT DES IMMOBILISATIONS CORPORELLES

au 30 juin 2012

	Immeubles et améliorations locatives		Autobus scolaires	Autres véhicules	Mobilier / Accessoires et équipement	Matériel informatique et logiciels*	Terrains	Améliorations foncières	Immeubles en construction	2012 TOTAUX	2011 TOTAUX
	Écoles	Autres									
Coût des immobilisations corp.											
Coût d'ouv., signalé antérieurement	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
Redressements :	-	-	-	-	-	-	-	-	-	-	-
Coût d'ouverture, réévalué	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
Plus : Ajouts faits durant l'exercice	1,967,351	79,276	-	53,738	398,980	79,969	91,231	301,836	(993,113)	1,979,268	3,318,066
Moins : Liquidations et radiations	-	-	-	33,828	38,545	-	-	-	-	72,373	-
Coût de clôture	64,524,389	401,335	-	115,317	1,697,447	320,398	12,939,583	776,442	1,199,214	81,974,125	80,067,230
Amortissements cumulés											
Valeur d'ouv., signalée antérieurement	25,116,011	286,146	-	39,444	699,210	129,818		181,671		26,452,300	24,782,810
Redressements :	-	-	-	-	-	-		-		-	-
Valeur d'ouverture, réévaluée	25,116,011	286,146	-	39,444	699,210	129,818		181,671		26,452,300	24,782,810
Plus : Amortissements : pér. courante	1,589,242	3,051	-	21,073	179,063	44,866		62,553		1,899,848	1,669,490
Moins : Amortissements cumulés sur les liquidations et les radiations	-	-	-	20,297	38,545	-		-		58,842	-
Amortissements cumulés de clôture	26,705,253	289,197	-	40,220	839,728	174,684		244,224		28,293,306	26,452,300
Immobilisations corporelles nettes	37,819,136	112,138	-	75,097	857,719	145,714	12,939,583	532,218	1,199,214	53,680,819	53,614,930
Produit de la liquidation des immobilisatio	-	-	-	10,860	-	-				10,860	-

*Comprend l'infrastructure du réseau.

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 continue 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'à 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.

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.

Description des biens	Seuil de capitalisation ($)	Durée de vie utile
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	10 000	5 ans
Infrastructure du réseau	25 000	10 ans
Matériel informatique	10 000	4 ans
Logiciels	10 000	4 ans
Mobilier et accessoires	10 000	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.

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 autogérés d'avantages sociaux futurs des employés

En ce qui concerne les obligations liées aux régimes à prestations déterminées/régimes autogérés 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.

Pour ce qui est des congés de maladie qui s'accumulent mais ne s'acquièrent pas, l'obligation est comptabilisée, lorsque jugée significative, en tenant compte de la mesure dans laquelle il est prévu que les congés de maladie accumulés seront utilisés par les salariés. Le montant calculé est alors actualisé en utilisant des techniques de valeur actualisée.

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.

3. Modification de méthode comptable

La Division ne reconnaissait auparavant aucune obligation au titre des prestations constituées pour les congés de maladie puisqu'ils ne s'acquièrent pas. Les coûts rattachés à cet avantage étaient imputés à la charge de l'exercice au cours duquel l'employé était malade. Les normes comptables pour le secteur public requièrent qu'un passif et une charge soient constatés lorsqu'il y a acquisition ou accumulation des avantages, et ce à mesure que les salariés fournissent à la Division les services qui ouvrent droit aux avantages. Un redressement a été fait pour constater le passif et la charge se rapportant aux congés de maladie qui s'accumulent. Le redressement au poste de passif pour les avantages sociaux futurs au 1 juillet 2011 est de 311 696 $. Un recouvrement de 21 061 $ a été constaté durant l'exercice 2010-2011. Le passif pour les avantages sociaux enregistré au 30 juin 2012 a été réduit de 19 683 $ en tenant compte du droit cumulable aux congés de maladie déterminé en fonction de la technique de la valeur actuelle nette.

4. Découverts

La Division a autorisé des marges de crédit sous forme de découverts bancaires auprès de la Caisse Groupe Financier pour des sommes de 13 500 000 $ 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 0,75 % et dont l'intérêt est payé mensuellement. Les découverts comprennent des sommes pour projets d'immobilisations totalisant environ 2 062 627 $ 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.

5. 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 2012 se chiffre à 577 332 $ (547 328 $ en 2011).

Les avantages sociaux comme les congés de maladie qui s'accumulent mais ne s'acquièrent pas sont évalués à partir d'une méthode de valeur actuelle en tenant compte de la mesure dans laquelle il est prévu que les congés de maladie accumulés excéderont le nombre de jours acquis. L'effet de l'évaluation du coût des congés de maladie pour l'exercice 2011-2012 est un recouvrement de 19 683 $.

6. 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 2011	Montants reçus au cours de l'exercice	Constatés au cours de l'exercice	Solde au 30 juin 2012
	$	$	$	$
Administration - École en santé	2 702	11 517	12 043	2 176
Autres EPTC	2 109 904	5 486 790	5 401 978	2 194 716
Bébé en santé	10 625	67 875	69 647	8 853
C.T.I. Central	44 449	41 000	60 098	25 351
École Transitionnelle	4 106	75 000	77 749	1 357
Parlons petite enfance	34 868	-	1 591	33 277
Projets - Patrimoine canadien	-	594 750	416 325	178 425
Subvention Aide Général 2012	-	937 278	-	937 278
Prov MB - Garderie St.Agathe	-	500 000	250 000	250 000
Autres recettes reportées	-	13 200	5 000	8 200
	2 206 654	7 727 410	6 294 431	3 639 633

7. 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 178 145 $ au 30 juin 2012 (133 842 $ au 30 juin 2011) présenté au poste de passif des fonds générés par les écoles dans l'état consolidé de la situation financière.

8. Dette obligataire

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 2012 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 ($)
2013	1 857 001	1 798 043	3 655 044
2014	1 954 089	1 681 654	3 635 743
2015	2 033 370	1 559 582	3 592 952
2016	2 121 047	1 433 253	3 554 300
2017	2 241 969	1 302 360	3 544 329

9. 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.

	2012 $	2011 $
Amélioration du rendement énergétique	400 194	510 422
Amélioration de garderies	521 866	539 837
Contrats de location-acquisition	116 100	146 215
	1 038 160	1 196 474

Les emprunts pour l'amélioration du rendement énergétique et l'amélioration de garderies portent des intérêts au taux préférentiel de la banque moins 0,75 % arrivant à échéance sur demande, et les versements mensuels sont de 10 845 $ et 3 452$, respectivement, principal et intérêts au 30 juin 2012. 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 2,057 % à 7,265 % par année, assortis d'échéances qui vont de 2012 à 2016 et d'un paiement mensuel global d'environ 6 899 $, 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 $
2013	193 276	35 237	228 513
2014	177 613	28 096	205 709
2015	160 144	21 639	181 783
2016	43 030	18 055	61 085
2017	39 453	16 291	55 744

10. 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 2012 s'élève à 59 146 $ (180 480 $ en 2011).

11. Excédents accumulés

Les excédents accumulés consolidés comprennent les éléments suivants au 30 juin 2012 :

	2012	2011
	$	$
Fonds d'administration générale		
Excédent désigné	378 890	340 771
Excédent non désigné	3 533 875	3 305 040
Congé de maladie	(292 013)	(311 696)
	3 620 752	3 334 115
Fonds de capital		
Comptes de réserve de capital	565 000	565 000
Avoir propre dans les immobilisations corporelles	20 306 439	17 308 272
	20 871 439	17 873 272
Fonds à fins spéciales		
Fonds générés par les écoles	521 498	491 594
Autres fonds à fins spéciales	70 906	99 265
	592 404	590 859
Excédents accumulés consolidés	25 084 595	21 798 246

12. 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 2011 et 60 % de l'année d'imposition 2012. Voici ci-dessous les recettes et les créances connexes à percevoir :

	2012	2011
	$	$
Recettes - Administration municipale - Impôt foncier	14 707 599	14 123 928
Sommes recevables auprès de l'administration municipale - Impôt foncier	9 037 496	8 505 495

13. Intérêts reçus et versés

La Division a reçu au cours de l'exercice terminé le 30 juin 2012 des intérêts de 81 005 $ (17 584 $ en 2011); et a versé des intérêts de 1 908 707 $ (1 994 415 $ en 2011).

Voici les dépenses d'intérêts incluses aux postes frais et impôts pour l'exercice terminé le 30 juin 2012 :

	2012	2011
	$	$
Fonds d'administration générale		
Frais et impôts - prêt à court terme, intérêts et frais bancaires	1 250	17 089
Fonds de capital		
Intérêts sur la dette obligatoire	1 850 938	1 909 688
Autres intérêts	56 519	67 638
	1 907 457	1 977 326
	1 908 707	1 994 415

La part cumulative des dépenses d'intérêts sur la dette obligatoire de 783 171 $ au 30 juin 2012 (820 544$ au 30 juin 2011) 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.

14. 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 2012 :

	2012	2011
	$	$
Provision pour créances douteuses (recouvrement) déduites des créances	57	6 772
Créances douteuses (recouvrement) (incluses au poste frais et impôts)	57	6 772

15. 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 2012	Budget 2012	Chiffres réels 2011
	$	$	$
Salaires	45 491 312	46 227 291	44 440 960
Avantages sociaux et indemnités des employés	3 278 787	3 547 565	3 084 128
Services	13 168 069	14 210 511	12 301 940
Fournitures, matériel et petit équipement	3 562 877	3 615 752	3 164 011
Intérêts et frais bancaires	1 908 707	45 000	1 994 415
Créances douteuses (recouvrements)	57	-	6 772
Impôt sur la paie	980 824	993 887	960 649
Transferts	311 248	233 559	271 986
Amortissements	1 899 848	-	1 669 490
Autres éléments de capital	16 708	-	20 728
Fonds générés par les écoles	1 578 737	-	1 936 798
Autres fonds à fins spéciales	133 594	-	61 465
	72 330 768	68 873 565	69 913 342

16. 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 demandé 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.

17. 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

18. Fonds en fiducie

Pendant l'année, la Division scolaire a fait 2 766$ 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.

19. 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.

MANAGEMENT REPORT

Management's Responsibility for the Financial Statements

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.

Chairperson Secretary-Treasurer

October 19, 2012

CRAIG & ROSS
CHARTERED ACCOUNTANTS

October 19, 2012

INDEPENDENT AUDITORS' REPORT

To the Chairperson and Trustees of
Evergreen School Division

We have audited the accompanying consolidated financial statements of Evergreen School Division which comprise the consolidated statement of financial position as at June 30, 2012 and June 30, 2011, and the consolidated statements of revenue, expenses and accumulated surplus, change in net debt and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian 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 financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the consolidated financial position of Evergreen School Division as at June 30, 2012 and the consolidated results of its operations, changes in net debt and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Craig & Ross

Chartered 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 7/2012

Date Chairperson

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2012	2011
	Financial Assets		
	Cash and Bank	-	611,715
6	Short Term Investments	130,642	130,583
	Due from - Provincial Government	1,859,909	1,610,371
	- Federal Government	94,243	108,702
	- Municipal Government	3,215,171	3,085,619
	- Other School Divisions	1,182	44,276
	- First Nations	250,847	170,302
	Accounts Receivable	76,666	162,651
	Accrued Investment Income	1,863	1,855
	Other Investments	-	-
		5,630,523	5,926,074
	Liabilities		
4	Overdraft	1,803,616	-
	Accounts Payable	453,404	574,939
	Accrued Liabilities	1,449,406	1,596,688
5	Employee Future Benefits	76,336	54,250
	Accrued Interest Payable	436,942	462,677
	Due to - Provincial Government	-	-
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
7	Deferred Revenue	24,622	989,703
9	Debenture Debt	15,426,429	16,311,879
10	Other Borrowings	1,400,000	-
	School Generated Funds Liability	17,134	18,210
		21,087,889	20,008,346
	Net Debt	(15,457,366)	(14,082,272)
	Non-Financial Assets		
11	Net Tangible Capital Assets (TCA Schedule)	20,801,064	19,233,292
	Inventories	-	-
	Prepaid Expenses	164,155	63,394
		20,965,219	19,296,686
12	**Accumulated Surplus**	5,507,853	5,214,414

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes			2012	2011
	Revenue			
	Provincial Government		14,731,878	14,104,270
	Federal Government		-	-
	Municipal Government	- Property Tax	5,682,983	5,485,411
		- Other	-	-
	Other School Divisions		45,033	58,246
	First Nations		221,130	152,638
	Private Organizations and Individuals		108,287	132,125
	Other Sources		13,615	107,320
	School Generated Funds		454,959	487,556
	Other Special Purpose Funds		26,447	25,811
			21,284,332	20,553,377
	Expenses			
	Regular Instruction		9,842,732	9,409,241
	Student Support Services		3,131,150	2,809,636
	Adult Learning Centres		-	-
	Community Education and Services		315,599	277,510
	Divisional Administration		733,350	783,467
	Instructional and Other Support Services		498,550	497,027
	Transportation of Pupils		1,245,759	1,168,902
	Operations and Maintenance		2,279,820	2,143,011
14	Fiscal	- Interest	945,196	988,915
		- Other	282,938	303,207
	Amortization		1,214,099	1,070,518
	Other Capital Items		-	-
	School Generated Funds		458,730	481,543
	Other Special Purpose Funds		20,884	24,633
			20,968,807	19,957,610
	Current Year Surplus (Deficit)		315,525	595,767
	Less: Non-vested sick leave		(22,086)	19,588
	Opening Accumulated Surplus		5,214,414	4,672,897
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	-
		Other than Tangible Cap. Assets	-	-
		Non-vested sick leave	-	(73,838)
	Opening Accumulated Surplus, as adjusted		5,214,414	4,599,059
	Closing Accumulated Surplus		5,507,853	5,214,414

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2012

	2012	2011
Current Year Surplus (Deficit)	315,525	595,767
Amortization of Tangible Capital Assets	1,214,099	1,070,518
Acquisition of Tangible Capital Assets	(2,781,871)	(506,640)
(Gain) / Loss on Disposal of Tangible Capital Assets	-	-
Proceeds on Disposal of Tangible Capital Assets	-	-
	(1,567,772)	563,878
Inventories (Increase)/Decrease	-	-
Prepaid Expenses (Increase)/Decrease	(100,761)	126,050
	(100,761)	126,050
(Increase)/Decrease in Net Debt	(1,353,008)	1,285,695
Net Debt at Beginning of Year	(14,082,272)	(15,313,717)
Adjustments Other than Tangible Cap. Assets	(22,086)	(54,250)
	(14,104,358)	(15,367,967)
Net Debt at End of Year	(15,457,366)	(14,082,272)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2012

	2012	2011
Operating Transactions		
Current Year Surplus/(Deficit)	315,525	595,767
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	1,214,099	1,070,518
(Gain)/Loss on Disposal of Tangible Capital Assets	-	-
Employee Future Benefits Increase/(Decrease)	22,086	54,250
Short Term Investments (Increase)/Decrease	(59)	(59)
Due from Other Organizations (Increase)/Decrease	(402,082)	(359,509)
Accounts Receivable & Accrued Income (Increase)/Decrease	85,977	(50,716)
Inventories and Prepaid Expenses - (Increase)/Decrease	(100,761)	126,050
Due to Other Organizations Increase/(Decrease)	-	-
Accounts Payable & Accrued Liabilities Increase/(Decrease)	(294,552)	438,709
Deferred Revenue Increase/(Decrease)	(965,081)	58,332
School Generated Funds Liability Increase/(Decrease)	(1,076)	474
Adjustments Other than Tangible Cap. Assets	(22,086)	(54,250)
Cash Provided by Operating Transactions	(148,010)	1,879,566
Capital Transactions		
Acquisition of Tangible Capital Assets	(2,781,871)	(506,640)
Proceeds on Disposal of Tangible Capital Assets	-	-
Cash (Applied to)/Provided by Capital Transactions	(2,781,871)	(506,640)
Investing Transactions		
Other Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
Financing Transactions		
Debenture Debt Increase/(Decrease)	(885,450)	(851,078)
Other Borrowings Increase/(Decrease)	1,400,000	-
Cash Provided by (Applied to) Financing Transactions	514,550	(851,078)
Cash and Bank / Overdraft (Increase)/Decrease	(2,415,331)	521,848
Cash and Bank (Overdraft) at Beginning of Year	611,715	89,867
Cash and Bank (Overdraft) at End of Year	(1,803,616)	611,715

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2012

	Buildings and Leasehold Improvements		School	Other	Furniture / Fixtures &	Computer Hardware &		Land	Assets Under	2012	2011
	School	Non-School	Buses	Vehicles	Equipment	Software *	Land	Improvements	Construction	TOTALS	TOTALS
Tangible Capital Asset Cost											
Opening Cost, as previously reported	28,254,992	745,337	2,778,204	191,354	629,628	-	238,078	129,749	766,714	33,734,056	33,227,416
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	28,254,992	745,337	2,778,204	191,354	629,628	-	238,078	129,749	766,714	33,734,056	33,227,416
Add: Additions during the year	1,117,093	10,701	284,909	26,498	174,291	1,550,422	-	-	(382,043)	2,781,871	506,640
Less: Disposals and write downs	-	-	-	-	-	-	-	-	-	-	-
Closing Cost	29,372,085	756,038	3,063,113	217,852	803,919	1,550,422	238,078	129,749	384,671	36,515,927	33,734,056
Accumulated Amortization											
Opening, as previously reported	11,758,365	395,993	1,796,361	182,729	354,940	-		12,376		14,500,764	13,430,246
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	11,758,365	395,993	1,796,361	182,729	354,940	-		12,376		14,500,764	13,430,246
Add: Current period Amortization	849,304	20,551	194,652	6,100	85,110	45,407		12,975		1,214,099	1,070,518
Less: Accumulated Amortization on Disposals and Writedowns	-	-	-	-	-	-		-		-	-
Closing Accumulated Amortization	12,607,669	416,544	1,991,013	188,829	440,050	45,407		25,351		15,714,863	14,500,764
Net Tangible Capital Asset	16,764,416	339,494	1,072,100	29,023	363,869	1,505,015	238,078	104,398	384,671	20,801,064	19,233,292
Proceeds from Disposal of Capital Assets	-	-	-	-	-	-				-	-

* Includes network infrastructure.

1. Nature of Organization and Economic Dependence

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

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. Change in Accounting Policy

Previously, the School Division did not recognize an accrued benefit obligation related to sick leave benefits as the benefits do not vest. The benefit costs were only recognized and recorded in the period when an employee was sick. Public sector accounting standards require that a liability and an expense be recognized for post-employment benefits and compensated absences that vest or accumulate in the period in which employees render services to the School Division in return for the benefits.

An adjustment was made to recognize a liability and an expense related to accumulated sick leave entitlement. The resulting adjustment to the liability for Employee Future Benefits at July 1, 2010 was $73,838. A recovery of this expense in the amount of $19,588 was recognized in the 2010/2011 fiscal year. The liability for Employee Future Benefits recorded at June 30, 2012 was increased by $22,087 related to the accrual for accumulated sick leave entitlement, determined using net present value techniques.

3. 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 wherever possible.

b) Basis of Accounting

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

3. Significant Accounting Policies - Continued

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.

e) Non-Financial Assets

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

f) Employee Future Benefits

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

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.

3. Significant Accounting Policies - Continued

g) Tangible Capital Assets

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

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

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

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

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

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.

3. Significant Accounting Policies - Continued

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. Overdraft

The Division has an authorized line of credit with The Noventis 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). Overdrafts are secured by a temporary borrowing by-law.

5. Employee Future Benefits

Non-vested accumulated sick leave benefits are measured using net present value techniques on the expected future utilization of excess of sick benefits used over earned per year, to a maximum entitlement. The impact of the estimated non-vested sick leave benefit increase for 2011 / 2012 is $22,087 (2010 / 2011 - $19,588).

6. Short Term Investments

Short term investments consist of deposit certificates that mature within one year. Investment income earned during the year was $4,663.

7. 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.

8. School Generated Funds Liability

School Generated Funds Liability represents the non-controlled portion of school generated funds consolidated in the cash and bank balances in the amount of $17,134.

9. Debenture Debt

The debenture debt of the Division is in the form of twenty-year debentures payable, principal and interest, in twenty equal yearly installments and maturing at various dates from 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, 2012, 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
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
2016	1,077,681	659,921	1,737,602
	$ 5,004,106	$ 3,910,338	$ 8,914,444

10. Other Borrowings

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

Principal and interest repayments in each of the next five years is $115805.00 annually.

11. Net Tangible Capital Assets

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

	Gross Amount	Accumulated Amortization	2012 Net Book Value	2011 Net Book Value
Owned-tangible capital assets	$ 36,515,927	$ 15,714,863	$ 20,801,064	$ 19,233,292
Capital lease	-	-	-	-
	$ 36,515,927	$ 15,714,863	$ 20,801,064	$ 19,233,292

12. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2012	2011
Operating Fund		
Designated Surplus	865,166	720,870
Undesignated Surplus	276,373	298,535
	1,141,539	1,019,405
Capital Fund		
Reserve Accounts	1,424,766	1,422,826
Equity in Tangible Capital Assets	2,720,099	2,530,440
	4,144,865	3,953,266
Special Purpose Fund		
School Generated Funds	125,521	129,292
Other Special Purpose Funds	172,264	166,701
	297,785	295,993
Total Accumulated Surplus	$ 5,584,189	$ 5,268,664

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.

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

Education property tax or Special Levy is raised as the Division's contribution to the cost of providing public education for the students resident in the division. The Municipal Government-Property Tax shown on the consolidated revenue and expense is raised over the two calendar (tax) years; 43% from 2011 tax year and 57% from 2012 tax year. Below are the related revenue and receivable amounts:

	2012	2011
Revenue-Municipal Government-Property Tax	$ 5,682,983	$ 5,485,411
Receivable-Due from Municipal-Property Tax	$ 3,215,171	$ 3,085,619

14. Interest Received and Paid

The Division received interest during the year of $18,278 (previous year $22,059); interest paid during the year was $945,196 (previous year $988,915).

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

	2012	2011
Operating Fund		
Fiscal-short term loan, interest and bank charges	$ 13,105	$ 2,078
Capital Fund		
Debenture debt interest	931,861	986,837
Other interest	230	-
	$ 945,196	$ 988,915

The accrual portion of debenture debt interest expense of $436,712 included under the Capital Fund-Debenture debt interest, is offset by an accrual of the debt servicing grant from the Province of Manitoba.

15. Expenses by object

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

	Actual 2012	Budget 2012	Actual 2011
Salaries	$ 13,140,821	$ 13,225,447	$ 12,937,567
Employees benefits & allowances	1,096,195	1,108,665	797,637
Services	1,915,857	1,936,415	1,951,091
Supplies, materials & minor equipment	1,854,973	1,656,452	1,362,499
Interest	945,196	10,000	988,915
Bad debts	-	-	-
Payroll tax	282,938	275,000	303,207
Transfers	39,114	51,000	40,000
Amortization	1,214,099	-	1,070,518
Other capital items	-	-	-
School generated funds	458,730	-	481,543
Other special purpose funds	20,884	-	24,633
	$ 20,968,807	$ 18,262,979	$ 19,957,610

16. Budget Figures and Non Financial Information

The 2012 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.

KENDALL & PANDYA

Chartered Accountants

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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, 2012 and 2011, 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 out audits in accordance with Canadian Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Flin Flon School Division as at June 30, 2012 and 2011 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, 2012. In our opinion, supplemental schedules when considered in relation to the basic financial statements, presents fairly in all material respects, the information shown therein.

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

Kendall & Pandya
CHARTERED ACCOUNTANTS

Flin Flon, Manitoba
October 16, 2012

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

Oct - 16, 2012
Date

Chairperson

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2012	2011
	Financial Assets		
	Cash and Bank	818,896	-
	Short Term Investments	-	-
	Due from - Provincial Government	532,672	938,410
	- Federal Government	-	-
	- Municipal Government	1,371,768	1,369,023
	- Other School Divisions	-	-
	- First Nations	-	-
	Accounts Receivable	128,188	167,212
	Accrued Investment Income	-	-
	Other Investments	-	-
		2,851,524	2,474,645
	Liabilities		
	Overdraft	-	161,977
	Accounts Payable	318,034	173,221
	Accrued Liabilities	1,551,916	1,389,044
2g	Employee Future Benefits	54,340	69,063
	Accrued Interest Payable	28,929	20,277
	Due to - Provincial Government	-	-
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
7	Deferred Revenue	446,018	29,499
6	Debenture Debt	2,023,198	1,567,937
13	Other Borrowings	-	-
	School Generated Funds Liability	140,318	145,580
		4,562,753	3,556,598
	Net Debt	(1,711,229)	(1,081,953)
	Non-Financial Assets		
12	Net Tangible Capital Assets (TCA Schedule)	3,348,166	2,958,909
	Inventories	-	-
	Prepaid Expenses	29,213	19,046
		3,377,379	2,977,955
14	**Accumulated Surplus**	1,666,150	1,896,002

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes			2012	2011
	Revenue			
	Provincial Government		9,585,943	9,359,604
	Federal Government		31,909	51,765
	Municipal Government	- Property Tax	2,748,005	2,762,969
		- Other	-	-
	Other School Divisions		171,147	207,039
	First Nations		19,020	-
	Private Organizations and Individuals		197,332	256,029
	Other Sources		52,407	69,924
	School Generated Funds		308,811	349,659
	Other Special Purpose Funds		-	-
			13,114,574	13,056,989
	Expenses			
	Regular Instruction		6,754,414	6,940,159
	Student Support Services		2,281,344	1,916,378
	Adult Learning Centres		92,300	94,377
	Community Education and Services		12,083	11,700
	Divisional Administration		624,227	651,585
	Instructional and Other Support Services		329,541	374,903
	Transportation of Pupils		316,471	294,583
	Operations and Maintenance		1,978,536	1,973,290
9	Fiscal	- Interest	111,806	103,597
		- Other	193,207	183,830
	Amortization		264,928	248,978
	Other Capital Items		46,006	3,211
	School Generated Funds		339,563	327,526
	Other Special Purpose Funds		-	-
			13,344,426	13,124,117
	Current Year Surplus (Deficit)		(229,852)	(67,128)
	Less: Non-vested sick leave		0	0
	Opening Accumulated Surplus		1,896,002	1,975,162
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	(12,032)
		Other than Tangible Cap. Assets	-	-
		Non-vested sick leave	-	-
	Opening Accumulated Surplus, as adjusted		1,896,002	1,963,130
	Closing Accumulated Surplus		1,666,150	1,896,002

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2012

	2012	2011
Current Year Surplus (Deficit)	(229,852)	(67,128)
Amortization of Tangible Capital Assets	264,928	248,978
Acquisition of Tangible Capital Assets	(654,185)	(435,469)
(Gain) / Loss on Disposal of Tangible Capital Assets	-	5,670
Proceeds on Disposal of Tangible Capital Assets	-	-
	(389,257)	(180,821)
Inventories (Increase)/Decrease	-	-
Prepaid Expenses (Increase)/Decrease	(10,167)	117,314
	(10,167)	117,314
(Increase)/Decrease in Net Debt	(629,276)	(130,635)
Net Debt at Beginning of Year	(1,081,953)	(951,318)
Adjustments Other than Tangible Cap. Assets	-	-
	(1,081,953)	(951,318)
Net Debt at End of Year	(1,711,229)	(1,081,953)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2012

	2012	2011
Operating Transactions		
Current Year Surplus/(Deficit)	(229,852)	(67,128)
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	264,928	248,978
(Gain)/Loss on Disposal of Tangible Capital Assets	-	5,670
Employee Future Benefits Increase/(Decrease)	(14,723)	(7,182)
Short Term Investments (Increase)/Decrease	-	-
Due from Other Organizations (Increase)/Decrease	402,993	(255,401)
Accounts Receivable & Accrued Income (Increase)/Decrease	39,024	(97,726)
Inventories and Prepaid Expenses - (Increase)/Decrease	(10,167)	117,314
Due to Other Organizations Increase/(Decrease)	-	-
Accounts Payable & Accrued Liabilities Increase/(Decrease)	316,337	439,137
Deferred Revenue Increase/(Decrease)	416,519	(509,808)
School Generated Funds Liability Increase/(Decrease)	(5,262)	-
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by Operating Transactions	1,179,797	(126,146)
Capital Transactions		
Acquisition of Tangible Capital Assets	(654,185)	(435,469)
Proceeds on Disposal of Tangible Capital Assets	-	-
Cash (Applied to)/Provided by Capital Transactions	(654,185)	(435,469)
Investing Transactions		
Other Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
Financing Transactions		
Debenture Debt Increase/(Decrease)	455,261	(77,180)
Other Borrowings Increase/(Decrease)	-	(874)
Cash Provided by (Applied to) Financing Transactions	455,261	(78,054)
Cash and Bank / Overdraft (Increase)/Decrease	980,873	(639,669)
Cash and Bank (Overdraft) at Beginning of Year	(161,977)	477,692
Cash and Bank (Overdraft) at End of Year	818,896	(161,977)

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2012

	Buildings and Leasehold Improvements		School	Other	Furniture / Fixtures &	Computer Hardware &		Land	Assets Under	2012	2011
	School	Non-School	Buses	Vehicles	Equipment	Software *	Land	Improvements	Construction	TOTALS	TOTALS
Tangible Capital Asset Cost											
Opening Cost, as previously reported	9,331,742	373,249	-	239,713	329,687	35,610	476,043	42,200	-	10,828,244	10,694,928
Adjustments	-	-	-	-	-	-	-	-	-	-	(296,483)
Opening Cost adjusted	9,331,742	373,249	-	239,713	329,687	35,610	476,043	42,200	-	10,828,244	10,398,445
Add: Additions during the year	564,802	-	-	-	19,049	-	-	-	70,334	654,185	435,469
Less: Disposals and write downs	-	-	-	-	-	-	-	-	-	-	5,670
Closing Cost	9,896,544	373,249	-	239,713	348,736	35,610	476,043	42,200	70,334	11,482,429	10,828,244
Accumulated Amortization											
Opening, as previously reported	7,260,935	345,749	-	69,294	187,686	3,561		2,110		7,869,335	7,904,808
Adjustments	-	-	-	-	-	-		-		-	(284,451)
Opening adjusted	7,260,935	345,749	-	69,294	187,686	3,561		2,110		7,869,335	7,620,357
Add: Current period Amortization	198,303	-	-	22,776	32,507	7,122		4,220		264,928	248,978
Less: Accumulated Amortization on Disposals and Writedowns	-	-	-	-	-	-		-		-	-
Closing Accumulated Amortization	7,459,238	345,749	-	92,070	220,193	10,683		6,330		8,134,263	7,869,335
Net Tangible Capital Asset	2,437,306	27,500	-	147,643	128,543	24,927	476,043	35,870	70,334	3,348,166	2,958,909
Proceeds from Disposal of Capital Assets	-	-	-	-	-	-				-	-

* Includes network infrastructure.

1. NATURE OF ORGANIZATION AND ECONOMIC DEPENDENCE

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a) Reporting Entity and Consolidation

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

b) Trust Funds

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

c) Basis of Accounting

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

d) Fund Accounting

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

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

e) School Generated Funds

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

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

f) Tangible Capital Assets

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

Asset Description	Capitalization Threshold	Estimated Useful Life (Years)
Land Improvements	$ 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	$ 10,000	5
Network Infrastructure	$ 25,000	10
Computer Hardware, Servers, Peripherals	$ 5,000	4
Computer Software	$ 10,000	4
Furniture and Fixtures	$ 5,000	10
Leasehold Improvements	$ 25,000	Over term of lease

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

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

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

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

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

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

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

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

g) Employees Future Benefits

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

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

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

(i) Defined Contribution/Insured Benefit Plans

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

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

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

h) Capital Reserves

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

The Flin Flon School Division has $90,000 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.

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, 2012.

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

4. OVERDRAFT

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

5. SHORT TERM INVESTMENTS

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

6. DEBENTURE DEBT

Issue	Interest Rate	Maturity Date	Balance June 30, 2012	Balance June 30, 2011
$ 62,000	8.375%	15/12/2013	$ 11,517.83	$ 16,618.13
$ 90,000	8.875%	30/09/2015	$ 31,744.04	$ 38,131.40
$ 74,000	6.125%	30/04/2019	$ 36,220.85	$ 40,271.50
$ 170,000	6.625%	31/01/2022	$ 111,364.87	$ 119,059.31
$ 563,500	5.375%	30/06/2025	$ 428,624.48	$ 451,046.26
$ 119,200	5.000%	28/02/2026	$ 94,679.71	$ 99,280.60
$ 257,100	4.875%	15/02/2027	$ 213,674.05	$ 223,205.08
$ 372,300	5.125%	15/05/2027	$ 310,749.05	$ 324,319.44
$ 271,400	5.875%	15/02/2029	$ 247,623.44	$ 256,005.46
$ 306,300	4.125%	15/12/2031	$ 306,300.00	$ 306,300.00
$ 230,700	4.000%	28/02/2032	$ 230,700.00	$ 0.00
			$2,023,198.32	$ 1,567,937.15

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

2013	$ 104,479
2014	$ 110,346
2015	$ 110,069
2016	$ 116,109
2017	$ 112,725

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

7. DEFERRED REVENUE

Deferred Revenue valued at $ 446,018 at June 30, 2012 consists of the following:

a) An amount of $ 20,275 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 $8,333 for the 2012/3012 school year for the Parent/Child Room at Ruth Betts Community School was received in advance in May 2012.

c) The Education Property Tax Credit was received in June for the calendar year 2012. $417,410 of this relates to the 2012/2013 school year.

d) The above items sit on the Operating Fund.

e) 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 2011/2012, reducing the Deferred Revenue balance to $ 0, at June 30, 2012. 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:

	2012	2011
Bank Balance at Beginning	$120,654	$117,447
Add:		
Contributions	$ 50	$1,100
Interest/Change In Investments	$8,917	$7,607
	$129,621	$126,154
Deduct: Scholarships Paid/Transferred	($3,500)	($5,500)
Ending Bank Balance	$126,121	$120,654
Deduct: Scholarships Payable	($7,350)	($7,850)
Due (to) from Operating	($1,000)	$950
Ending Fund Balance	$117,771	$ 113,754

9. FISCAL INTEREST

Fiscal interest is recorded at June 30, 2012 in the amount of $ 111,806. This is comprised of the following:

Interest on Short Term borrowing	$ 16,273
Interest on Debenture Debt	$ 95,533

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 $52,367.

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

11. BUDGET FIGURES

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

12. NET TANGIBLE CAPITAL ASSETS

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

	Gross Amount	Accumulated Amortization	June 2012 Net Book Value
Owned-tangible Capital Assets	$ 11,482,429	$ 8,134,263	$ 3,348,166

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

13. OTHER BORROWINGS

The Division has no other borrowings as at June 30, 2012.

14. ACCUMULATED SURPLUS – JUNE 30, 2012

The operating surplus at June 30, 2012 was $ 303,121 or 2.41% of operating expenditures for the 2011/2012 school year. Carryovers of professional development and bulk budgets in accordance with Policy 7:9 are valued at $ 76,405, 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 $ 82,688 to balance the 2012/2013 budget and will reduce the operating surplus by a similar amount.

The accumulated surplus is comprised of the following:

Operating Fund	
Designated Surplus	$ 159,093
Undesignated Surplus	$ 144,028
Total Operating Fund	$ 303,121
Capital Fund	
Reserve Accounts	$ 90,000
Equity in Tangible Capital Assets	$1,275,751
Total Capital Fund	$1,365,751
Special Purpose Fund	
School Generated Funds	$ (2,722)
Other Special Purpose Funds	$ 0
Total Special Purpose Fund	$ (2,722)
Total Accumulated Assets	**$1,666,150**

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

November 12, 2012

MNP LLP

Independent Auditors' Report

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

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

We have audited the accompanying consolidated financial statements of Fort La Bosse School Division, which comprise the consolidated statement of financial position as at June 30, 2012, 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. 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 the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Fort La Bosse School Division as at June 30, 2012 and the consolidated results of its operations, consolidated changes in net debt and its consolidated cash flow for the year then ended in accordance with Canadian generally accepted accounting principles established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

Other Matters

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

MNP LLP

Brandon, Manitoba
November 12, 2012

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 Fort La Bosse School Division.

Chairperson of the Board

Nov 12/2012

Date

ACCOUNTING › CONSULTING › TAX
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1.800.446.0890 P: 204.727.0661 F: 204.726.1543 mnp.ca

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2012	2011
	Financial Assets		
	Cash and Bank	-	-
	Short Term Investments	-	-
	Due from - Provincial Government	881,003	1,153,381
	- Federal Government	113,762	84,809
	- Municipal Government	3,384,404	3,238,337
	- Other School Divisions	-	-
	- First Nations	221,683	257,574
	Accounts Receivable	2,089	56,042
	Accrued Investment Income	-	-
*	Other Investments	80,221	84,520
		4,683,162	4,874,663
	Liabilities		
5	Overdraft	3,489,832	3,282,375
	Accounts Payable	425,391	350,811
	Accrued Liabilities	138,208	357,572
	Employee Future Benefits	-	-
	Accrued Interest Payable	183,285	199,351
	Due to - Provincial Government	-	-
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
7	Deferred Revenue	185,999	54,459
8	Debenture Debt	8,176,636	8,752,242
	Other Borrowings	-	-
	School Generated Funds Liability	14,508	8,641
		12,613,859	13,005,451
	Net Debt	(7,930,697)	(8,130,788)
	Non-Financial Assets		
9	Net Tangible Capital Assets (TCA Schedule)	12,853,584	13,066,398
	Inventories	30,190	36,863
	Prepaid Expenses	44,296	50,014
		12,928,070	13,153,275
10	**Accumulated Surplus**	4,997,373	5,022,487

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes			2012	2011
	Revenue			
	Provincial Government		10,968,916	10,533,034
	Federal Government		-	-
11	Municipal Government	- Property Tax	5,961,523	5,703,196
		- Other	-	-
	Other School Divisions		8,450	12,800
	First Nations		851,063	766,487
	Private Organizations and Individuals		-	-
	Other Sources		57,022	56,753
	School Generated Funds		595,080	570,892
	Other Special Purpose Funds		43,490	47,582
			18,485,544	17,690,744
	Expenses			
	Regular Instruction		9,140,792	8,953,377
	Student Support Services		2,211,530	2,123,111
	Adult Learning Centres		-	-
	Community Education and Services		320,294	269,570
	Divisional Administration		643,004	727,334
	Instructional and Other Support Services		341,254	357,198
	Transportation of Pupils		1,312,946	1,223,607
	Operations and Maintenance		1,835,255	1,800,714
12	Fiscal	- Interest	565,557	522,209
		- Other	257,085	246,261
	Amortization		936,232	910,064
	Other Capital Items		303,456	-
	School Generated Funds		597,349	521,317
	Other Special Purpose Funds		45,904	46,732
			18,510,658	17,701,494
	Current Year Surplus (Deficit)		(25,114)	(10,750)
	Less: Non-vested sick leave		0	0
	Opening Accumulated Surplus		5,022,487	5,033,237
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	-
		Other than Tangible Cap. Assets	-	-
		Non-vested sick leave	-	-
	Opening Accumulated Surplus, as adjusted		5,022,487	5,033,237
	Closing Accumulated Surplus		4,997,373	5,022,487

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2012

	2012	2011
Current Year Surplus (Deficit)	(25,114)	(10,750)
Amortization of Tangible Capital Assets	936,232	910,064
Acquisition of Tangible Capital Assets	(723,418)	(3,077,576)
(Gain) / Loss on Disposal of Tangible Capital Assets	(1,200)	6,470
Proceeds on Disposal of Tangible Capital Assets	1,200	75,700
	212,814	(2,085,342)
Inventories (Increase)/Decrease	6,673	-
Prepaid Expenses (Increase)/Decrease	5,718	34,357
	12,391	34,357
(Increase)/Decrease in Net Debt	200,091	(2,061,735)
Net Debt at Beginning of Year	(8,130,788)	(6,069,053)
Adjustments Other than Tangible Cap. Assets	-	-
	(8,130,788)	(6,069,053)
Net Debt at End of Year	(7,930,697)	(8,130,788)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2012

	2012	2011
Operating Transactions		
Current Year Surplus/(Deficit)	(25,114)	(10,750)
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	936,232	910,064
(Gain)/Loss on Disposal of Tangible Capital Assets	(1,200)	6,470
Employee Future Benefits Increase/(Decrease)	-	-
Short Term Investments (Increase)/Decrease	-	-
Due from Other Organizations (Increase)/Decrease	133,249	(630,039)
Accounts Receivable & Accrued Income (Increase)/Decrease	53,953	(49,020)
Inventories and Prepaid Expenses - (Increase)/Decrease	12,391	34,357
Due to Other Organizations Increase/(Decrease)	-	(26,576)
Accounts Payable & Accrued Liabilities Increase/(Decrease)	(160,850)	182,857
Deferred Revenue Increase/(Decrease)	131,540	(156,595)
School Generated Funds Liability Increase/(Decrease)	5,867	(4,230)
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by Operating Transactions	1,086,068	256,538
Capital Transactions		
Acquisition of Tangible Capital Assets	(723,418)	(3,077,576)
Proceeds on Disposal of Tangible Capital Assets	1,200	75,700
Cash (Applied to)/Provided by Capital Transactions	(722,218)	(3,001,876)
Investing Transactions		
Other Investments (Increase)/Decrease	4,299	(9,684)
Cash Provided by (Applied to) Investing Transactions	4,299	(9,684)
Financing Transactions		
Debenture Debt Increase/(Decrease)	(575,606)	1,683,295
Other Borrowings Increase/(Decrease)	-	-
Cash Provided by (Applied to) Financing Transactions	(575,606)	1,683,295
Cash and Bank / Overdraft (Increase)/Decrease	(207,457)	(1,071,727)
Cash and Bank (Overdraft) at Beginning of Year	(3,282,375)	(2,210,648)
Cash and Bank (Overdraft) at End of Year	(3,489,832)	(3,282,375)

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2012

	Buildings and Leasehold Improvements		School	Other	Furniture / Fixtures &	Computer Hardware &		Land	Assets Under	2012	2011
	School	Non-School	Buses	Vehicles	Equipment	Software *	Land	Improvements	Construction	TOTALS	TOTALS
Tangible Capital Asset Cost											
Opening Cost, as previously reported	22,368,999	582,416	2,984,639	145,078	492,122	213,111	240,881	-	283,411	27,310,657	24,329,752
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	22,368,999	582,416	2,984,639	145,078	492,122	213,111	240,881	-	283,411	27,310,657	24,329,752
Add: Additions during the year	658,359	-	86,273	-	60,991	1,270	-	-	(83,475)	723,418	3,077,576
Less: Disposals and write downs	-	-	-	-	-	-	-	-	-	-	96,671
Closing Cost	23,027,358	582,416	3,070,912	145,078	553,113	214,381	240,881	-	199,936	28,034,075	27,310,657
Accumulated Amortization											
Opening, as previously reported	11,546,595	483,624	1,698,740	87,717	318,451	109,132		-		14,244,259	13,348,696
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	11,546,595	483,624	1,698,740	87,717	318,451	109,132		-		14,244,259	13,348,696
Add: Current period Amortization	583,603	9,813	226,239	22,191	72,721	21,665		-		936,232	910,064
Less: Accumulated Amortization on Disposals and Writedowns	-	-	-	-	-	-		-		-	14,501
Closing Accumulated Amortization	12,130,198	493,437	1,924,979	109,908	391,172	130,797		-		15,180,491	14,244,259
Net Tangible Capital Asset	10,897,160	88,979	1,145,933	35,170	161,941	83,584	240,881	-	199,936	12,853,584	13,066,398
Proceeds from Disposal of Capital Assets	-	-	1,200	-	-	-				1,200	75,700

* Includes network infrastructure.

FORT LA BOSSE SCHOOL DIVISION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2012

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 2012 and 2013. Other investments are recorded at the lower of cost or market. As at June 30, 2012, the cost of short term investments was $80,221; investment income earned during the year was $1400.

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, 2011	Additions in the period	Revenue recognized In the period	Balance as at June 30, 2012
Education Property Tax Credit		98,188		98,188
Donated Capital Assets	54,459	54,552	21,200	87,811
	54,459	152,740	21,200	185,999

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 2013 to 2032. Payment of principal and interest is funded entirely by grants from the Province of Manitoba. The debentures carry interest rates that range from 4.750% to 10.500%. Debenture interest expense payable as at June 30, 2012, 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
2013	608,682	487,848	1,096,530
2014	554,308	445,467	999,775
2015	581,527	409,361	990,888
2016	580,543	371,649	952,192
2017	566,613	335,034	901,647
	2,891,673	2,049,359	4,941,032

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	28,034,075	15,180,491	12,853,584
Capital Lease	0	0	0
	28,034,075	15,180,491	12,853,584

10. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2012
Operating Fund	
Designated Surplus	207,500
Undesignated Surplus	648,938
	856,438
Capital Fund	
Reserve Accounts	232,236
Equity in Tangible Capital Assets	3,517,662
	3,749,898
Special Purpose Fund	
School Generated Funds	295,375
Other Special Purpose Funds	95,662
	391,037
Total Accumulated Surplus	4,997,373

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.

	2012
Board approved appropriation by motion	207,500
School budget carryovers by board policy	
Designated surplus	207,500

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.

	2012
Bus reserves	177,069
Other reserves	55,167
	232,236

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

	2012
Foundation Scholarship	95,662
Other	0
Other Special Purpose Funds	95,662

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 2011 tax year and 57% from 2012 tax year. Below are the related revenue and receivable amounts:

	2012	2011
Revenue-Municipal Government-Property Tax	5,961,523	5,703,196
Receivable-Due from Municipal-Property Tax	3,384,404	3,238,337

12. Interest Received and Paid

The Division received interest during the year of $31 (2011 - $872); interest paid during the year was $565,557 (2011 - $522,209).

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

	2012
Operating Fund	
Fiscal-short term loan, interest and bank charges	48,297
Capital Fund	
Debenture debt interest	517,260
Other interest	-
	565,557

The accrual portion of debenture debt interest expense of $183,285 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 2012	Budget 2012	Actual 2011
Salaries	11,889,015	11,845,319	11,659,469
Employee benefits & allowances	818,366	834,231	809,960
Services	1,594,215	1,672,016	1,571,926
Supplies, materials & minor equipment	1,312,757	1,292,958	1,164,644
Interest	565,557	55,000	522,209
Bad debts	0	0	0
Payroll tax	257,085	255,000	246,261
Tuition and transfers	190,722	246,600	248,912
Amortization	936,232	0	910,064
Other Capital Items	303,456	0	0
School generated funds	597,349	0	521,317
Other special purpose funds	45,904	0	46,732
	18,510,658	16,201,124	17,701,494

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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.

Chairperson

Secretary-Treasurer

November 16, 2012

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of Frontier School Division

We have audited the following financial statements of Frontier School Division (the "Division") as at June 30, 2012, and for the year then ended:

Consolidated – Statement of Financial Position
Consolidated – Statement of Revenue, Expenditures 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, Expenditures and Accumulated Surplus
Capital Fund – Schedule of Financial Position
Capital Fund – Schedule of Revenue, Expenditures and Accumulated Surplus
Schedule of Tangible Capital Assets
Schedule of Capital Reserve Accounts
Special Purpose Fund – Schedule of Financial Position
Special Purpose Fund – Schedule of Revenue, Expenditures and Accumulated Surplus
Calculation of Allowable Expenditures
Notes to the Consolidated Financial Statements

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles established by the Public Sector Accounting Board of the 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, 2012 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

Other Matters

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

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

Deloitte & Touche LLP

Chartered Accountants
Winnipeg, Manitoba

November 16, 2012

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2012	2011
	Financial Assets		
	Cash and Bank	-	-
	Short Term Investments	-	-
	Due from - Provincial Government	2,266,983	2,246,312
	- Federal Government	1,104,097	1,160,256
	- Municipal Government	1,974,515	2,003,488
	- Other School Divisions	-	3,029
	- First Nations	37,674,783	39,592,649
	Accounts Receivable	236,668	132,325
	Accrued Investment Income	-	-
	Other Investments	-	-
		43,257,046	45,138,059
	Liabilities		
*	Overdraft	2,168,493	20,887,828
	Accounts Payable	9,871,468	8,997,181
	Accrued Liabilities	6,085,364	6,650,489
*	Employee Future Benefits	1,130,336	978,099
	Accrued Interest Payable	715,926	751,058
	Due to - Provincial Government	-	-
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	244,000	1,603
	- First Nations	-	-
*	Deferred Revenue	17,142,819	2,650,759
*	Debenture Debt	29,568,895	30,938,476
*	Other Borrowings	1,380,317	1,639,743
	School Generated Funds Liability	403,158	383,772
		68,710,776	73,879,008
	Net Debt	(25,453,730)	(28,740,949)
	Non-Financial Assets		
*	Net Tangible Capital Assets (TCA Schedule)	45,641,086	46,878,720
	Inventories	-	-
	Prepaid Expenses	216,273	272,784
		45,857,359	47,151,504
*	**Accumulated Surplus**	20,403,629	18,410,555

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT
OF REVENUE, EXPENSES
AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes			2012	2011
	Revenue			
	Provincial Government		51,758,222	48,627,077
	Federal Government		12,097,196	10,924,266
	Municipal Government	- Property Tax	2,510,869	2,572,294
		- Other	255,600	194,400
	Other School Divisions		19,500	20,150
	First Nations		48,442,407	48,303,838
	Private Organizations and Individuals		4,015,338	4,097,144
	Other Sources		1,235,468	1,909,923
	School Generated Funds		751,822	669,089
	Other Special Purpose Funds		-	-
			121,086,422	117,318,181
	Expenses			
	Regular Instruction		49,844,289	48,579,678
	Student Support Services		16,582,770	16,639,902
	Adult Learning Centres		3,278,006	3,209,160
	Community Education and Services		2,494,061	2,342,263
	Divisional Administration		6,002,504	5,861,145
	Instructional and Other Support Services		6,171,779	6,457,887
	Transportation of Pupils		9,271,849	8,836,698
	Operations and Maintenance		18,239,955	17,417,165
*	Fiscal	- Interest	2,072,657	2,191,165
		- Other	1,616,721	1,605,367
	Amortization		2,744,768	2,448,985
	Other Capital Items		-	-
	School Generated Funds		773,989	649,560
	Other Special Purpose Funds		-	-
			119,093,348	116,238,975
	Current Year Surplus (Deficit)		1,993,074	1,079,206
	Less: Non-vested sick leave		0	0
	Opening Accumulated Surplus		18,410,555	17,331,349
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	-
		Other than Tangible Cap. Assets	-	-
		Non-vested sick leave	-	-
	Opening Accumulated Surplus, as adjusted		18,410,555	17,331,349
	Closing Accumulated Surplus		20,403,629	18,410,555

See accompanying notes to the Financial Statements

* NOTE REQUIRED

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2012

	2012	2011
Current Year Surplus (Deficit)	1,993,074	1,079,206
Amortization of Tangible Capital Assets	2,744,768	2,448,985
Acquisition of Tangible Capital Assets	(1,507,134)	(5,691,252)
(Gain) / Loss on Disposal of Tangible Capital Assets	(1,678)	(900)
Proceeds on Disposal of Tangible Capital Assets	1,678	900
	1,237,634	(3,242,267)
Inventories (Increase)/Decrease	-	-
Prepaid Expenses (Increase)/Decrease	56,511	(36,597)
	56,511	(36,597)
(Increase)/Decrease in Net Debt	3,287,219	(2,199,658)
Net Debt at Beginning of Year	(28,740,949)	(26,541,291)
Adjustments Other than Tangible Cap. Assets	-	-
	(28,740,949)	(26,541,291)
Net Debt at End of Year	(25,453,730)	(28,740,949)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2012

	2012	2011
Operating Transactions		
Current Year Surplus/(Deficit)	1,993,074	1,079,206
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	2,744,768	2,448,985
(Gain)/Loss on Disposal of Tangible Capital Assets	(1,678)	(900)
Employee Future Benefits Increase/(Decrease)	152,237	(47,855)
Short Term Investments (Increase)/Decrease	-	-
Due from Other Organizations (Increase)/Decrease	1,985,356	(10,945,062)
Accounts Receivable & Accrued Income (Increase)/Decrease	(104,343)	254,380
Inventories and Prepaid Expenses - (Increase)/Decrease	56,511	(36,597)
Due to Other Organizations Increase/(Decrease)	242,397	(41,017)
Accounts Payable & Accrued Liabilities Increase/(Decrease)	274,030	(988,662)
Deferred Revenue Increase/(Decrease)	14,492,060	938,679
School Generated Funds Liability Increase/(Decrease)	19,386	27,568
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by Operating Transactions	21,853,798	(7,311,275)
Capital Transactions		
Acquisition of Tangible Capital Assets	(1,507,134)	(5,691,252)
Proceeds on Disposal of Tangible Capital Assets	1,678	900
Cash (Applied to)/Provided by Capital Transactions	(1,505,456)	(5,690,352)
Investing Transactions		
Other Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
Financing Transactions		
Debenture Debt Increase/(Decrease)	(1,369,581)	309,478
Other Borrowings Increase/(Decrease)	(259,426)	277,817
Cash Provided by (Applied to) Financing Transactions	(1,629,007)	587,295
Cash and Bank / Overdraft (Increase)/Decrease	18,719,335	(12,414,332)
Cash and Bank (Overdraft) at Beginning of Year	(20,887,828)	(8,473,496)
Cash and Bank (Overdraft) at End of Year	(2,168,493)	(20,887,828)

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2012

	Buildings and Leasehold Improvements		School	Other	Furniture / Fixtures &	Computer Hardware &		Land	Assets Under	2012	2011
	School	Non-School	Buses	Vehicles	Equipment	Software *	Land	Improvements	Construction	TOTALS	TOTALS
Tangible Capital Asset Cost											
Opening Cost, as previously reported	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
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	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
Add: Additions during the year	(2,505,531)	4,271,692	652,022	13,483	49,580	-	-	-	(974,112)	1,507,134	5,691,252
Less: Disposals and write downs	710,414	430,839	114,566	-	-	-	-	-	-	1,255,819	-
Closing Cost	94,592,579	17,587,612	7,997,398	207,218	1,709,059	-	1,462,248	-	109,989	123,666,103	123,414,788
Accumulated Amortization											
Opening, as previously reported	59,941,644	11,454,971	3,729,533	87,647	1,322,273	-		-		76,536,068	74,087,083
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	59,941,644	11,454,971	3,729,533	87,647	1,322,273	-		-		76,536,068	74,087,083
Add: Current period Amortization	1,485,190	443,153	623,334	40,095	152,996	-		-		2,744,768	2,448,985
Less: Accumulated Amortization on Disposals and Writedowns	710,414	430,839	114,566	-	-	-		-		1,255,819	-
Closing Accumulated Amortization	60,716,420	11,467,285	4,238,301	127,742	1,475,269	-		-		78,025,017	76,536,068
Net Tangible Capital Asset	33,876,159	6,120,327	3,759,097	79,476	233,790	-	1,462,248	-	109,989	45,641,086	46,878,720
Proceeds from Disposal of Capital Assets	-	-	1,678	-	-	-				1,678	900

* Includes network infrastructure.

1. NATURE OF ORGANIZATION AND ECONOMIC DEPENDENCE

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Tangible Capital Assets (continued)

Asset Description	Capitalization Threshold	Estimated Useful Life (years)
Land improvements	$ 25,000	10
Buildings – bricks, mortar and steel	25,000	40
Buildings – wood frame	25,000	25
School buses	20,000	10
Vehicles	10,000	5
Equipment	10,000	5
Network infrastructure	25,000	10
Computer hardware, servers and peripherals	10,000	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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Tangible Capital Assets (continued)

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

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

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

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

g) Employee Future Benefits

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

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

(i) Defined contribution/ insured benefit plans

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Frontier School Division has a Defined Benefit Pension Plan for non-teaching employees. Employees and Frontier School Division currently contribute equal amounts (2012, 8.6%, 2011, 7.6%). The plan is evaluated using both the "Going Concern Valuation" and the "Solvency Valuation". The last review was as at December 31, 2011.

The Employee contribution for 2012 was $ 2,159,448 (2011 contribution was 1,951,325). 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.

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.

k) Non-vested sick leave benefits

Non-vested sick leave benefits are estimated using a net present value technique on the expected future utilization of sick benefits in excess of the amounts earned per year, to a maximum entitlement. The calculated dollar value of Non-vested sick time as at June 30, 2012 is $408,672 (June 30, 2011 - $438,881, June 30, 2010 - $432,775).
These amounts are disclosed for compliance with PS 2120 only and are not considered material for inclusion in the financial statements.

3. OVERDRAFT

The Division has an authorized Line of Credit with the Royal Bank of $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:

	2012	2011
Employee Future Benefit Liability (EFBL)		
Retirement Insurance Plan	$ 95,512	$ 93,068
Superintendent Retirement	668,398	581,852
Special Leave	366,426	303,179
	$ 1,130,336	$ 978,099

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, 2011. The net unamortized actuarial gain is amortized on a straight-line basis over the expected average remaining service life of the related employee groups. Pension plan assets are valued at market values and the expected rate of return is 6%.

See Appendix 1.

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

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

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

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

5. SCHOOL GENERATED FUNDS LIABILITY

School Generated Funds Liability includes the non-controlled portion of school generated funds consolidated in the cash and bank balances in the amount of $ 403,158 (2011 $383,772).

	2012	2011
Student Council funds	$ 37,908	$ 47,386
Travel	83,579	54,673
Graduation	41,900	17,478
Music enhancement	5,713	12,146
Community development	105,440	67,396
Other	128,618	184,693
	$ 403,158	$ 383,772

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 2013 to 2032. Payment of principal and interest is funded entirely by grants from the Province of Manitoba, except for the debenture debt on self-funded capital projects. The debentures carry interest rates that range from 3.875% to 10.50%. Debenture interest expense payable as at June 30, 2012 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
2013	$ 1,633,045	$ 1,630,495	$ 3,263,540
2014	1,645,437	1,533,108	3,178,545
2015	1,729,065	1,437,071	3,166,136
2016	1,806,210	1,336,200	3,142,410
2017	1,848,802	1,231,619	3,080,421
	$ 8,662,559	$ 7,168,493	$ 15,831,052

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 3.07 % to 5.5 % per annum, due between 2013 and 2017. Payments are monthly, quarterly and annually and include principal and interest.

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

	Principal	Interest	Total
2013	$ 550,073	$42,791	$ 592,864
2014	407,823	23,555	431,378
2015	270,084	11,104	281,188
2016	137,361	2,890	140,251
2017	14,976	127	15,103
	$1,380,317	$80,467	$1,460,784

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	2012 Accumulated Amortization	2012 Net Book Value	2011 Net Book Value
Owned tangible capital assets	$118,333,340	$75,146,965	$43,186,375	$44,361,420
Capital lease	5,332,764	2,878,053	2,454,711	2,517,300
	$123,666,104	$78,025,018	$45,641,086	$46,878,720

9. ACCUMULATED FUNDS

The consolidated accumulated surplus is comprised of the following:

	2012	2011
Operating Fund		
Undesignated	$ 4,962,431	$ 4,153,990
Capital Fund		
Reserve Accounts	1,455,453	1,635,594
Equity in Tangible Assets	13,937,589	12,550,648
Special Purpose Funds	48,156	70,323
Total Accumulated Surplus	$ 20,403,629	$ 18,410,555

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.

	2012	2011
Bus Reserves	$ 1,455,453	$ 1,235,594
Renovation to Hanger – Cranberry Portage	-	400,000

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

Education property tax or Special Levy is raised as the Division's contribution to the cost of providing public education for the student's resident in the division. The Municipal Government-Property Tax shown on the Consolidated Statement of Revenue, Expense and Accumulated Surplus is raised over the two calendar (tax) years; 60% from 2011 tax year and 40% from 2012 tax year. Below are the related revenue and receivable amounts:

	2012	2011
Revenue – Municipal Government – Property Tax	$ 2,510,869	$ 2,572,294
Receivable – Due from Municipal – Property Tax	1,974,515	2,003,488

11. INTEREST RECEIVED AND PAID

The Division received interest during the year of $ 435,761 (2011- $1,184,562); interest paid during the year was $ 2,072,657 (2011-$ 2,191,165).

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

	2012
Operating Fund	
Fiscal – short term loan, interest and bank charges	$ 317,905
Capital Fund	
Debenture debt interest	1,692,699
Other interest	62,053
	$ 2,072,657

The accrual portion of debenture debt interest expense of $ 715,926 (2011-751,058) 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, 2012:

	2012	2011
Allowance for doubtful accounts deducted from Receivables below:		
Due from First Nations	$ 282,681	$ 282,681
Accounts Receivable	8,529	8,529
	$ 291,210	$ 291,210
Bad debts expense (included in fiscal-Other)	$ -	$ -

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 2012	Budget 2012	Actual 2011
Salaries	$ 73,606,254	$ 78,279,872	$ 72,473,592
Employees benefits & allowances	7,258,027	7,819,147	6,926,501
Services	16,535,621	17,440,843	17,072,631
Supplies, materials & minor equipment	9,656,455	9,761,002	8,674,489
Interest	317,905	550,000	403,651
Bad debts	-	-	-
Payroll tax & Transfers	6,445,577	6,111,228	5,802,052
Amortization	2,744,768	-	2,448,985
Other capital items	1,754,752	-	1,787,514
School generated funds	773,989	-	649,560
Other special purpose funds	-	-	-
	$ 119,093,348	$ 119,962,092	$ 116,238,975

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.

The changes over the prior year reflect additional funding received from INAC before June 30, 2012, for the 2012/2013 school year.

FRONTIER SCHOOL DIVISION - INFORMATION FOR NOTES TO F/S

BENEFIT PLAN ASSETS - PENSION PLAN:	12 mos proj 6/30/11 6.00%	12 mos proj 12/31/11 6.00%	12 mos proj 3/31/12 6.00%	12 mos proj 6/30/12 6.00%
Fair value open - smoothed value	$65,017,043	$68,376,918	$70,829,511	$70,638,581
Expected return	4,043,846	4,133,423	4,137,058	4,147,972
Actuarial investment gain/(loss)	901,061	(4,088,433)	(3,454,303)	(3,145,214)
Employer contributions	1,978,919	1,791,955	1,786,375	1,854,954
Employee contributions	1,978,919	1,791,955	1,786,375	1,854,954
Benefits paid	(3,281,207)	(3,224,521)	(3,537,468)	(3,655,596)
Other - expenses	-	-	-	-
Fair value close	$70,638,581	$68,781,297	$71,547,549	$71,695,651
ACCRUED BENEFIT PLAN OBLIGATIONS - PENSION PLAN:				
Balance open	$67,919,685	$70,209,788	$71,469,213	$73,242,541
Current service costs	4,430,800	3,829,921	3,710,988	3,709,908
Interest costs	4,173,263	4,350,475	4,421,574	4,489,606
Benefits paid	(3,281,207)	(3,224,521)	(3,537,468)	(3,655,596)
Actuarial (gain)/loss	-	-	-	(3,895,262)
Actuarial asmp chg (gain)/loss	-	-	-	-
Balance close	$73,242,541	$75,165,662	$76,064,308	$73,891,197
SURPLUS OF PENSION PLAN:	(2,603,960)	(6,384,365)	(4,516,759)	(2,195,546)
INVESTMENT RESERVE	1,690,024	2,035,700	2,035,700	2,035,700
SURPLUS ON A MARKET VALUE BASIS	$ (4,293,984)	$ (8,420,065)	$ (6,552,459)	$ (4,231,246)
SURPLUS OF PENSION PLAN ASSETS VERSUS PLAN OBLIGATIONS:				
Surplus	(2,603,960)	(6,384,365)	(4,516,759)	(2,195,546)
Unamortized net actuarial (gains)/losses	-	-	-	-
Less: valuation allowance	2,603,960	6,384,365	4,516,759	2,195,546
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	$ 2,451,881	$ 2,037,966	$ 1,924,613	$ 1,854,954
Interest on plan obligations	4,173,263	4,350,475	4,421,574	4,489,606
less Expected return on plan assets	(4,043,846)	(4,133,423)	(4,137,058)	(4,147,972)
Amortization of actuarial (gains)/ losses	-	-	-	-
less Valuation allowance increase/(decrease): -((NC-C) less exc int(F-L))	(602,379)	(463,063)	(422,754)	(341,634)
Net defined benefit plans cost	$ 1,978,919	$ 1,791,955	$ 1,786,375	$ 1,854,954
	1,978,919	1,791,955	1,786,375	1,854,954
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	66.60%	67.90%	62.80%	62.80%
Bonds	23.00%	22.10%	25.60%	25.60%
Real Estate	10.40%	10.00%	11.60%	11.60%
Cash and cash equivalents	0.00%	0.00%	0.00%	0.00%

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

MANAGEMENT REPORT

Management's Responsibility for the Financial Statements

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

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

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

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

Chairperson

Secretary-Treasurer

October 4, 2012

Gislason Targownik Peters
Certified General Accountants
720 Norquay Drive • Box 2430 • Winkler • Manitoba R6W 4C1 • Tel: (204) 325-7579 • Fax (204) 325-7318

INDEPENDENT AUDITORS' REPORT

To the board of trustees of
Garden Valley School Division

We have audited the accompanying consolidated financial statements of Garden Valley School Division, which comprise the consolidated statement of financial position as at June 30, 2012, and the consolidated statement of revenue, expenses and accumulated surplus, statement of change in net debt and statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

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 financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Garden Valley School Division as at June 30, 2012, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

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

The consolidated financial statements of Garden Valley School Division for the year ended June 30, 2011, were audited by another auditor who expressed a qualified opinion on those statements on October 25, 2011. The opinion was qualified because the organization did not record employee future benefits liabilities relating to sick pay benefits that accumulate but do not vest. The organization did not determine the amount of the liability at year end and therefore the prior auditor was unable to verify by alternate means whether sick pay benefits liabilities were fairly stated. Accordingly, they were not able to determine whether any adjustments might be necessary to employee future benefits liabilities, employee benefits expense and accumulated surplus.

Gislason Targownik Peters

CERTIFIED GENERAL ACCOUNTANTS

Winkler, Manitoba
October 9, 2012

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

Oct. 9, 2012
Date

Chairperson

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes			2012	2011
	Financial Assets			
	Cash and Bank		-	-
	Short Term Investments		25,000	25,000
	Due from	- Provincial Government	4,796,673	1,771,312
		- Federal Government	225,723	723,257
10		- Municipal Government	5,728,288	5,991,680
		- Other School Divisions	237,449	272,101
		- First Nations	-	-
	Accounts Receivable		103,128	78,764
	Accrued Investment Income		-	-
	Other Investments		-	-
			11,116,261	8,862,114
	Liabilities			
3	Overdraft		2,831,565	3,633,844
	Accounts Payable		2,672,628	3,067,820
	Accrued Liabilities		1,554,754	910,349
4	Employee Future Benefits		-	-
	Accrued Interest Payable		923,739	766,042
	Due to	- Provincial Government	134,853	122,032
		- Federal Government	1,856,783	1,772,055
		- Municipal Government	158,549	154,920
		- Other School Divisions	250,841	294,158
		- First Nations	-	-
5	Deferred Revenue		1,497,143	1,474,056
6	Debenture Debt		50,717,943	36,302,673
7	Other Borrowings		2,877,581	1,971,572
	School Generated Funds Liability		-	-
			65,476,379	50,469,521
	Net Debt		(54,360,118)	(41,607,407)
	Non-Financial Assets			
8	Net Tangible Capital Assets (TCA Schedule)		70,829,267	56,531,922
	Inventories		-	-
	Prepaid Expenses		91,690	409,509
			70,920,957	56,941,431
9	**Accumulated Surplus**		16,560,839	15,334,024

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes			2012	2011
	Revenue			
	Provincial Government		30,832,026	28,635,346
	Federal Government		-	-
10	Municipal Government	- Property Tax	11,463,139	12,451,337
		- Other	-	-
	Other School Divisions		285,050	277,598
	First Nations		-	-
	Private Organizations and Individuals		-	25,566
	Other Sources		447,878	457,251
	School Generated Funds		216,682	257,873
	Other Special Purpose Funds		-	-
			43,244,775	42,104,971
12	**Expenses**			
	Regular Instruction		23,064,207	21,618,236
	Student Support Services		6,440,421	6,425,099
	Adult Learning Centres		-	-
	Community Education and Services		39,140	49,767
	Divisional Administration		1,252,087	1,236,401
	Instructional and Other Support Services		897,477	807,929
	Transportation of Pupils		1,926,455	1,730,163
	Operations and Maintenance		3,180,012	2,855,005
11	Fiscal	- Interest	2,150,617	1,606,337
		- Other	621,594	595,720
	Amortization		2,250,034	1,873,692
	Other Capital Items		-	-
	School Generated Funds		195,916	242,150
	Other Special Purpose Funds		-	-
			42,017,960	39,040,499
	Current Year Surplus (Deficit)		1,226,815	3,064,472
	Less: Non-vested sick leave		0	0
	Opening Accumulated Surplus		15,334,024	12,269,552
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	-
		Other than Tangible Cap. Assets	-	-
		Non-vested sick leave	-	-
	Opening Accumulated Surplus, as adjusted		15,334,024	12,269,552
9	**Closing Accumulated Surplus**		16,560,839	15,334,024

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2012

	2012	2011
Current Year Surplus (Deficit)	1,226,815	3,064,472
Amortization of Tangible Capital Assets	2,250,034	1,873,692
Acquisition of Tangible Capital Assets	(16,547,379)	(19,631,998)
(Gain) / Loss on Disposal of Tangible Capital Assets	-	-
Proceeds on Disposal of Tangible Capital Assets	-	-
	(14,297,345)	(17,758,306)
Inventories (Increase)/Decrease	-	-
Prepaid Expenses (Increase)/Decrease	317,819	2,724
	317,819	2,724
(Increase)/Decrease in Net Debt	(12,752,711)	(14,691,110)
Net Debt at Beginning of Year	(41,607,407)	(26,916,297)
Adjustments Other than Tangible Cap. Assets	-	-
	(41,607,407)	(26,916,297)
Net Debt at End of Year	(54,360,118)	(41,607,407)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2012

	2012	2011
Operating Transactions		
Current Year Surplus/(Deficit)	1,226,815	3,064,472
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	2,250,034	1,873,692
(Gain)/Loss on Disposal of Tangible Capital Assets	-	-
Employee Future Benefits Increase/(Decrease)	-	(104,346)
Short Term Investments (Increase)/Decrease	-	-
Due from Other Organizations (Increase)/Decrease	(2,229,783)	(2,203,091)
Accounts Receivable & Accrued Income (Increase)/Decrease	(24,364)	(6,027)
Inventories and Prepaid Expenses - (Increase)/Decrease	317,819	2,724
Due to Other Organizations Increase/(Decrease)	57,861	313,476
Accounts Payable & Accrued Liabilities Increase/(Decrease)	406,910	2,480,067
Deferred Revenue Increase/(Decrease)	23,087	135,193
School Generated Funds Liability Increase/(Decrease)	-	-
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by Operating Transactions	2,028,379	5,556,160
Capital Transactions		
Acquisition of Tangible Capital Assets	(16,547,379)	(19,631,998)
Proceeds on Disposal of Tangible Capital Assets	-	-
Cash (Applied to)/Provided by Capital Transactions	(16,547,379)	(19,631,998)
Investing Transactions		
Other Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
Financing Transactions		
Debenture Debt Increase/(Decrease)	14,415,270	14,222,333
Other Borrowings Increase/(Decrease)	906,009	(161,287)
Cash Provided by (Applied to) Financing Transactions	15,321,279	14,061,046
Cash and Bank / Overdraft (Increase)/Decrease	802,279	(14,792)
Cash and Bank (Overdraft) at Beginning of Year	(3,633,844)	(3,619,052)
Cash and Bank (Overdraft) at End of Year	(2,831,565)	(3,633,844)

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2012

	Buildings and Leasehold Improvements										
	School	Non-School	School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	2012 TOTALS	2011 TOTALS
Tangible Capital Asset Cost											
Opening Cost, as previously reported	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
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	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
Add: Additions during the year	19,228,399	-	306,215	68,539	73,255	269,908	624,636	-	(4,023,573)	16,547,379	19,631,998
Less: Disposals and write downs	-	-	-	-	-	-	-	-	-	-	-
Closing Cost	74,658,512	2,862,492	3,042,994	173,063	1,581,621	655,939	2,916,171	-	16,026,623	101,917,415	85,370,036
Accumulated Amortization											
Opening, as previously reported	25,413,285	752,209	1,377,273	39,432	1,115,142	140,773		-		28,838,114	26,964,422
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	25,413,285	752,209	1,377,273	39,432	1,115,142	140,773		-		28,838,114	26,964,422
Add: Current period Amortization	1,712,968	67,614	224,232	21,319	131,948	91,953		-		2,250,034	1,873,692
Less: Accumulated Amortization on Disposals and Writedowns	-	-	-	-	-	-		-		-	-
Closing Accumulated Amortization	27,126,253	819,823	1,601,505	60,751	1,247,090	232,726		-		31,088,148	28,838,114
Net Tangible Capital Asset	47,532,259	2,042,669	1,441,489	112,312	334,531	423,213	2,916,171	-	16,026,623	70,829,267	56,531,922
Proceeds from Disposal of Capital Assets	-	-	-	-	-	-				-	-

* Includes network infrastructure.

1. Nature of Organization and Economic Dependence

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

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

2. Significant Accounting Policies

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles established by PSAB of the 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 (school division) under a trust agreement or statute; the trustee merely administers the terms and conditions embodied in the agreement, and it has no unilateral authority to change the conditions set out in the trust indenture.

Basis of Accounting

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

Fund Accounting

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

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

School Generated Funds

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

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

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

Tangible Capital Assets

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

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

Asset Description	Capitalization Threshold ($)	Estimated Useful Life
Land improvements	25,000	10 years
Buildings – bricks, mortar, steel	25,000	40 years
Buildings – wood frame	25,000	25 years
School buses	20,000	10 years
Vehicles	10,000	5 years
Equipment	10,000	5 years
Network infrastructure	25,000	10 years
Computer hardware, servers, peripherals	5,000	4 years
Computer software	10,000	4 years
Furniture and fixtures	5,000	10 years
Leasehold improvements	25,000	Over term of lease

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

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

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

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

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

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

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

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

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

Employee Future Benefits

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

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

<u>Defined Contribution Pension Plan</u>

The Division pays the employer portion of a defined contribution plan handled by the Manitoba School Boards Association (MSBA) for 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.

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

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.

<u>Non-vested Accumulated Sick Leave</u>

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

Capital Reserve

Certain amounts, as approved by the Board of Trustees and the Public Schools Finance Board

(PSFB), have been set aside in reserve accounts for future capital purposes. These Capital Reserve accounts are internally restricted funds that form part of the Accumulated Surplus presented in the Consolidated Statement of Financial Position.

Use of Estimates

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

Financial Instruments

There are no significant terms and conditions related to financial instruments (cash, accounts receivable, investments, and bank indebtedness, accounts payable and long-term debt) that may affect the amount, timing and certainty of future cash flows. The Division is exposed to credit risk from the potential non-payment of accounts receivable. However, the majority of the receivables are from local, provincial and federal governments, and therefore, the credit risk 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 Access Credit Union Ltd. of $26,700,000 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, 2012); interest is paid monthly. Included in the overdraft are capital projects totalling approximately $16,026,623 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 2011/2012 year was $439,594 ($350,882 in 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, 2011	Additions in period	Revenue recognized in period	Balance as at June 30, 2012
Education Property Tax Credit (EPTC)	$ 1,472,258	3,009,665	2,984,770	1,497,143
Other	1,798		1,798	0
	$ 1,474,056	3,009,665	2,986,568	1,497,143

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 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 3.625% to 10.00%. Debenture interest expense payable as at June 30, 2012, 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:

2013	4,725,139
2014	4,600,626
2015	4,404,060
2016	4,397,364
2017	4,397,364
	$ 22,524,553

7. Other Borrowings

Other borrowings are debts other than overdrafts or debentures.

	2012	2011
Access Credit Union, demand loan, prime less .50% (2.5% 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 for Administration Office	$ 1,808,355	1,971,571
Access Credit Union, demand loan, prime less .50% (2.5% at June 30, 2011); repayable in monthly instalments of $5,000, including principal and interest; secured by a demand promissory note, financing by-law, banking documents, and a Registered General Security Agreement for Northlands Parkway Collegiate land.	$ 495,223	0
Access Credit Union, demand loan, prime less .50% (2.5% 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 for future school site land	$ 574,003	0
Total Other Borrowings	$ 2,877,581	0

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

	Principal	Interest	Total
2013	277,843	68,777	346,620
2014	284,869	61,751	346,620
2015	292,073	54,547	346,620
2016	299,333	47,287	346,620
2017	307,029	39,591	346,620
	$ 1,461,147	271,953	1,733,100

8. Net Tangible Capital Assets

The Schedule of Tangible Capital Assets (TCA), page 23 of the audited financial statements, provides a breakdown of cost, accumulated amortization and net book value by class. The amount of interest capitalized in the period included in School Buildings was $56,133.

9. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2012	2011
Operating Fund		
Designated Surplus	$ 1,056,980	487,916
Undesignated Surplus	772,692	1,398,753
	$ 1,829,672	1,886,669
Capital Fund		
Reserve Accounts	$ 1,964,022	1,190,237
Equity in Tangible Capital Assets	12,658,244	12,168,298
	$14,222,266	13,358,535
Special Purpose Fund		
School Generated Funds	$ 108,901	88,820
Other Special Purpose Funds	-	-
	$ 108,901	88,820
Total Accumulated Surplus	$16,560,839	15,334,024

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

	2012	2011
School budget carryovers by board policy	$ 352,957	340,829
Applied to 2012/2013 Operating budget deficit	704,023	147,087
Board approved appropriation by motion	-	1,125,000
Designated surplus	$ 1,056,980	1,612,916

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 capital reserve for a major expansion of the Garden Valley Collegiate in the amount of $1,000,000, and for relocation of the Maintenance Shop in the amount of $325,000. A Schedule of Capital Reserve Accounts is provided on page 24 of the audited financial statements.

	2012	2011
Bus reserves (deficit)	$ 639,022	65,237
High School Renovation reserve	1,000,000	800,000
Maintenance Shop relocation reserve	325,000	325,000
Other reserves	-	-
Capital Reserve	$ 1,964,022	1,190,237

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

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

Education property tax or Special Levy is raised as the Division's contribution to the cost of providing public education for the students' resident in the division. The Municipal Government-Property Tax shown on the consolidated revenue and expense is raised over the two calendar (tax) years; 50% from 2011 tax year and 50% from 2012 tax year. Below are the related revenue and receivable amounts:

	2012	2011
Revenue – Municipal Government – Property Tax	$ 11,463,139	12,451,337
Receivable – Due from Municipal – Property Tax	$ 5,728,288	5,991,680

11. Interest Received and Paid

The Division received interest during the year of $2,103,323 ($1,531,028 in 2011); interest paid during the year was $2,150,617 ($1,606,337 in 2011).

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

	2011	2011
Operating Fund		
Fiscal-short term loan, interest and bank charges	$ 24,388	20,399
Capital Fund		
Debenture interest	2,067,835	1,512,933
Other interest	58,394	73,005
	$2,150,617	1,606,337

The accrual portion of debenture debt interest expense of $923,739 at June 30, 2012 ($766,042 at June 30, 2011) 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 2012	Actual 2011
Salaries	$ 28,076,857	27,338,555
Employees benefits and allowances	2,749,764	2,342,024
Services	2,825,268	2,681,237
Supplies, materials and minor equipment	2,830,651	1,934,462
Interest	2,103,323	1,606,337
Bad debt expense	5	534
Payroll tax	621,589	595,186
Transfers	364,553	426,322
Amortization	2,250,034	1,873,692
School generated funds	195,916	242,150
	$ 42,017,960	39,040,499

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 $1,056,980 at June 30, 2012 ($487,916 at June 30, 2011). The details of the Designated Surplus as disclosed at note 9 and page 5 of the audited financial statements

The Division has a building lease agreement. Future annual minimum operating lease commitments as at June 30, 2012 are as follows:

2013	$ 24,293

The Division is currently constructing a new high school facility and has a contract with Penn-Co Construction Canada (2003) Ltd. to complete the project. Occupancy is anticipated by Spring 2013. The remaining commitment as of June 30, 2012 is estimated at: $ 19,544,041.

MANAGEMENT REPORT

Management's Responsibility for the Financial Statements

The accompanying consolidated financial statements of Hanover School Division (the "Division") are the responsibility of the Division 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.

Chairperson

Secretary-Treasurer

October 16, 2012

Independent Auditors' Report

ı the Board of Trustees of Hanover School Division:

We have audited the accompanying consolidated financial statements of Hanover School Division, which comprise the consolidated statement of financial position as at June 30, 2012, 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.

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ın our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Hanover School Division as at June 30, 2012 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 matters
Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental information presented in the attached schedules is presented for the purpose of additional analysis and is not a required part of the basic consolidated financial statements. Such supplemental information has been subjected only to auditing procedures applied in the audit of the basic consolidated financial statements, taken as a whole.

The consolidated financial statements of Hanover School Division for the year ended June 30, 2011 were audited by another auditor who expressed a qualified opinion on those statements on October 18, 2011. The qualified opinion issued in the prior year related to sick pay benefits that accumulate but do not vest. In the current year, the amount of the liability was determined, and no modification to the audit opinion was deemed necessary.

MNP LLP

Winnipeg, Manitoba

October 16, 2012

Chartered Accountants

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

OCTOBER 16, 2012
DATE

CHAIRPERSON

2500 - 201 Portage Ave., Winnipeg, Manitoba, R3B 3K6, Phone: (204) 775-4531, 1 (877) 500-0795

Independent Auditors' Report

To the Board of Trustees of Hanover School Division:

We have audited the EIS Enrolment File Verification Report of Hanover School Division for the year ended June 30, 2012. This report has been prepared by management in accordance with Part I, Sections 1.1 and 1.2, of the Public Schools Enrolment and Categorical Grants Reporting of the Province of Manitoba.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of this report in accordance with Part I, Sections 1.1 and 1.2, of the Public Schools Enrolment and Categorical Grants Reporting of the Province of Manitoba, and for such internal control as management determines is necessary to enable the preparation of the report that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on this report 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 report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the report. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the report, 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 report 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, if any, made by management, as well as evaluating the overall presentation of the report.

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, this report presents fairly, in all material respects, the enrolment of the Hanover School Division as at June 30, 2012 in accordance with the Public Schools Enrolment and Categorical Grants Reporting for the 2011/2012 school year referred to above.

Basis of Accounting and Restriction on Distribution

This report is prepared to assist Hanover School Division meet the requirements of the Public Schools Enrolment and Categorical Grants Reporting of the Province of Manitoba. As a result, the report may not be suitable for another purpose. Our report is intended solely for the Office of the Auditor General of the Province of Manitoba relative to the Public Schools Enrolment and Categorical Grants Reporting of the Province of Manitoba and should not be distributed to other parties.

Winnipeg, Manitoba

October 16, 2012

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 Hanover School Division

OCTOBER 16, 2012

DATE

CHAIRPERSON

MNP

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2012	2011
	Financial Assets		
	Cash and Bank	-	-
*	Short Term Investments	10	10
	Due from - Provincial Government	7,063,748	3,445,792
	- Federal Government	261,086	201,842
	- Municipal Government	10,531,816	9,993,024
	- Other School Divisions	-	833
	- First Nations	-	-
	Accounts Receivable	190,797	201,083
	Accrued Investment Income	-	-
	Other Investments	-	-
		18,047,457	13,842,584
	Liabilities		
*	Overdraft	6,709,619	10,939,482
	Accounts Payable	4,172,312	2,485,401
	Accrued Liabilities	5,205,191	3,581,004
*	Employee Future Benefits	367,275	421,403
	Accrued Interest Payable	1,246,691	701,055
	Due to - Provincial Government	-	-
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
*	Deferred Revenue	2,320,293	2,254,559
*	Debenture Debt	49,109,510	26,049,361
*	Other Borrowings	1,350,000	1,620,000
	School Generated Funds Liability	131,130	162,906
		70,612,021	48,215,171
	Net Debt	(52,564,564)	(34,372,587)
	Non-Financial Assets		
*	Net Tangible Capital Assets (TCA Schedule)	66,315,579	47,295,387
	Inventories	90,887	100,369
	Prepaid Expenses	681,899	320,254
		67,088,365	47,716,010
*	**Accumulated Surplus**	14,523,801	13,343,423

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes			2012	2011
	Revenue			
	Provincial Government		50,786,850	49,551,658
	Federal Government		-	-
	Municipal Government	- Property Tax	17,611,473	17,127,224
		- Other	-	-
	Other School Divisions		88,750	99,780
	First Nations		-	-
	Private Organizations and Individuals		359,221	346,584
	Other Sources		105,819	121,350
	School Generated Funds		1,830,821	1,832,928
	Other Special Purpose Funds		-	-
			70,782,934	69,079,524
	Expenses			
	Regular Instruction		40,108,118	38,478,426
	Student Support Services		9,197,260	8,733,501
	Adult Learning Centres		-	-
	Community Education and Services		130,553	103,542
	Divisional Administration		1,764,190	1,695,990
	Instructional and Other Support Services		1,997,095	1,879,035
	Transportation of Pupils		3,135,532	3,097,588
	Operations and Maintenance		6,291,082	6,255,910
*	Fiscal	- Interest	1,780,923	1,939,419
		- Other	1,004,345	1,024,433
	Amortization		2,436,405	2,427,407
	Other Capital Items		-	-
	School Generated Funds		1,757,053	1,847,582
	Other Special Purpose Funds		-	-
			69,602,556	67,482,833
	Current Year Surplus (Deficit)		1,180,378	1,596,691
	Less: Non-vested sick leave		0	0
	Opening Accumulated Surplus		13,343,423	11,746,732
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	-
		Other than Tangible Cap. Assets	-	-
		Non-vested sick leave	-	-
	Opening Accumulated Surplus, as adjusted		13,343,423	11,746,732
	Closing Accumulated Surplus		14,523,801	13,343,423

See accompanying notes to the Financial Statements

* NOTE REQUIRED

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2012

	2012	2011
Current Year Surplus (Deficit)	1,180,378	1,596,691
Amortization of Tangible Capital Assets	2,436,405	2,427,407
Acquisition of Tangible Capital Assets	(21,641,691)	(7,439,308)
(Gain) / Loss on Disposal of Tangible Capital Assets	(8,762)	(38,423)
Proceeds on Disposal of Tangible Capital Assets	193,856	43,523
	(19,020,192)	(5,006,801)
Inventories (Increase)/Decrease	9,482	(9,675)
Prepaid Expenses (Increase)/Decrease	(361,645)	7,406
	(352,163)	(2,269)
(Increase)/Decrease in Net Debt	(18,191,977)	(3,412,379)
Net Debt at Beginning of Year	(34,372,587)	(30,960,208)
Adjustments Other than Tangible Cap. Assets	-	-
	(34,372,587)	(30,960,208)
Net Debt at End of Year	(52,564,564)	(34,372,587)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2012

	2012	2011
Operating Transactions		
Current Year Surplus/(Deficit)	1,180,378	1,596,691
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	2,436,405	2,427,407
(Gain)/Loss on Disposal of Tangible Capital Assets	(8,762)	(38,423)
Employee Future Benefits Increase/(Decrease)	(54,128)	154,385
Short Term Investments (Increase)/Decrease	-	-
Due from Other Organizations (Increase)/Decrease	(4,215,159)	(1,455,175)
Accounts Receivable & Accrued Income (Increase)/Decrease	10,286	7,996
Inventories and Prepaid Expenses - (Increase)/Decrease	(352,163)	(2,269)
Due to Other Organizations Increase/(Decrease)	-	-
Accounts Payable & Accrued Liabilities Increase/(Decrease)	3,856,734	(1,103,953)
Deferred Revenue Increase/(Decrease)	65,734	263,047
School Generated Funds Liability Increase/(Decrease)	(31,776)	51,679
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by Operating Transactions	2,887,549	1,901,385
Capital Transactions		
Acquisition of Tangible Capital Assets	(21,641,691)	(7,439,308)
Proceeds on Disposal of Tangible Capital Assets	193,856	43,523
Cash (Applied to)/Provided by Capital Transactions	(21,447,835)	(7,395,785)
Investing Transactions		
Other Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
Financing Transactions		
Debenture Debt Increase/(Decrease)	23,060,149	(1,696,531)
Other Borrowings Increase/(Decrease)	(270,000)	(270,000)
Cash Provided by (Applied to) Financing Transactions	22,790,149	(1,966,531)
Cash and Bank / Overdraft (Increase)/Decrease	4,229,863	(7,460,931)
Cash and Bank (Overdraft) at Beginning of Year	(10,939,482)	(3,478,551)
Cash and Bank (Overdraft) at End of Year	(6,709,619)	(10,939,482)

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2012

	Buildings and Leasehold Improvements		School	Other	Furniture / Fixtures &	Computer Hardware &		Land	Assets Under	2012	2011
	School	Non-School	Buses	Vehicles	Equipment	Software *	Land	Improvements	Construction	TOTALS	TOTALS
Tangible Capital Asset Cost											
Opening Cost, as previously reported	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
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	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
Add:											
Additions during the year	2,537,715	306,269	352,424	62,138	113,575	17,240		-	18,252,330	21,641,691	7,439,308
Less:											
Disposals and write downs	-	-	147,011	19,293	-	-	185,094	-	-	351,398	515,479
Closing Cost	63,894,453	4,870,877	7,451,124	242,938	1,857,046	301,151	1,333,376	-	26,311,223	106,262,188	84,971,895
Accumulated Amortization											
Opening, as previously reported	30,051,935	1,259,620	4,675,854	162,135	1,384,204	142,760		-		37,676,508	35,759,480
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	30,051,935	1,259,620	4,675,854	162,135	1,384,204	142,760		-		37,676,508	35,759,480
Add:											
Current period Amortization	1,677,600	104,714	498,661	18,334	103,157	33,939		-		2,436,405	2,427,407
Less:											
Accumulated Amortization on Disposals and Writedowns	-	-	147,011	19,293	-	-		-		166,304	510,379
Closing Accumulated Amortization	31,729,535	1,364,334	5,027,504	161,176	1,487,361	176,699		-		39,946,609	37,676,508
Net Tangible Capital Asset	32,164,918	3,506,543	2,423,620	81,762	369,685	124,452	1,333,376	-	26,311,223	66,315,579	47,295,387
Proceeds from Disposal of Capital Assets	-	-	7,810	952	-	-	185,094			193,856	43,523

* Includes network infrastructure.

1. Nature of Organization and Economic Dependence

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

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

2. Significant Accounting Policies

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles established by the Public Sector Accounting Board ("PSAB") of the 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 extracurricular activities for the sole use of the school that the Principal of each school, subject to the rules of the school board, may raise, hold, administer and expend for the purposes of the school.

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

2. Significant Accounting Policies – Continued

d) School Generated Funds - Continued

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 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.

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.

2. Significant Accounting Policies – Continued

f) Employee Future Benefits

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

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

Defined contribution plan

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

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.

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. Actual results could differ from management's best estimates, as additional information becomes available in the future.

h) Financial instruments

Fair values:

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

Classification:

Cash and bank	Held-for-trading
Short term investments	Held-for-trading
Accounts receivable	Loans and receivables
Overdraft	Held-for-trading
Accounts payable and accrued liabilities	Other financial liabilities
Employee future benefits	Other financial liabilities
Accrued interest payable	Other financial liabilities
Debenture debt	Other financial liabilities
Other borrowings	Other financial liabilities

Held for trading:

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

2. Significant Accounting Policies – Continued

h) Financial instruments - Continued

Loans and receivables:

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

Other financial liabilities:

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

Interest, currency and credit risk:

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

3. Overdraft

The Division has an authorized line of credit with the Steinbach Credit Union of $27,000,000 by way of overdrafts and is repayable on demand at prime less 0.875%; interest is paid monthly. Overdrafts are secured by temporary borrowing by-laws.

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 $749,838 in 2012 ($643,951 in 2011).

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, 2011	Additions in period	Revenue recognized in period	Balance as at June 30, 2012
Education Property Tax Credit (EPTC)	$ 2,192,510	$ 2,251,418	$ 2,192,510	$ 2,251,418
Special grant	60,000	-	-	60,000
Other amounts	2,049	8,875	2,049	8,875
	$ 2,254,559	$ 2,260,293	$ 2,194,559	$ 2,320,293

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 $131,130 ($162,906 in 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 2032. 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 4.000% to 10.875%. Debenture interest expense payable as at June 30, 2012, 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
2013	$ 5,242,542
2014	5,236,856
2015	5,163,707
2016	5,062,774
2017	4,740,384
	$ 25,446,263

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.

	2012	2011
RBC Term Loan, unsecured, payable at 5.35%, due January 2017 Interest is paid monthly with annual principal repayments of $200,000	$ 1,000,000	$ 1,200,000
RBC Term Loan, unsecured, payable at 4.79%, due January 2017 Interest is paid monthly with annual principal repayments of $70,000	350,000	420,000
	$ 1,350,000	$ 1,620,000

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

	Total
2013	$ 270,000
2014	270,000
2015	270,000
2016	270,000
2017	270,000
	$ 1,350,000

The Division has an authorized advance with Steinbach Credit Union 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 $161,577 ($89,004 in 2011).

10. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2012	2011
Operating Fund		
Designated Surplus	$ -	$ -
Undesignated Surplus	3,603,786	3,363,866
	3,603,786	3,363,866
Capital Fund		
Reserved Accounts	-	-
Equity in Tangible Capital Assets	10,509,581	9,642,891
	10,509,581	9,642,891
Special Purpose Fund		
School Generated Funds	410,434	336,666
Total Accumulated Surplus	$ 14,523,801	$ 13,343,423

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 2011 tax year and 60% from 2012 tax year. Below are the related revenue and receivable amounts:

	2012	2011
Revenue - Municipal Government - Property Tax	$ 24,676,622	$ 23,632,519
Receivable - Due from Municipal - Property Tax	$ 10,531,816	$ 9,993,024

12. Interest Received and Paid

The Division received interest during the year of $6,598 ($5,874 in 2011); interest paid during the year was $1,780,923 ($1,939,419 in 2011).

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

	2012	2011
Operating Fund		
Fiscal-short term loan, interest and bank charges	$ 62,622	$ 73,981
Capital Fund		
Debenture interest	1,639,392	1,772,396
Other interest	78,909	93,042
Total	$ 1,780,923	$ 1,939,419

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 2012	Budget 2012	Actual 2011
Salaries	$ 49,185,155	$ 49,885,300	$ 47,669,028
Employees benefits and allowances	3,644,239	3,633,100	3,492,080
Services	3,576,696	3,989,100	3,625,087
Supplies, materials and minor equipment	5,370,872	5,650,300	4,749,722
Interest	1,780,923	95,000	1,939,419
Bad debts	-	-	-
Payroll tax	1,004,345	1,073,200	1,024,433
Amortization	2,436,405	-	2,427,407
Transfers	846,868	659,100	708,075
Other capital items	-	-	-
School generated funds	1,757,053	-	1,847,582
Other special purpose funds	-	-	-
	$ 69,602,556	$ 64,985,100	$ 67,482,833

14. Budget Figures and Non Financial Information

The 2012 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.

15. Capital management

The Division's objective when managing capital is to ensure that its expenditures closely match their revenues. Capital consists of the various fund balances in the amount of $14,523,801 ($13,343,423 in 2011). The Division is not subject to externally imposed capital requirements. There have been no changes in the Division's approach to capital management during the period.

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

In accordance with Section 190.1 of The Public Schools Act, the Division is required to collect a special levy on behalf of la Division scolaire franco-manitobaine. As at June 30, 2012 the amount of this special levy was $222,077 ($191,681 in 2011). These amounts are not included in the Division's consolidated financial statements.

17. Commitments

The Division has equipment lease agreements. Future annual minimum operating lease commitments as at June 30, 2012 are as follows:

2013	$ 235,418
2014	180,605
2015	119,975
2016	71,181
2017	22,081
Thereafter	Nil

The Division is committed to constructing a new middle school, which is scheduled to be operating in the fall September 2012. The committed cost of the project is approximately $27,600,000. As at June 30, 2012, the construction costs to date are approximately $23,500,000.

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.

Oct. 20/12

Chairperson

Secretary-Treasurer

October 22, 2012

BDO

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Independent Auditor's Report

To the Chairperson and Board of Trustees of Interlake School Division

We have audited the accompanying consolidated financial statements of Interlake School Division ("Division"), which comprise the consolidated statement of financial position as at June 30, 2012, and the consolidated statement of revenue, expenses and accumulated surplus, statement of change in net debt and statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Our Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Interlake School Division as at June 30, 2012, 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 22, 2012

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 22/12
Date

Chairperson

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2012	2011
	Financial Assets		
	Cash and Bank	-	-
	Short Term Investments	6,870	7,602
	Due from - Provincial Government	1,520,567	1,407,135
	- Federal Government	28,761	38,384
	- Municipal Government	4,868,065	4,600,462
	- Other School Divisions	-	-
	- First Nations	-	-
	Accounts Receivable	65,608	94,083
	Accrued Investment Income	-	-
	Other Investments	-	-
		6,489,871	6,147,666
	Liabilities		
4	Overdraft	1,547,227	883,000
	Accounts Payable	79,140	58,493
	Accrued Liabilities	473,140	925,790
5	Employee Future Benefits	1,364,718	1,362,545
	Accrued Interest Payable	248,363	249,335
	Due to - Provincial Government	-	-
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
6	Deferred Revenue	1,681,047	1,636,587
8	Debenture Debt	10,581,351	10,696,688
	Other Borrowings	-	-
7	School Generated Funds Liability	195,849	167,809
		16,170,835	15,980,247
	Net Debt	(9,680,964)	(9,832,581)
	Non-Financial Assets		
9	Net Tangible Capital Assets (TCA Schedule)	14,191,568	14,178,764
	Inventories	82,865	83,847
	Prepaid Expenses	57,841	58,568
		14,332,274	14,321,179
10	**Accumulated Surplus**	4,651,310	4,488,598

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes			2012	2011
	Revenue			
	Provincial Government		23,875,669	23,251,193
	Federal Government		12,900	10,000
11	Municipal Government	- Property Tax	9,345,910	9,014,674
		- Other	15,624	7,500
	Other School Divisions		51,123	62,697
	First Nations		4,000	7,000
	Private Organizations and Individuals		280,448	285,845
	Other Sources		187,206	229,881
	School Generated Funds		442,485	417,094
	Other Special Purpose Funds		1,371	1,381
			34,216,736	33,287,265
	Expenses			
	Regular Instruction		17,572,745	17,082,615
	Student Support Services		5,523,793	5,469,665
	Adult Learning Centres		-	-
	Community Education and Services		252,252	177,098
	Divisional Administration		1,196,078	1,151,529
	Instructional and Other Support Services		1,374,732	1,232,923
	Transportation of Pupils		1,984,037	1,971,188
	Operations and Maintenance		3,345,335	3,536,026
12	Fiscal	- Interest	638,595	671,718
		- Other	517,838	510,792
	Amortization		1,153,117	1,074,579
	Other Capital Items		-	-
	School Generated Funds		445,122	491,930
	Other Special Purpose Funds		1,371	1,381
			34,005,015	33,371,444
	Current Year Surplus (Deficit)		211,721	(84,179)
	Non-vested sick leave		(49,009)	(90,982)
	Opening Accumulated Surplus		4,488,598	4,793,443
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	-
		Other than Tangible Cap. Assets	-	-
		Non-vested sick leave June 30, 2010	-	(129,684)
	Opening Accumulated Surplus, as adjusted		4,488,598	4,663,759
	Closing Accumulated Surplus		4,651,310	4,488,598

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2012

	2012	2011
Current Year Surplus (Deficit)	211,721	(84,179)
Amortization of Tangible Capital Assets	1,153,117	1,074,579
Acquisition of Tangible Capital Assets	(1,188,490)	(431,217)
(Gain) / Loss on Disposal of Tangible Capital Assets	(39,198)	(2,842)
Proceeds on Disposal of Tangible Capital Assets	61,767	3,400
	(12,804)	643,920
Inventories (Increase)/Decrease	982	(9,357)
Prepaid Expenses (Increase)/Decrease	727	(2,260)
	1,709	(11,617)
(Increase)/Decrease in Net Debt	200,626	548,124
Net Debt at Beginning of Year	(9,832,581)	(10,160,039)
Adjustments Other than Tangible Cap. Assets	(49,009)	(220,666)
	(9,881,590)	(10,380,705)
Net Debt at End of Year	(9,680,964)	(9,832,581)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2012

	2012	2011
Operating Transactions		
Current Year Surplus/(Deficit)	211,721	(84,179)
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	1,153,117	1,074,579
(Gain)/Loss on Disposal of Tangible Capital Assets	(39,198)	(2,842)
Employee Future Benefits Increase/(Decrease)	2,173	253,293
Short Term Investments (Increase)/Decrease	732	708
Due from Other Organizations (Increase)/Decrease	(371,412)	(423,306)
Accounts Receivable & Accrued Income (Increase)/Decrease	28,475	(41,559)
Inventories and Prepaid Expenses - (Increase)/Decrease	1,709	(11,617)
Due to Other Organizations Increase/(Decrease)	-	-
Accounts Payable & Accrued Liabilities Increase/(Decrease)	(432,975)	518,569
Deferred Revenue Increase/(Decrease)	44,460	141,277
School Generated Funds Liability Increase/(Decrease)	28,040	(59,164)
Adjustments Other than Tangible Cap. Assets	(49,009)	(220,666)
Cash Provided by Operating Transactions	577,833	1,145,093
Capital Transactions		
Acquisition of Tangible Capital Assets	(1,188,490)	(431,217)
Proceeds on Disposal of Tangible Capital Assets	61,767	3,400
Cash (Applied to)/Provided by Capital Transactions	(1,126,723)	(427,817)
Investing Transactions		
Other Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
Financing Transactions		
Debenture Debt Increase/(Decrease)	(115,337)	(713,537)
Other Borrowings Increase/(Decrease)	-	-
Cash Provided by (Applied to) Financing Transactions	(115,337)	(713,537)
Cash and Bank / Overdraft (Increase)/Decrease	(664,227)	3,739
Cash and Bank (Overdraft) at Beginning of Year	(883,000)	(886,739)
Cash and Bank (Overdraft) at End of Year	(1,547,227)	(883,000)

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2012

	Buildings and Leasehold Improvements		School	Other	Furniture / Fixtures &	Computer Hardware &		Land	Assets Under	2012	2011
	School	Non-School	Buses	Vehicles	Equipment	Software *	Land	Improvements	Construction	TOTALS	TOTALS
Tangible Capital Asset Cost											
Opening Cost, as previously reported	22,522,849	1,214,424	5,000,342	207,119	455,316	-	170,631	-	135,432	29,706,113	29,444,766
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	22,522,849	1,214,424	5,000,342	207,119	455,316	-	170,631	-	135,432	29,706,113	29,444,766
Add: Additions during the year	276,370	-	470,255	-	47,566	-	-	-	394,299	1,188,490	431,217
Less: Disposals and write downs	-	-	437,346	-	53,609	-	-	-	-	490,955	169,870
Closing Cost	22,799,219	1,214,424	5,033,251	207,119	449,273	-	170,631	-	529,731	30,403,648	29,706,113
Accumulated Amortization											
Opening, as previously reported	11,661,145	449,142	2,973,808	167,337	275,917	-		-		15,527,349	14,622,082
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	11,661,145	449,142	2,973,808	167,337	275,917	-		-		15,527,349	14,622,082
Add: Current period Amortization	664,589	44,043	374,162	11,280	59,043	-		-		1,153,117	1,074,579
Less: Accumulated Amortization on Disposals and Writedowns	-	-	414,777	-	53,609	-		-		468,386	169,312
Closing Accumulated Amortization	12,325,734	493,185	2,933,193	178,617	281,351	-		-		16,212,080	15,527,349
Net Tangible Capital Asset	10,473,485	721,239	2,100,058	28,502	167,922	-	170,631	-	529,731	14,191,568	14,178,764
Proceeds from Disposal of Capital Assets	-	-	61,767	-	-	-				61,767	3,400

* Includes network infrastructure.

1. Nature of Organization and Economic Dependence

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

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

2. Significant Accounting Policies

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

2. Significant Accounting Policies (continued)

Tangible Capital Assets

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

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

Asset Description	Capitalization Threshold ($)	Estimated Useful Life
Land Improvements	25,000	10 years
Buildings – bricks, mortar, steel	25,000	40 years
Buildings – wood frame	25,000	25 years
School buses	20,000	10 years
Vehicles	10,000	5 years
Equipment	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 2nd Avenue North, which is valued at historical cost as management believes the Crown Lands and Property Agency to have overvalued this land by $221,867.

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

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

Assets under construction are not amortized until the date of substantial completion.

Employee Future Benefits

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

However, the Division provides retirement and other future benefits to its non-teaching employees. These benefits include pension, sick leave payouts, and supplementary unemployment benefits.

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

<u>Defined Contribution Plan</u>

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.

2. Significant Accounting Policies (continued)

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 90-125 days, depending upon the employee group. Non-teaching employees with five years of continuous year's employment are eligible upon their retirement, death or severance to receive a lump sum payment equal to one half of their accumulated allowance. The lump sum is paid out at the rate of pay in effect at the time of payment. Costs recorded in the financial statements are based on current earnings of employees.

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

Supplemental Employment Benefits Plan - The Division offers Teachers a Supplemental Employment Benefits (SEB) plan for members taking parenting leave, which provides a top up to employment insurance for seventeen weeks. The Division has also agreed to, in the collective agreement with the Interlake Teachers' Association, the entitlement to receive pay for an additional ten (10) weeks in the amount of ninety percent of their salary less any benefits received from Human Resources Development Canada. Benefit costs are expensed as incurred. Future obligations for employees who have commenced their leaves are recorded in the financial statements based on current earnings of employees.

Capital Reserve

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

Use of Estimates

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

Financial Instruments

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

3. Change in Accounting Policy

Previously, the Interlake School Division did not recognize an accrued benefit related to non-vested sick leave benefits. The benefit costs were recognized and recorded in the period when the employee was sick. PSAB standards require that a liability and an expense be recognized for post-employment benefits and compensated absences that vest or accumulate in the period in which employees render services to the Division in return for benefits.

The Division has changed its accounting policy in the current year to be consistent with PSAB standards. As a consequence, a prior period adjustment was made to recognize a liability and an expense and retroactively restate opening accumulated surplus related to non-vested accumulated sick leave entitlement, using net present value calculations. The resulting changes on figures previously reported as at and for the year ended June 30, 2011 are as follows:

	As previously reported	Restatement	As restated
Consolidated Statement of Financial Position			
Liabilities			
Employee Future Benefits	$ 1,141,879	220,666	1,362,545
Consolidated Statement of Revenue, Expenses and Accumulated Surplus			
Non-vested sick leave recovery (expense)	$ -	(90,982)	(90,982)
Opening Accumulated Surplus	$ 4,793,443	(129,684)	4,663,759
Closing Accumulated Surplus	$ 4,709,264	(220,666)	4,488,598

4. 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

5. Employee Future Benefits

The Division sponsors a defined contribution pension plan, run by the Manitoba School Boards Association (MSBA). The defined contribution plan is provided to administrative employees based on their age at the beginning of the year and rates of pay. Each age group under the MSBA pension plan has a specific percentage for the employees to contribute. The Division contributions equal the employee contributions to the plan. No pension liability is included in the financial statements. Employee benefits and allowances for expenses by object include the Division's contribution of $431,312 ($342,160 in 2011).

Employee future benefits recorded as a liability represents vested sick leave payable and Supplemental Employment Benefits Plan payable for eligible employees of $1,095,043 ($1,141,879 in 2011).

Non-vested accumulated sick leave benefits are measured using net present value techniques on the expected future utilization of excess sick benefits used over earned per year, to maximum entitlement. The total accrued non-vested sick leave benefit liability is $269,675 ($220,666 in 2011).

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, 2011	Additions in period	Revenue recognized in period	Balance as at June 30, 2012
Education Property Tax Credit (EPTC)	$ 1,626,797	$ 3,436,539	$ 3,413,797	$ 1,649,539
Manitoba Textbook Bureau	-	86,538	69,530	17,008
Other	9,790	-	9,790	-
STAR Revenue		60,524	46,024	14,500
	$ 1,636,587	$ 3,583,601	$ 3,539,141	$ 1,681,047

7. 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 $195,849.

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 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 4.25% to 10.875%. Debenture interest expense payable as at June 30, 2012, 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
2012 / 2013	$ 609,570	$ 690,870	$ 1,300,440
2013 / 2014	565,915	734,525	1,300,440
2014 / 2015	519,411	712,860	1,232,271
2015 / 2016	475,564	740,657	1,216,221
2016 / 2017	430,513	785,709	1,216,222
Thereafter	2,179,550	6,916,730	9,096,280
	$ 4,780,523	$ 10,581,351	$15,361,874

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 (2011 nil).

10. Restatement of Opening Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2012	2011
Operating Fund		
Designated Surplus	$ -	$ -
Non-vested Sick Leave	(49,009)	(90,982)
Undesignated Surplus	1,014,718	907,301
	965,709	816,319
Capital Fund		
Reserve Accounts	-	112,183
Equity in Tangible Capital Assets	3,610,217	3,482,075
	3,610,217	3,594,258
Special Purpose Fund		
School Generated Funds	75,384	78,021
Other Special Purpose Funds	-	-
	75,384	78,021
Total Accumulated Surplus	$ 4,651,310	$ 4,488,598

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; 48% from 2011 tax year and 52% from 2012 tax year. Below are the related revenue and receivable amounts:

	2012	2011
Revenue – Municipal Government – Property Tax	$ 9,345,910	$ 9,014,674
Receivable – Due from Municipal – Property Tax	$ 4,868,065	$ 4,600,462

12. Interest Received and Paid

The Division received interest during the year of $14,725 (previous year $14,188); interest paid during the year was $638,595 (previous year $671,718).

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

	2012	2011
Operating Fund		
Fiscal-short term loan, interest and bank charges	$ 5,341	$ 8,704
Capital Fund		
Debenture interest	633,254	663,014
	$ 638,595	$ 671,718

The accrual portion of debenture debt interest expense of $248,363 ($249,335 in 2011) 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:

	2012 Actual	2012 Budget	2011 Actual
Salaries	$ 24,168,518	$ 24,723,518	$ 23,675,238
Employees benefits and allowances	1,822,145	1,745,501	1,628,095
Services	2,727,139	2,637,051	2,805,130
Supplies, materials & minor equipment	2,204,530	2,030,000	2,187,402
Interest	638,595	36,000	671,718
Bad debts	-	-	-
Payroll tax	517,838	532,000	510,792
Amortization	1,153,117	-	1,074,579
Transfers	326,640	358,930	325,179
School generated funds	445,122	-	491,930
Other special purpose funds	1,371	-	1,381
	$ 34,005,015	$ 32,063,000	$ 33,371,444

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

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

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

The consolidated financial statements have been audited by Haugen Morrish Angers, 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.

Vaughn Wadelius
Chairperson

Jeannette Freese
Secretary Treasurer

October 30, 2012

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, 2012 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, 2012 and its consolidated financial performance and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Hauger Morisset Angers
CHARTERED ACCOUNTANTS

The Pas, Manitoba
October 29, 2012

THE PAS
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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2012	2011
	Financial Assets		
	Cash and Bank	-	-
	Short Term Investments	-	-
	Due from - Provincial Government	922,952	698,946
	- Federal Government	167,328	96,717
	- Municipal Government	2,408,111	2,357,253
	- Other School Divisions	23,775	11,298
	- First Nations	333,677	326,787
	Accounts Receivable	61,348	48,197
	Accrued Investment Income	-	-
	Other Investments	-	-
		3,917,191	3,539,198
	Liabilities		
*	Overdraft	2,174,220	1,742,139
	Accounts Payable	1,270,619	1,489,417
	Accrued Liabilities	711,049	576,838
	Employee Future Benefits	-	-
	Accrued Interest Payable	-	-
	Due to - Provincial Government	-	-
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
*	Deferred Revenue	94,610	-
*	Debenture Debt	11,413,411	3,421,590
	Other Borrowings	-	-
	School Generated Funds Liability	47,444	41,202
		15,711,353	7,271,186
	Net Debt	(11,794,162)	(3,731,988)
	Non-Financial Assets		
*	Net Tangible Capital Assets (TCA Schedule)	12,637,717	4,365,744
	Inventories	-	-
	Prepaid Expenses	16,734	15,695
		12,654,451	4,381,439
*	**Accumulated Surplus**	860,289	649,451

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes			2012	2011
	Revenue			
	Provincial Government		15,871,787	15,049,111
	Federal Government		-	21,919
	Municipal Government	- Property Tax	2,880,159	2,901,751
		- Other	-	-
	Other School Divisions		23,775	11,298
	First Nations		9,050	27,825
	Private Organizations and Individuals		75,026	73,726
	Other Sources		108,179	103,071
	School Generated Funds		414,905	585,736
	Other Special Purpose Funds		-	-
			19,382,881	18,774,437
	Expenses			
	Regular Instruction		9,095,493	8,715,698
	Student Support Services		4,191,020	4,065,433
	Adult Learning Centres		633,328	573,477
	Community Education and Services		50,972	55,496
	Divisional Administration		690,445	679,318
	Instructional and Other Support Services		503,681	499,674
	Transportation of Pupils		514,915	536,518
	Operations and Maintenance		2,226,095	2,520,164
*	Fiscal	- Interest	227,074	240,096
		- Other	311,090	294,932
	Amortization		344,684	353,221
	Other Capital Items		-	-
	School Generated Funds		383,246	617,500
	Other Special Purpose Funds		-	-
			19,172,043	19,151,527
	Current Year Surplus (Deficit)		210,838	(377,090)
	Less: Non-vested sick leave		0	0
	Opening Accumulated Surplus		649,451	1,026,541
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	-
		Other than Tangible Cap. Assets	-	-
		Non-vested sick leave	-	-
	Opening Accumulated Surplus, as adjusted		649,451	1,026,541
	Closing Accumulated Surplus		860,289	649,451

See accompanying notes to the Financial Statements

* NOTE REQUIRED

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2012

	2012	2011
Current Year Surplus (Deficit)	210,838	(377,090)
Amortization of Tangible Capital Assets	344,684	353,221
Acquisition of Tangible Capital Assets	(8,616,657)	(710,927)
(Gain) / Loss on Disposal of Tangible Capital Assets	-	-
Proceeds on Disposal of Tangible Capital Assets	-	-
	(8,271,973)	(357,706)
Inventories (Increase)/Decrease	-	-
Prepaid Expenses (Increase)/Decrease	(1,039)	11,237
	(1,039)	11,237
(Increase)/Decrease in Net Debt	(8,062,174)	(723,559)
Net Debt at Beginning of Year	(3,731,988)	(3,008,429)
Adjustments Other than Tangible Cap. Assets	-	-
	(3,731,988)	(3,008,429)
Net Debt at End of Year	(11,794,162)	(3,731,988)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2012

	2012	2011
Operating Transactions		
Current Year Surplus/(Deficit)	210,838	(377,090)
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	344,684	353,221
(Gain)/Loss on Disposal of Tangible Capital Assets	-	-
Employee Future Benefits Increase/(Decrease)	-	-
Short Term Investments (Increase)/Decrease	-	-
Due from Other Organizations (Increase)/Decrease	(364,842)	(51,243)
Accounts Receivable & Accrued Income (Increase)/Decrease	(13,151)	26,006
Inventories and Prepaid Expenses - (Increase)/Decrease	(1,039)	11,237
Due to Other Organizations Increase/(Decrease)	-	-
Accounts Payable & Accrued Liabilities Increase/(Decrease)	(84,587)	525,927
Deferred Revenue Increase/(Decrease)	94,610	(4,000)
School Generated Funds Liability Increase/(Decrease)	6,242	(10,371)
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by Operating Transactions	192,755	473,687
Capital Transactions		
Acquisition of Tangible Capital Assets	(8,616,657)	(710,927)
Proceeds on Disposal of Tangible Capital Assets	-	-
Cash (Applied to)/Provided by Capital Transactions	(8,616,657)	(710,927)
Investing Transactions		
Other Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
Financing Transactions		
Debenture Debt Increase/(Decrease)	7,991,821	(202,465)
Other Borrowings Increase/(Decrease)	-	-
Cash Provided by (Applied to) Financing Transactions	7,991,821	(202,465)
Cash and Bank / Overdraft (Increase)/Decrease	(432,081)	(439,705)
Cash and Bank (Overdraft) at Beginning of Year	(1,742,139)	(1,302,434)
Cash and Bank (Overdraft) at End of Year	(2,174,220)	(1,742,139)

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2012

	Buildings and Leasehold Improvements		School	Other	Furniture / Fixtures &	Computer Hardware &		Land	Assets Under	2012	2011
	School	Non-School	Buses	Vehicles	Equipment	Software *	Land	Improvements	Construction	TOTALS	TOTALS
Tangible Capital Asset Cost											
Opening Cost, as previously reported	15,349,270	303,458	946,813	83,792	330,311	113,988	196,213	-	588,839	17,912,684	17,201,757
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	15,349,270	303,458	946,813	83,792	330,311	113,988	196,213	-	588,839	17,912,684	17,201,757
Add: Additions during the year	-	-	-	-	46,607	32,502	-	-	8,537,548	8,616,657	710,927
Less: Disposals and write downs	-	-	-	-	-	-	-	-	-	-	-
Closing Cost	15,349,270	303,458	946,813	83,792	376,918	146,490	196,213	-	9,126,387	26,529,341	17,912,684
Accumulated Amortization											
Opening, as previously reported	12,335,468	303,458	536,114	76,996	199,544	95,360		-		13,546,940	13,193,719
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	12,335,468	303,458	536,114	76,996	199,544	95,360		-		13,546,940	13,193,719
Add: Current period Amortization	216,844		82,056	2,718	35,717	7,349		-		344,684	353,221
Less: Accumulated Amortization on Disposals and Writedowns	-	-	-	-	-	-		-		-	-
Closing Accumulated Amortization	12,552,312	303,458	618,170	79,714	235,261	102,709		-		13,891,624	13,546,940
Net Tangible Capital Asset	2,796,958	-	328,643	4,078	141,657	43,781	196,213	-	9,126,387	12,637,717	4,365,744
Proceeds from Disposal of Capital Assets	-	-	-	-	-	-				-	-

* 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 uncontrolled school generated funds are parent council funds, other parent group funds, student council funds and travel club funds. Revenues and expenses of uncontrolled school generated funds are not included in the consolidated financial statements.

e) *Tangible Capital Assets*

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

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

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

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

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

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

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

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

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

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

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

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

f) *Employee Future Benefits*

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

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

I) Defined contribution / insured benefit plans

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

TRAF pension is determined by number of years of service and salary. Contributions are 6.8% of salary and 8.4% when you reach your yearly maximum pensionable earnings amount.

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

g) *Use of Estimates*

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

h) *Financial Instruments*

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

3. OVERDRAFT

The Division has an authorized borrowing agreement with the Westoba Credit Union of $3,000,000 by way of overdrafts and is repayable on demand at prime less .05%, interest is paid monthly. Overdrafts are secured by the assignment of all taxes levied or to be levied by the School Division for the current year.

4. 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, 2011	Additions in the period	Time Expired Funding Lost	Transferred to Revenue	Balance as at June 30, 2012
Province of Manitoba	$	$ 94,610	$	$	$ 94,610
	$ Nil	$ 94,610	$ Nil	$ Nil	$ 94,610

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 $272,999 (2011 - $235,098).

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 2032. 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, 2012 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
2013	$ 519,749	$ 526,723	$ 1,046,472
2014	566,338	525,620	1,091,958
2015	553,818	495,238	1,049,056
2016	544,344	467,114	1,011,458
2017	564,154	440,141	1,004,295
	$ 2,748,403	$ 2,454,836	$ 5,203,239

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	2012 Net Book Value	2011 Net Book Value
Owned-tangible capital assets	$ 26,529,341	$ 13,891,624	$ 12,637,717	$ 4,365,744

8. ACCUMULATED SURPLUS (DEFICIT)

The consolidated accumulated surplus is comprised of the following:

	2012	2011
Operating Fund		
Designated Surplus	-	-
Undesignated Surplus	301,115	100,240
	301,115	100,240
Capital Fund		
Reserve Accounts	-	-
Equity in Tangible Capital Assets	333,619	355,315
	333,619	355,315
Special Purpose Fund		
School Generated Funds	225,555	193,896
Other Special Purpose Funds	-	-
	225,555	193,896
Total Accumulated Surplus (Deficit)	$ 860,289	$ 649,451

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 2011 and 60% for 2012. Below are the related revenue and receivable amounts:

	2012	2011
Revenue-Municipal Government-Property Tax	$ 2,880,159	$ 2,901,751
Receivable-Due from Municipal-Property Tax	$ 2,408,111	$ 2,357,253

10. INTEREST RECEIVED AND PAID

The Division received interest during the year of $811 (previous year $1,234); interest paid during the year was $227,074 (previous year $240,096).

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

	2012	2011
Operating Fund		
Fiscal-short term loan, interest and bank charges	$ 18,361	$ 12,903
Capital Fund		
Debenture debt Interest	208,713	227,193
Other interest	-	-
	$ 227,074	$ 240,096

The accrual portion of debenture debt interest expense of $221,507 (2011 - $84,245) included under the capital fund - debenture debt interest is offset by an accrual of the debt servicing grant from the Province of Manitoba.

11. EXPENSES BY OBJECT

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

	Actual 2012	Budget 2012	Actual 2011
Salaries	$ 14,285,367	$ 14,181,644	$ 13,719,411
Employees benefits & allowances	1,160,900	1,357,610	1,098,680
Services	1,349,399	1,446,730	1,702,885
Supplies, materials & minor equipment	1,091,512	1,178,830	1,105,208
Interest	227,074	30,000	240,096
Bad debts			
Payroll tax	311,090	275,000	294,932
Amortization	344,684		353,221
Other capital items			
School generated funds	383,246		617,500
Transfers	18,771	25,200	19,594
	$ 19,172,043	$ 18,495,014	$ 19,151,527

MANAGEMENT REPORT

Management's Responsibility for the Financial Statements

The accompanying consolidated financial statements of Lakeshore 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 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 30, 2012

Independent Auditors' Report

To the Board of Trustees of Lakeshore School Division:

We have audited the accompanying consolidated financial statements of Lakeshore School Division, which comprise the consolidated statement of financial position as at June 30, 2012, 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, 2012 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
Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental information presented in the attached schedules is presented for the purpose of additional analysis and is not a required part of the basic consolidated financial statements. Such supplemental information has been subjected only to auditing procedures applied in the audit of the basic consolidated financial statements, taken as a whole.

MNP LLP

Winnipeg, Manitoba

October 30, 2012

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 30, 2012
DATE

CHAIRPERSON

2500 - 201 Portage Ave., Winnipeg, Manitoba, R3B 3K6, Phone: (204) 775-4531, 1 (877) 500-0795

MNP

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2012	2011
	Financial Assets		
	Cash and Bank	1,541,741	1,303,249
	Short Term Investments	-	-
	Due from - Provincial Government	895,411	537,111
	- Federal Government	21,115	18,055
	- Municipal Government	2,109,797	2,044,885
	- Other School Divisions	15,855	12,749
	- First Nations	312,820	295,253
	Accounts Receivable	31,709	33,170
	Accrued Investment Income	-	-
	Other Investments	-	-
		4,928,448	4,244,472
	Liabilities		
	Overdraft	-	-
	Accounts Payable	636,765	578,423
	Accrued Liabilities	1,548,257	1,517,451
*	Employee Future Benefits	107,219	102,979
	Accrued Interest Payable	308,764	323,062
	Due to - Provincial Government	-	-
	- Federal Government	-	-
	- Municipal Government	12,839	12,755
	- Other School Divisions	-	-
	- First Nations	-	-
*	Deferred Revenue	67,292	159,674
*	Debenture Debt	12,672,491	12,903,038
	Other Borrowings	-	-
	School Generated Funds Liability	-	-
		15,353,627	15,597,382
	Net Debt	(10,425,179)	(11,352,910)
	Non-Financial Assets		
*	Net Tangible Capital Assets (TCA Schedule)	14,323,088	14,624,856
	Inventories	-	-
	Prepaid Expenses	17,431	40,407
		14,340,519	14,665,263
*	**Accumulated Surplus**	3,915,340	3,312,353

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes			2012	2011
	Revenue			
	Provincial Government		12,704,256	12,174,737
	Federal Government		-	-
	Municipal Government	- Property Tax	3,081,449	3,070,564
		- Other	-	-
	Other School Divisions		78,365	91,567
	First Nations		1,117,543	1,045,231
	Private Organizations and Individuals		332,128	260,182
	Other Sources		124,819	95,240
	School Generated Funds		290,036	332,971
	Other Special Purpose Funds		10,181	16,227
			17,738,777	17,086,719
	Expenses			
	Regular Instruction		7,890,172	7,783,161
	Student Support Services		2,695,179	2,516,258
	Adult Learning Centres		282,240	243,272
	Community Education and Services		343,138	280,468
	Divisional Administration		564,638	564,101
	Instructional and Other Support Services		460,733	424,866
	Transportation of Pupils		1,530,346	1,388,316
	Operations and Maintenance		1,290,992	1,422,891
*	Fiscal	- Interest	707,720	728,346
		- Other	249,832	231,321
	Amortization		824,679	821,013
	Other Capital Items		-	-
	School Generated Funds		284,964	321,652
	Other Special Purpose Funds		11,157	5,550
			17,135,790	16,731,215
	Current Year Surplus (Deficit)		602,987	355,504
	Less: Non-vested sick leave		0	0
	Opening Accumulated Surplus		3,312,353	2,956,849
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	-
		Other than Tangible Cap. Assets	-	-
		Non-vested sick leave	-	-
	Opening Accumulated Surplus, as adjusted		3,312,353	2,956,849
	Closing Accumulated Surplus		3,915,340	3,312,353

See accompanying notes to the Financial Statements

* NOTE REQUIRED

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2012

	2012	2011
Current Year Surplus (Deficit)	602,987	355,504
Amortization of Tangible Capital Assets	824,679	821,013
Acquisition of Tangible Capital Assets	(522,911)	(503,475)
(Gain) / Loss on Disposal of Tangible Capital Assets	-	-
Proceeds on Disposal of Tangible Capital Assets	-	-
	301,768	317,538
Inventories (Increase)/Decrease	-	-
Prepaid Expenses (Increase)/Decrease	22,976	(23,413)
	22,976	(23,413)
(Increase)/Decrease in Net Debt	927,731	649,629
Net Debt at Beginning of Year	(11,352,910)	(12,002,539)
Adjustments Other than Tangible Cap. Assets	-	-
	(11,352,910)	(12,002,539)
Net Debt at End of Year	(10,425,179)	(11,352,910)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2012

	2012	2011
Operating Transactions		
Current Year Surplus/(Deficit)	602,987	355,504
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	824,679	821,013
(Gain)/Loss on Disposal of Tangible Capital Assets	-	-
Employee Future Benefits Increase/(Decrease)	4,240	2,991
Short Term Investments (Increase)/Decrease	-	-
Due from Other Organizations (Increase)/Decrease	(446,945)	(310,754)
Accounts Receivable & Accrued Income (Increase)/Decrease	1,461	(28,068)
Inventories and Prepaid Expenses - (Increase)/Decrease	22,976	(23,413)
Due to Other Organizations Increase/(Decrease)	84	12,755
Accounts Payable & Accrued Liabilities Increase/(Decrease)	74,850	800,099
Deferred Revenue Increase/(Decrease)	(92,382)	(82,929)
School Generated Funds Liability Increase/(Decrease)	-	-
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by Operating Transactions	991,950	1,547,198
Capital Transactions		
Acquisition of Tangible Capital Assets	(522,911)	(503,475)
Proceeds on Disposal of Tangible Capital Assets	-	-
Cash (Applied to)/Provided by Capital Transactions	(522,911)	(503,475)
Investing Transactions		
Other Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
Financing Transactions		
Debenture Debt Increase/(Decrease)	(230,547)	(106,446)
Other Borrowings Increase/(Decrease)	-	-
Cash Provided by (Applied to) Financing Transactions	(230,547)	(106,446)
Cash and Bank / Overdraft (Increase)/Decrease	238,492	937,277
Cash and Bank (Overdraft) at Beginning of Year	1,303,249	365,972
Cash and Bank (Overdraft) at End of Year	1,541,741	1,303,249

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2012

	Buildings and Leasehold Improvements		School	Other	Furniture / Fixtures &	Computer Hardware &		Land	Assets Under	2012	2011
	School	Non-School	Buses	Vehicles	Equipment	Software *	Land	Improvements	Construction	TOTALS	TOTALS
Tangible Capital Asset Cost											
Opening Cost, as previously reported	22,108,975	498,069	2,587,732	25,738	492,188	-	36,265	-	493,711	26,242,678	25,739,203
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	22,108,975	498,069	2,587,732	25,738	492,188	-	36,265	-	493,711	26,242,678	25,739,203
Add: Additions during the year	883,956	-	-	-	115,431	-	-	-	(476,476)	522,911	503,475
Less: Disposals and write downs	-	-	-	-	-	-	-	-	-	-	-
Closing Cost	22,992,931	498,069	2,587,732	25,738	607,619	-	36,265	-	17,235	26,765,589	26,242,678
Accumulated Amortization											
Opening, as previously reported	9,039,971	484,835	1,727,650	18,018	347,348	-		-		11,617,822	10,796,809
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	9,039,971	484,835	1,727,650	18,018	347,348	-		-		11,617,822	10,796,809
Add: Current period Amortization	582,013	1,393	184,842	5,148	51,283	-		-		824,679	821,013
Less: Accumulated Amortization on Disposals and Writedowns	-	-	-	-	-	-		-		-	-
Closing Accumulated Amortization	9,621,984	486,228	1,912,492	23,166	398,631	-		-		12,442,501	11,617,822
Net Tangible Capital Asset	13,370,947	11,841	675,240	2,572	208,988	-	36,265	-	17,235	14,323,088	14,624,856
Proceeds from Disposal of Capital Assets	-	-	-	-	-	-				-	-

* Includes network infrastructure.

1. Nature of Organization and Economic Dependence

Lakeshore 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 statue. The trustee merely administers the terms and conditions embodied in the agreement, and it has no unilateral authority to change the conditions set our in the trust indenture.

b) Basis of Accounting

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

c) Fund Accounting

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

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

2. Significant Accounting Policies - Continued

d) School Generated Funds

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

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

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.

Asset Description	Estimated Useful Life (years)
Land Improvements	10
Buildings - bricks, 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 and Fixtures	10
Leasehold Improvements	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.

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. Land is not amortized.

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

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

f) Employee Future Benefits

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

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

<u>Defined contribution plan</u>

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

For those defined benefit plans that accumulate but do not vest such as sick pay, the benefit costs are recognized and recorded in the period in which employees render services to the government in return for the benefits.

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.

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful lives of the tangible capital assets.

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

2. Significant Accounting Policies - Continued

i) Financial instruments

Fair values:

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

Classification:

Cash and bank	Held-for-trading
Accounts receivable	Loans and receivables
Accounts payable and accrued liabilities	Other financial liabilities
Employee future benefits	Other financial liabilities
Accrued interest payable	Other financial liabilities
Debenture debt	Other financial liabilities

Held for trading:

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

Loans and receivables:

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

Other financial liabilities:

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

Interest, currency and credit risk:

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

3. Overdraft

The Division has an authorized line of credit with the Canadian Imperial Bank of Commerce of $3,000,000 by way of overdrafts and is repayable on demand at prime less 0.25% (2011 – prime less 0.25%); interest is paid monthly. $3,000,000 remains available on this line of credit. Overdrafts are secured by temporary borrowing by-laws.

4. Employee Future Benefits

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

4. Employee Future Benefits – Continued

The employee future benefit expense is a part of the Employee Benefits and Allowances expense account. It includes the Division's contribution of $210,286 in 2012 ($182,846 in 2011).

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, 2011	Additions in period	Revenue recognized in period	Balance as at June 30, 2012
Lakeshore Recreation Commission	42,663	5,827	-	48,490
Province of Manitoba – Lundar High School Project	90,000	-	90,000	-
Other amounts	27,011	18,802	27,011	18,802
	$ 159,674	$ 24,629	$ 117,011	$ 67,292

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 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 4.875% to 10.000%. Debenture interest expense payable as at June 30, 2012, is accrued and recorded in Accrued Interest Payable, and a grant in an amount equal to the interest accrued on provincially funded debentures is recorded in Due from the Provincial Government. The debenture repayments in the next five years are:

	Principal	Interest	Total
2013	663,318	692,588	1,355,906
2014	689,839	654,358	1,344,197
2015	729,270	614,927	1,344,197
2016	734,536	573,169	1,307,705
2017	775,321	532,384	1,307,705
	$3,592,284	$3,067,426	$6,659,710

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	2012 Net Book Value	2011 Net Book Value
Owned-tangible capital assets	$ 26,765,590	$ 12,442,502	$ 14,323,088	$ 14,624,856

8. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2012	2011
Operating Fund		
Designated Surplus	$ 108,037	$ 61,871
Undesignated Surplus	667,759	684,096
	775,796	745,967
Capital Fund		
Reserve Accounts	1,343,136	703,966
Equity in Tangible Capital Assets	1,626,214	1,696,322
	2,969,350	2,400,288
Special Purpose Fund		
School Generated Funds	147,705	142,633
Other Special Purpose Funds	22,489	23,465
	170,194	166,098
Total Accumulated Surplus	$ 3,915,340	$ 3,312,353

Designated Surplus under the Operating Fund represents internally restricted amounts appropriated by the board or, in the case of school budget carryovers, by board policy.

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

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

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

Education property tax or Special Levy is raised as the Division's contribution to the cost of providing public education for the students' resident in the division. The Municipal Government-Property Tax shown on the consolidated revenue and expense is raised over the two calendar (tax) years; 40% from 2011 tax year and 60% from 2012 tax year. Below are the related revenue and receivable amounts:

	2012	2011
Revenue-Municipal Government-Property Tax	$3,081,449	$3,070,564
Receivable-Due from Municipal-Property Tax	$2,109,797	$2,044,885

10. Interest Received and Paid

The Division received interest during the year of $17,238 (2011 - $9,051); interest paid during the year was $707,720 (2011 - $728,346).

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

	2012	2011
Operating Fund		
Fiscal-short term loan, interest and bank charges	$ 8,260	$ 4,017
Capital Fund		
Debenture debt interest	699,460	724,329
	$ 707,720	$ 728,346

The accrual portion of debenture debt interest expense of $323,062 (2011 - $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.

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 2012	Budget 2012	Actual 2011
Salaries	$ 11,566,019	$ 11,351,466	$ 11,145,850
Employees benefits and allowances	973,684	950,200	871,576
Services	1,376,002	1,295,250	1,526,073
Supplies, materials and minor equipment	1,102,300	1,297,708	1,043,259
Interest	707,720	5,000	728,346
Payroll tax	249,832	235,000	231,321
Transfers	39,433	36,100	36,575
Amortization	824,679	-	821,013
Loss (Gain) and disposal of capital assets	-	-	-
School generated funds	284,964	-	321,652
Other special purpose funds	11,157	-	5,550
	$ 17,135,790	$ 15,170,724	$ 16,731,215

12. Budget Figures and Non Financial Information

The 2012 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.

13. 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 $3,915,340 (2011 - $3,312,353). 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.

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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.

Chairperson Secretary-Treasurer

October 23, 2012

EDUCATIONAL CARE
AND EXCELLENCE

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Independent Auditor's Report

To the Chairperson and Board of Trustees of **Lord Selkirk School Division**

We have audited the accompanying consolidated financial statements of **Lord Selkirk School Division**, which comprise the consolidated statement of financial position as at June 30, 2012, and the consolidated statement of revenue, expenses and accumulated surplus, consolidated statement of change in net debt and consolidated statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

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

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

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **Lord Selkirk School Division** as at June 30, 2012, 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 23, 2012

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.

NOV 06 2012
Date

Chairperson

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2012	2011
	Financial Assets		
	Cash and Bank	-	-
	Short Term Investments	-	-
	Due from - Provincial Government	2,782,897	2,669,999
	- Federal Government	46,480	51,546
	- Municipal Government	9,108,586	8,595,670
	- Other School Divisions	40,481	47,012
	- First Nations	227,131	157,213
	Accounts Receivable	112,940	84,016
	Accrued Investment Income	-	-
	Other Investments	-	-
		12,318,515	11,605,456
	Liabilities		
*	Overdraft	63,275	68,141
	Accounts Payable	3,777,144	3,967,964
	Accrued Liabilities	2,921,230	3,471,775
*	Employee Future Benefits	164,905	208,905
	Accrued Interest Payable	481,744	506,289
	Due to - Provincial Government	82,229	-
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
*	Deferred Revenue	2,636,600	1,116,550
*	Debenture Debt	19,475,361	19,547,149
	Other Borrowings	-	-
	School Generated Funds Liability	86,273	70,467
		29,688,761	28,957,240
	Net Debt	(17,370,246)	(17,351,784)
	Non-Financial Assets		
*	Net Tangible Capital Assets (TCA Schedule)	27,366,858	27,440,512
	Inventories	31,541	37,344
	Prepaid Expenses	69,067	65,594
		27,467,466	27,543,450
*	**Accumulated Surplus**	10,097,220	10,191,666

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes			2012	2011
	Revenue			
	Provincial Government		35,647,501	34,687,671
	Federal Government		19,684	17,925
	Municipal Government	- Property Tax	15,213,634	14,735,138
		- Other	-	-
	Other School Divisions		170,925	214,800
	First Nations		542,286	408,690
	Private Organizations and Individuals		586,558	606,923
	Other Sources		262,745	270,883
	School Generated Funds		1,112,194	1,055,184
	Other Special Purpose Funds		-	-
			53,555,527	51,997,214
	Expenses			
	Regular Instruction		28,997,480	27,866,386
	Student Support Services		8,175,378	7,737,441
	Adult Learning Centres		348,633	329,081
	Community Education and Services		472,565	448,095
	Divisional Administration		1,707,846	1,610,644
	Instructional and Other Support Services		1,404,980	1,348,387
	Transportation of Pupils		2,290,538	2,201,196
	Operations and Maintenance		5,027,709	4,931,601
*	Fiscal	- Interest	1,098,446	1,142,295
		- Other	822,798	804,446
	Amortization		2,224,944	2,283,237
	Other Capital Items		19,083	33,020
	School Generated Funds		1,103,573	1,044,729
	Other Special Purpose Funds		-	-
			53,693,973	51,780,558
	Current Year Surplus (Deficit)		(138,446)	216,656
	Less: Non-vested sick leave		44,000	(24,299)
	Opening Accumulated Surplus		10,191,666	10,183,915
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	-
		Other than Tangible Cap. Assets	-	-
		Non-vested sick leave	-	(184,606)
	Opening Accumulated Surplus, as adjusted		10,191,666	9,999,309
	Closing Accumulated Surplus		10,097,220	10,191,666

See accompanying notes to the Financial Statements

* NOTE REQUIRED

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2012

	2012	2011
Current Year Surplus (Deficit)	(138,446)	216,656
Amortization of Tangible Capital Assets	2,224,944	2,283,237
Acquisition of Tangible Capital Assets	(2,151,290)	(1,471,825)
(Gain) / Loss on Disposal of Tangible Capital Assets	(8,058)	(11,862)
Proceeds on Disposal of Tangible Capital Assets	8,058	15,932
	73,654	815,482
Inventories (Increase)/Decrease	5,803	(4,250)
Prepaid Expenses (Increase)/Decrease	(3,473)	11,066
	2,330	6,816
(Increase)/Decrease in Net Debt	(62,462)	1,038,954
Net Debt at Beginning of Year	(17,351,784)	(18,181,833)
Adjustments Other than Tangible Cap. Assets	44,000	(208,905)
	(17,307,784)	(18,390,738)
Net Debt at End of Year	(17,370,246)	(17,351,784)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2012

	2012	2011
Operating Transactions		
Current Year Surplus/(Deficit)	(138,446)	216,656
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	2,224,944	2,283,237
(Gain)/Loss on Disposal of Tangible Capital Assets	(8,058)	(11,862)
Employee Future Benefits Increase/(Decrease)	(44,000)	208,905
Short Term Investments (Increase)/Decrease	-	-
Due from Other Organizations (Increase)/Decrease	(684,135)	(202,140)
Accounts Receivable & Accrued Income (Increase)/Decrease	(28,924)	(16,085)
Inventories and Prepaid Expenses - (Increase)/Decrease	2,330	6,816
Due to Other Organizations Increase/(Decrease)	82,229	-
Accounts Payable & Accrued Liabilities Increase/(Decrease)	(765,910)	1,015,575
Deferred Revenue Increase/(Decrease)	1,520,050	(1,237,359)
School Generated Funds Liability Increase/(Decrease)	15,806	(15,735)
Adjustments Other than Tangible Cap. Assets	44,000	(208,905)
Cash Provided by Operating Transactions	2,219,886	2,039,103
Capital Transactions		
Acquisition of Tangible Capital Assets	(2,151,290)	(1,471,825)
Proceeds on Disposal of Tangible Capital Assets	8,058	15,932
Cash (Applied to)/Provided by Capital Transactions	(2,143,232)	(1,455,893)
Investing Transactions		
Other Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
Financing Transactions		
Debenture Debt Increase/(Decrease)	(71,788)	(840,674)
Other Borrowings Increase/(Decrease)	-	-
Cash Provided by (Applied to) Financing Transactions	(71,788)	(840,674)
Cash and Bank / Overdraft (Increase)/Decrease	4,866	(257,464)
Cash and Bank (Overdraft) at Beginning of Year	(68,141)	189,323
Cash and Bank (Overdraft) at End of Year	(63,275)	(68,141)

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2012

	Buildings and Leasehold Improvements		School	Other	Furniture / Fixtures &	Computer Hardware &		Land	Assets Under	2012	2011
	School	Non-School	Buses	Vehicles	Equipment	Software *	Land	Improvements	Construction	TOTALS	TOTALS
Tangible Capital Asset Cost											
Opening Cost, as previously reported	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
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	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
Add: Additions during the year	1,011,506	98,741	482,325	-	67,476	262,291	-	124,460	104,491	2,151,290	1,471,825
Less: Disposals and write downs	-	-	266,855	-	21,624	334,570	-	-	-	623,049	410,049
Closing Cost	43,115,177	3,803,423	5,470,530	158,920	2,452,973	1,030,671	279,518	2,074,890	462,272	58,848,374	57,320,133
Accumulated Amortization											
Opening, as previously reported	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
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	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
Add: Current period Amortization	1,069,211	93,517	463,814	23,506	288,446	85,184		201,266		2,224,944	2,283,237
Less: Accumulated Amortization on Disposals and Writedowns	-	-	266,855	-	21,624	334,570		-		623,049	405,979
Closing Accumulated Amortization	22,555,171	2,220,566	3,071,178	123,214	1,705,947	559,307		1,246,133		31,481,516	29,879,621
Net Tangible Capital Asset	20,560,006	1,582,857	2,399,352	35,706	747,026	471,364	279,518	828,757	462,272	27,366,858	27,440,512
Proceeds from Disposal of Capital Assets	-	-	8,058	-	-	-				8,058	15,932

* Includes network infrastructure.

1. Nature of Organization and Economic Dependence

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

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

2. Significant Accounting Policies

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

Tangible Capital Assets

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

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

Asset Description	Capitalization Threshold ($)	Estimated Useful Life
Land Improvements	25,000	10 years
Buildings – bricks, mortar, steel	25,000	40 years
Buildings – wood frame	25,000	25 years
School buses	20,000	10 years
Vehicles	10,000	5 years
Equipment	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

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

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

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

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

Capital Reserve

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

Use of Estimates

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

Financial Instruments

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

3. Change in Accounting Policy Relating to Sick Leave Benefits

Previously, the School Division did not recognize a liability for sick leave benefits that accumulate but do not vest. The benefit costs were recognized and recorded in the period when an employee was sick. PSAB standards require that a liability and an expense be recognized for sick leave benefits that accumulate but do not vest in the period in which employees render services to the Division in return for the benefits.

The Division has changed its accounting policy in the current year to be consistent with PSAB standards. As a consequence, a prior period adjustment has been recorded to recognize a liability and an expense and retroactively restate opening accumulated surplus. The resulting changes on figures previously reported as at and for the year ended June 30, 2011 are as follows:

	As previously reported	Restatement	As restated
Consolidated Statement of Financial Position			
Liabilities			
Employee Future Benefits	$ -	208,905	208,905
Consolidated Statement of Revenue, Expenses and Accumulated Surplus			
Non-vested sick leave recovery (expense)	$ -	(24,299)	(24,299)
Opening Accumulated Surplus	$ 10,183,915	(184,606)	9,999,309
Closing Accumulated Surplus	$ 10,400,571	(208,905)	10,191,666

4. 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% (2.25% as of June 30, 2012); interest is paid monthly. Overdrafts are secured by a borrowing by-law. As at June 30, 2012, the Division's operating line of credit was being utilized.

5. Employee Future Benefits

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

The employee future benefit expense is a part of the Employee Benefits and Allowances expense account. It includes the Division's contribution of $728,197 in 2012 ($573,018 in 2011).

Non-vested accumulating sick leave benefits are measured using net present value techniques on the expected future utilization of excess of sick leave benefits used over earned per year, to maximum entitlement. The non-vested sick leave recovery for the year is $44,000 ($24,299 expense in 2011).

Employee future benefits of $164,905 ($208,905 at June 30, 2011) recorded as a liability consists entirely of the Division's sick leave liability.

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, 2011	Additions in period	Revenue recognized in period	Balance as at June 30, 2011
Operating Fund				
Education Property Tax Credit (EPTC)	$ 727,110	$ 6,980,951	$ 5,496,463	$ 2,211,598
START	13,508	71,684	66,908	18,284
Breakfast Programs	11,185	9,639	8,362	12,462
International Students Program	180,187	193,622	180,187	193,622
Community Stadium	29,600	328	-	29,928
Other	48,800	199,275	186,863	61,212
	1,010,390	7,455,499	5,938,783	2,527,106
Capital Fund				
Capital Fund Donations	106,160	12,452	9,118	109,494
Total	$ 1,116,550	$ 7,467,951	$ 5,947,901	$ 2,636,600

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 $86,273 in 2012 ($70,467 in 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 instalments and maturing at various dates from 2013 to 2032. 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 4.00% to 9.875%. Debenture interest expense payable as at June 30, 2012, 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:

2013	$ 2,178,811
2014	2,138,566
2015	2,127,999
2016	2,086,511
2017	2,039,348
	$ 10,571,235

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).

10. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2012	2011
Operating Fund		
Designated Surplus	$ -	-
Undesignated Surplus	2,313,211	2,139,232
Non-vested Sick Leave	(164,905)	(208,905)
	2,148,306	1,930,327
Capital Fund		
Reserve Accounts	233,581	403,003
Equity in Tangible Capital Assets	7,354,573	7,506,197
	7,588,154	7,909,200
Special Purpose Fund		
School Generated Funds	360,760	352,139
Other Special Purpose Funds	-	-
	360,760	352,139
Total Accumulated Surplus	$ 10,097,220	10,191,666

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. There is no Designated Surplus in the current year.

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

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 2011 tax year and 60% from 2012 tax year. Below are the related revenue and receivable amounts:

	2012	2011
Revenue – Municipal Government – Property Tax	$ 15,213,634	$ 14,735,138
Receivable – Due from Municipal – Property Tax	$ 9,108,586	$ 8,595,670

12. Interest Received and Paid

The Division received interest during the year of $12,961 (previous year $9,024); interest paid during the year was $1,098,446 (previous year $1,142,295).

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

	2012	2011
Operating Fund		
Fiscal-short term loan, interest and bank charges	$ 36,595	$ 23,406
Capital Fund		
Debenture interest	1,061,851	1,118,889
	$ 1,098,446	$ 1,142,295

The accrual portion of debenture debt interest expense of $ 481,744 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 2012	Budget 2012	Actual 2011
Salaries	$38,077,575	$ 37,418,045	$ 36,627,286
Employees benefits and allowances	3,358,685	3,157,720	3,029,565
Services	3,541,678	4,011,015	3,534,862
Supplies, materials & minor equipment	3,208,463	3,369,360	3,055,182
Interest	1,098,446	30,000	1,142,295
Payroll tax	822,798	790,000	804,446
Amortization	2,224,944	-	2,283,237
Transfers	238,728	205,750	225,936
Other capital items	19,083	-	33,020
School generated funds	1,103,573	-	1,044,729
	$53,693,973	$48,981,890	$51,780,558

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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.

Chairperson

Secretary-Treasurer

October 30, 2012

KPMG

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees

We have audited the accompanying consolidated financial statements of Louis Riel School Division, which comprise the consolidated statement of financial position as at June 30, 2012, 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, 2012, and its consolidated results of operations, its consolidated change in net debt and its consolidated cash flows for the year then ended in accordance with Canadian 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.

KPMG LLP

Chartered Accountants

October 30, 2012
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.

	October 30, 2012
Chairperson of the Board	Date

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2012	2011
	Financial Assets		
	Cash and Bank	-	-
	Short Term Investments	-	-
	Due from - Provincial Government	5,942,782	5,654,815
	- Federal Government	247,172	264,662
11	- Municipal Government	26,383,561	25,121,003
	- Other School Divisions	6,019	44,054
	- First Nations	-	-
	Accounts Receivable	503,278	513,394
	Accrued Investment Income	-	-
	Other Investments	-	-
		33,082,812	31,597,928
	Liabilities		
3	Overdraft	2,165,845	3,966,148
	Accounts Payable	12,342,999	11,373,195
	Accrued Liabilities	2,912,315	2,722,152
5	Employee Future Benefits	736,216	648,235
	Accrued Interest Payable	438,775	458,170
	Due to - Provincial Government	452	101,395
	- Federal Government	1,759	5,125
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
6	Deferred Revenue	9,061,761	8,556,066
8	Debenture Debt	21,370,980	20,871,815
15	Other Borrowings	715,468	940,302
7	School Generated Funds Liability	753,383	1,080,249
		50,499,953	50,722,852
	Net Debt	(17,417,141)	(19,124,924)
	Non-Financial Assets		
9	Net Tangible Capital Assets (TCA Schedule)	41,694,011	41,998,930
	Inventories	70,251	14,802
	Prepaid Expenses	771,536	506,928
		42,535,798	42,520,660
10	**Accumulated Surplus**	25,118,657	23,395,736

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes			2012	2011
	Revenue			
	Provincial Government		105,828,249	102,155,643
	Federal Government		-	-
11	Municipal Government	- Property Tax	44,070,577	42,984,252
		- Other	-	-
	Other School Divisions		446,996	472,530
	First Nations		-	-
	Private Organizations and Individuals		2,364,415	1,771,824
	Other Sources		363,387	405,006
	School Generated Funds		2,320,264	2,031,259
	Other Special Purpose Funds		-	-
			155,393,888	149,820,514
	Expenses			
	Regular Instruction		80,197,788	78,436,258
	Student Support Services		31,519,974	29,925,795
	Adult Learning Centres		-	-
	Community Education and Services		1,071,592	907,120
	Divisional Administration		4,906,193	4,794,899
	Instructional and Other Support Services		7,227,855	7,001,539
	Transportation of Pupils		3,121,848	2,830,578
	Operations and Maintenance		15,986,674	15,829,489
12	Fiscal	- Interest	1,432,561	1,533,918
		- Other	2,461,903	2,375,648
	Amortization		3,467,576	3,283,218
	Other Capital Items		34,401	130,982
	School Generated Funds		2,154,621	2,280,061
	Other Special Purpose Funds		-	-
			153,582,986	149,329,505
	Current Year Surplus (Deficit)		1,810,902	491,009
	Less: Non-vested sick leave		(87,981)	92,415
	Opening Accumulated Surplus		23,395,736	23,552,962
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	-
		Other than Tangible Cap. Assets	-	-
		Non-vested sick leave	-	(740,650)
	Opening Accumulated Surplus, as adjusted		23,395,736	22,812,312
	Closing Accumulated Surplus		25,118,657	23,395,736

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2012

	2012	2011
Current Year Surplus (Deficit)	1,810,902	491,009
Amortization of Tangible Capital Assets	3,467,576	3,283,218
Acquisition of Tangible Capital Assets	(3,217,637)	(3,385,094)
(Gain) / Loss on Disposal of Tangible Capital Assets	(32,020)	(40,740)
Proceeds on Disposal of Tangible Capital Assets	87,000	40,740
	304,919	(101,876)
Inventories (Increase)/Decrease	(55,449)	41,226
Prepaid Expenses (Increase)/Decrease	(264,608)	295,772
	(320,057)	336,998
(Increase)/Decrease in Net Debt	1,795,764	726,131
Net Debt at Beginning of Year	(19,124,924)	(19,202,820)
Adjustments Other than Tangible Cap. Assets	(87,981)	(648,235)
	(19,212,905)	(19,851,055)
Net Debt at End of Year	(17,417,141)	(19,124,924)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2012

	2012	2011
Operating Transactions		
Current Year Surplus/(Deficit)	1,810,902	491,009
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	3,467,576	3,283,218
(Gain)/Loss on Disposal of Tangible Capital Assets	(32,020)	(40,740)
Employee Future Benefits Increase/(Decrease)	87,981	648,235
Short Term Investments (Increase)/Decrease	-	-
Due from Other Organizations (Increase)/Decrease	(1,495,000)	343,585
Accounts Receivable & Accrued Income (Increase)/Decrease	10,116	(208,069)
Inventories and Prepaid Expenses - (Increase)/Decrease	(320,057)	336,998
Due to Other Organizations Increase/(Decrease)	(104,309)	91,538
Accounts Payable & Accrued Liabilities Increase/(Decrease)	1,140,572	692,418
Deferred Revenue Increase/(Decrease)	505,695	765,798
School Generated Funds Liability Increase/(Decrease)	(326,866)	157,068
Adjustments Other than Tangible Cap. Assets	(87,981)	(648,235)
Cash Provided by Operating Transactions	4,656,609	5,912,823
Capital Transactions		
Acquisition of Tangible Capital Assets	(3,217,637)	(3,385,094)
Proceeds on Disposal of Tangible Capital Assets	87,000	40,740
Cash (Applied to)/Provided by Capital Transactions	(3,130,637)	(3,344,354)
Investing Transactions		
Other Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
Financing Transactions		
Debenture Debt Increase/(Decrease)	499,165	(1,929,100)
Other Borrowings Increase/(Decrease)	(224,834)	(220,970)
Cash Provided by (Applied to) Financing Transactions	274,331	(2,150,070)
Cash and Bank / Overdraft (Increase)/Decrease	1,800,303	418,399
Cash and Bank (Overdraft) at Beginning of Year	(3,966,148)	(4,384,547)
Cash and Bank (Overdraft) at End of Year	(2,165,845)	(3,966,148)

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2012

	Buildings and Leasehold Improvements		School	Other	Furniture / Fixtures &	Computer Hardware &		Land	Assets Under	2012	2011
	School	Non-School	Buses	Vehicles	Equipment	Software *	Land	Improvements	Construction	TOTALS	TOTALS
Tangible Capital Asset Cost											
Opening Cost, as previously reported	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
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	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
Add: Additions during the year	232,251	-	383,161	-	156,534	3,366,337	-	-	(920,646)	3,217,637	3,385,094
Less: Disposals and write downs	-	-	418,464	-	-	-	-	-	-	418,464	-
Closing Cost	101,204,219	3,342,617	2,407,082	247,322	2,516,895	4,868,870	4,229,210	309,405	1,024,314	120,149,934	117,350,761
Accumulated Amortization											
Opening, as previously reported	69,240,424	2,582,386	1,380,134	136,482	1,047,126	856,986		108,293		75,351,831	72,068,613
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	69,240,424	2,582,386	1,380,134	136,482	1,047,126	856,986		108,293		75,351,831	72,068,613
Add: Current period Amortization	2,267,983	80,024	221,518	28,876	403,063	435,171		30,941		3,467,576	3,283,218
Less: Accumulated Amortization on Disposals and Writedowns	-	-	363,484	-	-	-		-		363,484	-
Closing Accumulated Amortization	71,508,407	2,662,410	1,238,168	165,358	1,450,189	1,292,157		139,234		78,455,923	75,351,831
Net Tangible Capital Asset	29,695,812	680,207	1,168,914	81,964	1,066,706	3,576,713	4,229,210	170,171	1,024,314	41,694,011	41,998,930
Proceeds from Disposal of Capital Assets	-	-	87,000	-	-	-				87,000	40,740

* Includes network infrastructure.

1. Nature of organization and economic dependence:

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

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

2. Significant accounting policies:

The significant accounting policies of the Division include:

(a) Reporting entity and consolidation:

The Division's reporting entities are comprised of the Division and school generated funds.

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the Operating Fund, Capital Fund, and Special Purpose Fund of the Division.

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

(b) Trust funds:

The Division administers various trust funds. Trust funds and their related operations are not included in the consolidated financial statements as they are not owned or controlled by the Division. Total funds under administration as at June 30, 2012 totaled $227,539 (2011 - $234,941).

Trust funds under Canadian generally accepted accounting principles established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants (PSAB) are properties assigned to a trustee (school division) under a trust agreement or statute; the trustee merely administers the terms and conditions embodied in the agreement, and it has no unilateral authority to change the conditions set out in the trust indenture.

2. Significant accounting policies (continued):

(c) Basis of accounting:

The consolidated financial statements have been prepared by management in accordance with PSAB. Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they are earned and measurable; expenditures are recognized as they are incurred and measurable as a result of the receipt of goods and services acquired in the period.

(d) Fund accounting:

The Division records financial transactions in separate funds as defined by Financial Reporting and Accounting in Manitoba Education (FRAME) in accordance with the purpose for which the funds have been created.

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

(e) Deferred revenue:

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

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.

2. Significant accounting policies (continued):

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

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

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

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

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

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

(h) Employee future benefits:

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

However, the Division provides retirement and other future benefits to its employees. These benefits include pension and supplemental unemployment benefits.

2. Significant accounting policies (continued):

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

(i) Defined contribution plan:

The Division provides retirement benefits to its administrative employees through a defined contribution plan under the Manitoba School Boards Association Pension Plan (MSBA). Under this plan, specific fixed amounts are contributed by the Division each period for services rendered by the employees. No responsibility is assumed by the Division to make any further contributions.

(ii) Self-insured employee future benefits plan:

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

(iii) Non-vesting accumulating sick days:

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

(i) Capital reserve:

Certain amounts, as approved by the Board of Trustees and the Public Schools Finance Board (PSFB), have been set aside in reserve accounts for future capital purposes. These capital reserve accounts are internally restricted funds that form part of the accumulated surplus presented in the consolidated statement of financial position.

(j) Government transfers:

Government transfers, including legislative grants, are recognized in the consolidated financial statements in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met and reasonable estimates of the amount can be made.

(k) Investment income:

Investment income is reported as revenue in the period earned.

2. Significant accounting policies (continued):

(l) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenditures and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements during the reporting period. Actual results could differ from these estimates.

(m) 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.

(n) Change in accounting policy

Previously, the School Division did not recognize an accrued benefit obligation related to sick leave entitlements as the benefits do not vest. The benefit costs were previously only recognized and recorded in the period when an employee was sick. PSAB standards require that a liability and an expense be recognized for post-employment benefits and compensated absences that vest or accumulate in the period in which employees render services to the Division in return for benefits. A retrospective adjustment was made to recognize a liability related to accumulated sick leave entitlement at July 1, 2010 in the amount of $740,650. The impact of the estimated non-vested sick leave benefit cost for the year ended June 30, 2012 is $87,981 (2011 - ($92,415)).

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. Non-vested accumulated sick leave benefits:

Non-vested accumulated sick leave benefits are measured using net present value techniques on the expected future utilization of excess of sick benefits used over earner per year, to maximum entitlement. The impact of the estimated non-vested sick leave benefit cost for the year ended June 30, 2012 is an increase of $87,981 (2011 - decrease of $92,415). At June 30, 2012, the Division has recorded an estimated liability of $736,216 (2011 - $648,235) in respect of these benefits.

5. Employee future benefits:

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

The employee benefit expense is part of the employee benefits and allowances expense account. It includes the Division's contribution of $1,874,658 for fiscal 2012 (2011 - $1,508,292).

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

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

6. Deferred revenue:

	Balance, June 30, 2011	Additions in the year	Revenue recognized in the year	Balance, June 30, 2012
Education property tax credit	$ 8,245,729	$ 21,002,265	$ 20,874,263	$ 8,373,731
Other	310,337	2,242,713	1,865,020	688,030
	$ 8,556,066	$ 23,244,978	$ 22,739,283	$ 9,061,761

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, 2012, school funds held in the Special Purpose Fund totaled $2,426,246 (2011 - $2,612,698).

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:

	2012	2011
Parent council funds	$ 39,716	$ 41,461
Lunch/snack funds	96,584	124,866
Students council funds	13,583	9,793
Graduation funds	56,236	105,430
Activity/sports fees	108,044	25,268
Other	365,137	604,793
Travel club funds	74,083	168,638
	$ 753,383	$ 1,080,249

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 4.125 percent to 11.250 percent. The debenture principal and interest repayments in the next five years and thereafter are:

	Principal	Interest	Total
2013	$ 1,791,256	$ 1,285,527	$ 3,076,783
2014	1,843,354	1,160,511	3,003,865
2015	1,795,381	1,032,733	2,828,114
2016	1,456,359	910,512	2,366,871
2017	1,460,150	823,409	2,283,559
Thereafter	13,024,480	4,381,511	17,405,991
	$ 21,370,980	$ 9,594,203	$ 30,965,183

During 2012, the division had submitted claims for capital projects to the public schools finance board totaling $432,360 (2011 - $432,060) and received debenture proceeds of this amount in 2012.

9. 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	$ 118,938,523	$ 77,850,218	$ 41,088,305
Capital lease	1,211,411	605,705	605,706
	$ 120,149,934	$ 78,455,923	$ 41,694,011

10. Accumulated surplus:

The consolidated accumulated surplus is comprised of the following:

Operating Fund:	
Designated surplus	$ 848,778
Undesignated surplus	3,147,881
Non-vested sick leave to date	(736,216)
	3,260,443
Capital Fund:	
Reserve accounts	1,825,000
Equity in tangible capital assets	18,941,778
	20,766,778
Special purpose Fund:	
School generated funds	1,091,436
Total accumulated surplus	$ 25,118,657

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	$ 452,892
School budget carryovers by board policy	145,886
K-3 Class Size Initiative – furnishings, supplies, and minor capital	250,000
Designated surplus	$ 848,778

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.

Bus reserves	$ 1,825,000
Capital reserve	$ 1,825,000

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

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, expenses and accumulated surplus is raised over the two calendar (tax) years; 40 percent from 2011 tax year and 60 percent from 2012 tax year. Below are the related revenue and receivable amounts:

	2012	2011
Revenue - Municipal Government - property tax	$ 44,070,577	$ 42,984,252
Receivable - due from Municipal Government- property tax	26,383,561	25,121,003

12. Interest received and paid:

The Division received interest during the year of $89,065 (2011 - $108,055); interest paid during the year was $1,432,561 (2011 - $1,533,918).

12. Interest received and paid (continued):

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

		2012		2011
Operating Fund:				
Interest and bank charges	$	97,305	$	86,475
Capital Fund:				
Debenture debt interest		1,318,797		1,427,121
Other interest		16,459		20,322
	$	1,432,561	$	1,533,918

13. Expenditures by type:

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

14. Contractual obligations:

The Division is committed to payments under an agreement with respect to the transportation of students within the Division. The total future annual minimum payments in 2013 are $1,731,228.

15. Other borrowing:

The other borrowing of the Division is in the form of a capital lease arrangement on certain photocopying equipment with an implied interest rate of 7.30 percent. Capital lease payments in the next five years are as follows:

		Principal		Interest		Total
2013	$	228,770	$	12,520	$	241,290
2014		232,773		8,517		241,290
2015		188,774		4,444		193,218
2016		65,151		1,785		66,936
	$	715,468	$	27,266	$	742,734

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 22, 2012

MNP LLP

Independent Auditors' Report

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

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, 2012, 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. 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 the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Mountain View School Division as at June 30, 2012 and the consolidated results of its operations, consolidated changes in net assets and its consolidated cash flow for the year then ended in accordance with Canadian generally accepted accounting principles established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

Other Matters

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

Brandon, Manitoba
October 22, 2012

MNP LLP
Chartered Accountants

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

Chairperson of the Board

Oct 22/12
Date

ACCOUNTING › CONSULTING › TAX
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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2012	2011
	Financial Assets		
	Cash and Bank	-	-
	Short Term Investments	-	-
	Due from - Provincial Government	1,197,055	1,147,706
	- Federal Government	137,961	285,150
	- Municipal Government	5,779,587	5,448,018
	- Other School Divisions	129,874	120,989
	- First Nations	26,657	131,683
	Accounts Receivable	373,268	525,121
	Accrued Investment Income	-	-
	Other Investments	-	-
		7,644,402	7,658,667
	Liabilities		
6	Overdraft	1,377,778	5,305,074
	Accounts Payable	1,373,700	1,298,098
	Accrued Liabilities	2,739,686	1,858,402
8	Employee Future Benefits	430,301	361,716
	Accrued Interest Payable	337,389	245,654
	Due to - Provincial Government	-	-
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	2,000	41,247
	- First Nations	-	-
9	Deferred Revenue	991,377	900,911
11	Debenture Debt	16,596,863	10,931,042
	Other Borrowings	-	-
	School Generated Funds Liability	33,849	155,676
		23,882,943	21,097,820
	Net Debt	(16,238,541)	(13,439,153)
	Non-Financial Assets		
13	Net Tangible Capital Assets (TCA Schedule)	19,850,341	16,715,668
	Inventories	456,307	559,404
	Prepaid Expenses	374,423	176,986
		20,681,071	17,452,058
14	**Accumulated Surplus**	4,442,530	4,012,905

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes		2012	2011
	Revenue		
	Provincial Government	26,545,266	25,676,489
	Federal Government	480,096	443,325
	Municipal Government - Property Tax	9,409,899	9,092,728
	- Other	-	-
	Other School Divisions	334,119	365,722
	First Nations	311,456	267,814
	Private Organizations and Individuals	1,027,324	794,441
	Other Sources	136,028	324,627
	School Generated Funds	910,307	759,131
	Other Special Purpose Funds	-	-
		39,154,495	37,724,277
	Expenses		
	Regular Instruction	20,466,917	19,695,235
	Student Support Services	5,198,453	4,909,416
	Adult Learning Centres	-	-
	Community Education and Services	90,158	86,788
	Divisional Administration	1,168,666	1,139,018
	Instructional and Other Support Services	1,238,462	1,226,513
	Transportation of Pupils	2,924,443	2,704,110
	Operations and Maintenance	4,230,897	4,305,855
17	Fiscal - Interest	829,492	768,204
	- Other	549,837	596,379
	Amortization	1,136,072	1,239,984
	Other Capital Items	-	-
	School Generated Funds	845,431	749,838
	Other Special Purpose Funds	-	-
		38,678,828	37,421,340
	Current Year Surplus (Deficit)	475,667	302,937
	Less: Non-vested sick leave	(46,042)	(12,916)
	Opening Accumulated Surplus	4,012,905	3,864,427
	Adjustments: Tangible Cap. Assets and Accum. Amort.	-	-
	Other than Tangible Cap. Assets	-	-
	Non-vested sick leave	-	(141,543)
	Opening Accumulated Surplus, as adjusted	4,012,905	3,722,884
	Closing Accumulated Surplus	4,442,530	4,012,905

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2012

	2012	2011
Current Year Surplus (Deficit)	475,667	302,937
Amortization of Tangible Capital Assets	1,136,072	1,239,984
Acquisition of Tangible Capital Assets	(4,276,845)	(2,696,458)
(Gain) / Loss on Disposal of Tangible Capital Assets	(10,810)	(5,000)
Proceeds on Disposal of Tangible Capital Assets	16,910	5,000
	(3,134,673)	(1,456,474)
Inventories (Increase)/Decrease	103,097	(57,307)
Prepaid Expenses (Increase)/Decrease	(197,437)	319,948
	(94,340)	262,641
(Increase)/Decrease in Net Debt	(2,753,346)	(890,896)
Net Debt at Beginning of Year	(13,439,153)	(12,393,798)
Adjustments Other than Tangible Cap. Assets	(46,042)	(154,459)
	(13,485,195)	(12,548,257)
Net Debt at End of Year	(16,238,541)	(13,439,153)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2012

	2012	2011
Operating Transactions		
Current Year Surplus/(Deficit)	475,667	302,937
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	1,136,072	1,239,984
(Gain)/Loss on Disposal of Tangible Capital Assets	(10,810)	(5,000)
Employee Future Benefits Increase/(Decrease)	68,585	170,102
Short Term Investments (Increase)/Decrease	-	-
Due from Other Organizations (Increase)/Decrease	(137,588)	252,695
Accounts Receivable & Accrued Income (Increase)/Decrease	151,853	(88,151)
Inventories and Prepaid Expenses - (Increase)/Decrease	(94,340)	262,641
Due to Other Organizations Increase/(Decrease)	(39,247)	9,786
Accounts Payable & Accrued Liabilities Increase/(Decrease)	1,048,621	223,949
Deferred Revenue Increase/(Decrease)	90,466	(557,328)
School Generated Funds Liability Increase/(Decrease)	(121,827)	(13,669)
Adjustments Other than Tangible Cap. Assets	(46,042)	(154,459)
Cash Provided by Operating Transactions	2,521,410	1,643,487
Capital Transactions		
Acquisition of Tangible Capital Assets	(4,276,845)	(2,696,458)
Proceeds on Disposal of Tangible Capital Assets	16,910	5,000
Cash (Applied to)/Provided by Capital Transactions	(4,259,935)	(2,691,458)
Investing Transactions		
Other Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
Financing Transactions		
Debenture Debt Increase/(Decrease)	5,665,821	(657,814)
Other Borrowings Increase/(Decrease)	-	(54,485)
Cash Provided by (Applied to) Financing Transactions	5,665,821	(712,299)
Cash and Bank / Overdraft (Increase)/Decrease	3,927,296	(1,760,270)
Cash and Bank (Overdraft) at Beginning of Year	(5,305,074)	(3,544,804)
Cash and Bank (Overdraft) at End of Year	(1,377,778)	(5,305,074)

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2012

	Buildings and Leasehold Improvements										
	School	Non-School	School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	2012 TOTALS	2011 TOTALS
Tangible Capital Asset Cost											
Opening Cost, as previously reported	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
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	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
Add: Additions during the year	483,632	-	445,040	91,711	-	-	-	-	3,256,462	4,276,845	2,696,458
Less: Disposals and write downs	-	-	-	63,153	-	-	-	-	-	63,153	50,773
Closing Cost	32,612,890	2,626,963	5,303,955	494,614	2,293,267	242,835	570,392	91,681	8,425,650	52,662,247	48,448,555
Accumulated Amortization											
Opening, as previously reported	24,935,550	802,517	3,154,900	380,090	2,196,370	215,122		48,338		31,732,887	30,543,676
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	24,935,550	802,517	3,154,900	380,090	2,196,370	215,122		48,338		31,732,887	30,543,676
Add: Current period Amortization	622,352	92,475	312,806	45,267	38,028	18,476		6,668		1,136,072	1,239,984
Less: Accumulated Amortization on Disposals and Writedowns			-	57,053	-	-		-		57,053	50,773
Closing Accumulated Amortization	25,557,902	894,992	3,467,706	368,304	2,234,398	233,598		55,006		32,811,906	31,732,887
Net Tangible Capital Asset	7,054,988	1,731,971	1,836,249	126,310	58,869	9,237	570,392	36,675	8,425,650	19,850,341	16,715,668
Proceeds from Disposal of Capital Assets	-	-	9,368	7,542	-	-				16,910	5,000

* Includes network infrastructure.

1. Nature of Organization and Economic Dependence

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

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

2. 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.

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

h) Capital Reserve

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

i) Use of Estimates

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

j) Financial instruments

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

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. Change in Accounting Policy – Future Sick Leave

Previously, the School Division did not recognize an accrued benefit obligation related to sick leave benefits as the benefits do not vest. The benefit costs were only recognized and recorded in the period when an employee was sick. Public Sector Accounting Standards require that a liability and an expense be recognized for post-employment benefits and compensated absences that vest or accumulate in the period in which employees render services to the School Division in return for the benefits. An adjustment was made to recognize a liability and an expense related to accumulated sick leave entitlement. The resulting adjustment to the liability for Employee Future Benefits at July 1, 2011 was $141,543. An additional expense of $12,916 was recognized in the 2010-11 fiscal year. The liability for employee future benefits recorded at June 30, 2012 was increased by $46,042 related to the accrual for accumulated sick leave entitlement, determined using net present value techniques.

6. 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%.

7. Short Term Investments

The Division currently has no short term investments.

8. Employee Future Benefits

Employee future benefits are benefits earned by employees in the current period, but will not be paid out until future periods. The employee future benefit is the annual vacation earned by the twelve month non-teaching employees during the fiscal year. Typically this earned vacation entitlement is taken in the subsequent fiscal year.

Non-vested accumulated sick leave benefits are measured using net present value techniques on the expected future utilization of excess of sick benefits used over earned per year, to maximum entitlement. The impact of the estimated non-vested sick leave benefit cost for 2011-2012 is an increase of the liability in the amount of $ 46,042.

	Type of Plan		2012
Employee Future Benefit Liabilities (EFBL)			
Vacation accrual	defined contribution		$ 229,800
Non-vested sick leave	defined benefits		200,501
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			$ 430,301
Employee future benefit expense (EFB)			$ 430,301

The Division sponsors a defined contribution and defined benefits plan. The defined contribution plan is provided to non-teaching staff through MAST Pension Plan. Eligible employees contributed a percentage of their regular salary or wage. The percentage varies according to the age of the employee. The Division contributions equal the employee contributions to the plan. No pension liability is included in the financial statements other than late payment interest owing for the period.

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

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

9. 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, 2011	Additions in the period	Revenue recognized in the period	Balance as at June 30, 2012
Manitoba Textbook Bureau	$ 35,722	$ -	$ 35,722	$ -
Property Tax Credit	852,189	973,517	852,189	973,517
Clinician grant	13,000	-	13,000	-
International Education Revenue	-	17,860	-	17,860
	$ 900,911	$ 991,377	$ 900,911	$ 991,377

10. 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 $33,849.

	2012
Parent council funds	$ -
Other parent group funds	-
Students council funds	33,849
Travel club funds	-
	$ 33,849

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, 2012 covers a period of twelve months from April 1, 2011 to March 31, 2012.

11. 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 2013 to 2032. Payment of principal and interest is funded entirely by grants from the Province of Manitoba, except for the debenture debt on self-funded capital projects. The debentures carry interest rates that range from 3.625% to 10.00%. The debenture principal and interest repayments in the next five years are:

	Principal	Interest	Total
2013	$ 860,998	$ 843,365	$ 1,704,363
2014	910,812	793,552	1,704,364
2015	928,241	740,632	1,668,873
2016	924,909	687,341	1,612,250
2017	931,290	636,350	1,567,640
	$ 4,556,250	$ 3,701,240	$ 8,257,490

12. Other Borrowings

Other borrowings are debts other than overdrafts or debentures. There were no other borrowings as of June 30, 2012.

13. 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	2012 Net Book Value
Owned-tangible capital assets	$ 52,662,247	$ 32,811,906	$ 19,850,341
Capital lease		-	-
	$ 52,662,247	$ 32,811,906	$ 19,850,341

14. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2012
Operating Fund	
Designated Surplus	-
Undesignated Surplus	1,381,022
Non-vested sick leave	(200,501)

	1,180,521
Capital Fund	
Reserve Accounts	418,058
Equity in Tangible Capital Assets	2,550,068
	2,968,126
Special Purpose Fund	
School Generated Funds	293,883
Other Special Purpose Funds	-
	293,883
Total Accumulated Surplus	$ 4,442,530

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.

Note # 13 Designated Surplus

	2012
Board approved approriation by motion	-
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.

	2012
Bus reserves	2,458
Other reserves	415,600
Capital Reserve	$ 418,058

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

Note # 13 Other Special Purpose Funds

	2012
Foundation-Scholarship	-
Other - Specify	-

15. Restatement of Opening Accumulated Surplus

Restatement of Opening Accumulated Surplus is comprised of:

	2012
Operating Fund	
Employee Future Benefits	154,459
Capital Fund	
Tangible Capital Assets	-
Accumulated Amortization	-
	-
Special Purpose Fund	
School Generated Funds	-
Other Special Purpose Funds	-
	-
Total Restatement of Opening Accumulated Surplus	$ 154,459

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

16. 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 2011 tax year and 60% from 2012 tax year. Below are the related revenue and receivable amounts:

	2012	2011
Revenue-Municipal Government-Property Tax	$ 9,409,899	$ 9,092,728
Receivable-Due from Municipal-Property Tax	$ 5,779,587	$ 5,448,018

17. Interest Received and Paid

The Division received interest during the year of $912 (previous year $197); interest paid during the year was $829,492 (previous year $768,204).

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

	2012
Operating Fund	
Fiscal-short term loan, interest and bank charges	$ 103,002
Capital Fund	
Debenture debt interest	726,490
Other interest	
	$ 829,492

18. 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, 2012:

		2012
Allowance for doubtful accounts deducted from Receivables below:		
Due from First Nations	$	8,354
Accounts Receivable		-
	$	8,354
Bad debts expense (included in fiscal-Other)	$	8,354

19. 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 2012	Budget 2012	Actual 2011
Salaries	$ 25,978,373	$ 26,483,709	$ 25,228,256
Employees benefits & allowances	2,140,531	2,166,467	1,983,871
Services	3,643,675	3,212,855	3,661,557
Supplies, materials & minor equipment	3,532,801	3,211,680	3,182,216
Interest	829,492	97,500	768,204
Bad debts	8,354	-	60,883
Payroll tax and transfers	564,099	548,737	546,531
Amortization	1,136,072	-	1,239,984
Other capital items	-	-	-
School generated funds	845,431	-	749,838
Other special purpose funds	-	-	-
	$ 38,678,828	$ 35,720,948	$ 37,421,340

20. Contractual Obligations

High Speed Connectivity Agreement

The Division has entered into a long term agreement with Manitoba Telephone System Inc. to provide high speed internet and wide area network connectivity for all community schools. The term of the agreement is ten years commencing July 1, 2012 with a one-time cost of $2,298,275.00. The agreement provides for fiber optic connectivity to the administration office, Barker School, DRCSS, Ethelbert School, Gilbert Plains Elementary and Collegiate, Goose Lake High, Grandview School, Roblin Elementary School, Winnipegosis Elementary and Collegiate. All remaining sites will receive high speed service through copper cable access.

Financing for this project has been arranged with RBC for a 10 year variable term loan in the amount of $2,200,000 at prime minus 0.75%. A prepaid expense will be established in the 2012/13 fiscal year which will be recognized over the 10 year term of the agreement commencing in the 2012/13 fiscal year.

21. Contingent Liabilities

There have been no legal actions initiated against the Division.

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 23, 2012

KENDALL & PANDYA

Chartered Accountants

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

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* Operating as professionnal 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, 2012 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, 2012 and its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

THOMPSON, MANITOBA

October 23, 2012
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 13, 2012
DATE

CHAIRPERSON

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2012	2011
	Financial Assets		
	Cash and Bank	7,017,436	5,845,119
	Short Term Investments	-	-
	Due from - Provincial Government	1,149,634	1,167,602
	- Federal Government	75,168	81,616
	- Municipal Government	4,418,347	4,448,578
	- Other School Divisions	33,823	-
	- First Nations	35,006	28,240
	Accounts Receivable	6,497	44,710
	Accrued Investment Income	-	-
	Other Investments	-	-
		12,735,911	11,615,865
	Liabilities		
	Overdraft	-	-
	Accounts Payable	286,295	433,491
	Accrued Liabilities	7,612,371	4,181,066
5	Employee Future Benefits	2,507,280	2,638,138
	Accrued Interest Payable	102,060	108,737
	Due to - Provincial Government	-	43,296
	- Federal Government	254,947	627
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
6	Deferred Revenue	1,015,942	992,164
8	Debenture Debt	6,880,455	6,831,084
	Other Borrowings	-	-
	School Generated Funds Liability	259,073	247,909
		18,918,423	15,476,512
	Net Debt	(6,182,512)	(3,860,647)
	Non-Financial Assets		
9	Net Tangible Capital Assets (TCA Schedule)	12,122,184	11,674,319
	Inventories	108,215	77,009
	Prepaid Expenses	24,873	40,305
		12,255,272	11,791,633
11	**Accumulated Surplus**	6,072,760	7,930,986

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes			2012	2011
	Revenue			
	Provincial Government		31,100,373	30,390,915
	Federal Government		59,881	164,668
	Municipal Government	- Property Tax	5,641,732	5,586,593
		- Other	1,704,817	1,681,560
	Other School Divisions		194,851	161,833
	First Nations		197,109	233,935
	Private Organizations and Individuals		282,735	215,465
	Other Sources		108,265	114,834
	School Generated Funds		267,888	264,244
	Other Special Purpose Funds		-	-
			39,557,651	38,814,047
	Expenses			
	Regular Instruction		20,666,093	19,768,436
	Student Support Services		8,058,893	6,685,903
	Adult Learning Centres		-	-
	Community Education and Services		35,146	42,327
	Divisional Administration		2,197,546	1,810,485
	Instructional and Other Support Services		2,342,825	2,413,071
	Transportation of Pupils		224,467	206,906
	Operations and Maintenance		5,723,084	4,615,620
13	Fiscal	- Interest	514,013	380,939
		- Other	604,920	606,049
	Amortization		745,237	716,835
	Other Capital Items		-	-
	School Generated Funds		259,991	273,883
	Other Special Purpose Funds		-	-
			41,372,215	37,520,454
	Current Year Surplus (Deficit)		(1,814,564)	1,293,593
	Less: Non-vested sick leave		(43,662)	(2,235)
	Opening Accumulated Surplus		7,930,986	6,751,761
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	-
		Other than Tangible Cap. Assets	-	-
		Non-vested sick leave	-	(112,133)
	Opening Accumulated Surplus, as adjusted		7,930,986	6,639,628
	Closing Accumulated Surplus		6,072,760	7,930,986

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2012

	2012	2011
Current Year Surplus (Deficit)	(1,814,564)	1,293,593
Amortization of Tangible Capital Assets	745,237	716,835
Acquisition of Tangible Capital Assets	(1,193,102)	(1,429,920)
(Gain) / Loss on Disposal of Tangible Capital Assets	-	-
Proceeds on Disposal of Tangible Capital Assets	-	-
	(447,865)	(713,085)
Inventories (Increase)/Decrease	(31,206)	4,056
Prepaid Expenses (Increase)/Decrease	15,432	7
	(15,774)	4,063
(Increase)/Decrease in Net Debt	(2,278,203)	584,571
Net Debt at Beginning of Year	(3,860,647)	(4,330,851)
Adjustments Other than Tangible Cap. Assets	(43,662)	(114,368)
	(3,904,309)	(4,445,219)
Net Debt at End of Year	(6,182,512)	(3,860,648)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2012

	2012	2011
Operating Transactions		
Current Year Surplus/(Deficit)	(1,814,564)	1,293,593
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	745,237	716,835
(Gain)/Loss on Disposal of Tangible Capital Assets	-	-
Employee Future Benefits Increase/(Decrease)	(130,858)	496,413
Short Term Investments (Increase)/Decrease	-	-
Due from Other Organizations (Increase)/Decrease	14,058	57,997
Accounts Receivable & Accrued Income (Increase)/Decrease	38,213	60,716
Inventories and Prepaid Expenses - (Increase)/Decrease	(15,774)	4,063
Due to Other Organizations Increase/(Decrease)	211,024	43,471
Accounts Payable & Accrued Liabilities Increase/(Decrease)	3,277,432	543,456
Deferred Revenue Increase/(Decrease)	23,778	4,022
School Generated Funds Liability Increase/(Decrease)	11,164	68,455
Adjustments Other than Tangible Cap. Assets	(43,662)	(114,368)
Cash Provided by Operating Transactions	2,316,048	3,174,653
Capital Transactions		
Acquisition of Tangible Capital Assets	(1,193,102)	(1,429,920)
Proceeds on Disposal of Tangible Capital Assets	-	-
Cash (Applied to)/Provided by Capital Transactions	(1,193,102)	(1,429,920)
Investing Transactions		
Other Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
Financing Transactions		
Debenture Debt Increase/(Decrease)	49,371	797,209
Other Borrowings Increase/(Decrease)	-	-
Cash Provided by (Applied to) Financing Transactions	49,371	797,209
Cash and Bank / Overdraft (Increase)/Decrease	1,172,317	2,541,942
Cash and Bank (Overdraft) at Beginning of Year	5,845,119	3,303,176
Cash and Bank (Overdraft) at End of Year	7,017,436	5,845,118

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2012

	Buildings and Leasehold Improvements		School	Other	Furniture / Fixtures &	Computer Hardware &		Land	Assets Under	2012	2011
	School	Non-School	Buses	Vehicles	Equipment	Software *	Land	Improvements	Construction	TOTALS	TOTALS
Tangible Capital Asset Cost											
Opening Cost, as previously reported	27,553,597	2,310,826	-	262,513	1,101,402	268,376	2,914,272	-	-	34,410,986	32,981,066
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	27,553,597	2,310,826	-	262,513	1,101,402	268,376	2,914,272	-	-	34,410,986	32,981,066
Add: Additions during the year	798,340	120,739	-	-	32,143	74,101	-	-	167,779	1,193,102	1,429,920
Less: Disposals and write downs	-	-	-	-	-	-	-	-	-	-	-
Closing Cost	28,351,937	2,431,565	-	262,513	1,133,545	342,477	2,914,272	-	167,779	35,604,088	34,410,986
Accumulated Amortization											
Opening, as previously reported	20,072,637	1,537,752	-	199,450	719,059	207,769		-		22,736,667	22,019,832
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	20,072,637	1,537,752	-	199,450	719,059	207,769		-		22,736,667	22,019,832
Add: Current period Amortization	525,725	35,526	-	24,228	136,060	23,698		-		745,237	716,835
Less: Accumulated Amortization on Disposals and Writedowns	-	-	-	-	-	-		-		-	-
Closing Accumulated Amortization	20,598,362	1,573,278	-	223,678	855,119	231,467		-		23,481,904	22,736,667
Net Tangible Capital Asset	7,753,575	858,287	-	38,835	278,426	111,010	2,914,272	-	167,779	12,122,184	11,674,319
Proceeds from Disposal of Capital Assets	-	-	-	-	-	-				-	-

* Includes network infrastructure.

1. NATURE OF ORGANIZATION AND ECONOMIC DEPENDENCE

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

a) Reporting Entity and Consolidation

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

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.

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.

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

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

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

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

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

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

All land acquired prior to June 30, 2007 has been valued by the Crown Lands and Property Agency.

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

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

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

f) **Employee Future Benefits**

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

However, the District provides retirement and other future benefits to its employees. These benefits include life insurance, extended health benefits, dental, prescription drugs, vision and long term disability. The District has adopted the following policies with respect to accounting for these employee future benefits.

i) **Defined Contribution / Insured Benefit Plans**

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

The District fully funds long term, short term disability, vision, dental, prescription drugs and extended health benefits for the teachers. Additionally the District pays 50% of the 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%.

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, 2012, the pension obligation is not fully funded.

The actuarial valuation has stated a deficiency of $3,363,000 as at June 30, 2012. The school district has set up a provision for this amount in the current fiscal year.

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

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

For those future benefits liability is the total accrued benefit obligation. The employee future benefits expense includes the Districts contribution for the period.

g) **Capital Reserves**

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

The Mystery Lake School District has $328,721 set aside in Capital Reserves as at June 30, 2012.

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.

3. OVERDRAFT

The District has an authorized line of credit with the CIBC valued at $5,030,000. 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 10th and 25th of each month from September through June. It does not receive any funding in July and August, although the District incurs similar expenses in these months as during the rest of the year.

The District was not in an overdraft position at June 30, 2012.

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:

Employee Future Benefit Liabilities	Type of Plan	2012
Sick Leave Buyout Teachers	Defined Contribution	$ 280,955
Early Leave Incentive Plan Teachers	Defined Contribution	2,068,295
Non-vested accumulated sick leave		158,030
		$2,507,280

6. DEFERRED REVENUE

Deferred revenue valued at $1,015,940 at June 30, 2012 consisted of the following:

a) Education Property Tax Credit is valued at $1,733,330 for the 2012 calendar year. $1,039,998 or 60% was taken into revenue in the 2011 / 2012 school year for the period from January to June 30, 2012 while the remaining $693,332 relating to September to December 2012 was set up as deferred revenue at June 30, 2012 and will be taken into revenue in the 2012 / 2013 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 $102,537.

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 $220,071.

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 $259,073. The breakdown is as follows:

	2012	2011
Parent Council Fund	$ 24,935	$ 31,904
Playground Committees	2,690	7,570
Other Parent Group Funds	59,711	51,792
Student Funds	171,737	156,643
	$ 259,073	$247,909

8. DEBENTURE DEBT

Debenture debt is comprised of the following:

Interest Rate %	Maturity Date	Balance (Dollars)
9.250	September 15, 2012	$ 8,778
7.625	February 28, 2014	64,966
8.625	October 31, 2015	151,871
7.375	November 30, 2016	144,750
7.625	February 15, 2017	56,305
6.125	April 30, 2018	133,728
5.875	February 15, 2019	168,403
5.875	February 15, 2019	219,215
6.750	October 15, 2019	70,325
7.250	February 28, 2020	120,654
6.625	April 15, 2021	294,311
6.500	January 15, 2022	666,133
6.875	May 31, 2022	587,720
6.000	February 15, 2024	675,829
6.125	June 15, 2024	558,074
5.375	June 30, 2025	331,262
5.250	March 15, 2028	421,109
5.750	April 30, 2029	55,864
5.250	March 15, 2030	389,725
5.125	May 15, 2030	100,074
4.875	May 15, 2031	1,165,359
4.000	May 15, 2032	496,000
		$ 6,880,455

Debenture interest expense payable as at June 30, 2012, 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
2013	492,231	401,591	893,822
2014	514,178	370,055	884,233
2015	510,666	337,323	847,989
2016	542,776	305,213	847,989
2017	530,469	271,028	801,497
	$2,590,320	$1,685,210	$4,275,530

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	2012 Net Book Value	2011 Net Book Value
Owned Tangible Capital Assets	$35,604,088	$23,481,904	**$12,122,184**	$11,674,319

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:

2013	19,501
2014	19,501
2015	19,501
2016	-
2017	-
	$ 58,503

11. ACCUMULATED SURPLUS

The consolidated accumulated surplus is comprised of the following:

	2012	2011
Operating Fund		
Designated Surplus	**$ -**	$ -
Undesignated Surplus	**685,650**	3,268,062
Less: adjustment on non-vested sick leave	**-**	(114,368)
	685,650	3,153,694
Capital Fund		
Reserve Accounts	**$ 328,721**	$ -
Equity in Tangible Capital Assets	**4,973,108**	4,699,908
	5,301,829	4,699,908
Special Purpose Fund		
School Generated Funds	**$ 85,281**	$ 77,384
Other Special Purpose Funds	**-**	-
	85,281	77,384
Total Accumulated Surplus	**$6,072,760**	$7,930,986

Designated Surplus under the Operating Fund represents internally restricted amounts appropriated by the board or, in the case of school budget carryovers, by board policy. The District does not have any designated surplus at this time.

Reserve Accounts under the Capital Fund represents internally restricted reserves for specific purposes approved by the Board of Trustees and PSFB. The District does not have any reserve accounts at this time.

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

	2012	2011
Other Student Activity	**$ 85,281**	$ 77,384
Other Special Purpose Funds	**-**	-
	$ 85,281	$ 77,384

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 2011 tax year and 60% from 2012 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:

		2012	2011
Revenue	Municipal Government Property Tax	$5,641,732	$5,586,593
Receivable	Due from Municipal Property Tax	$3,399,212	$3,369,416

13. INTEREST RECEIVED AND PAID

The District received interest during the year of $465,538 (2011-$303,757); interest paid during the year was $411,953 (2011-$272,202).

	2012	2011
Operating Fund		
Fiscal-short Term Loan, Interest and Bank Charges	$ 1,256	$ 2,841
Capital Fund		
Debenture Debt Interest	512,757	378,098
Other Interest	-	-
	$514,757	$380,939

The accrual portion of debenture debt interest expense of $102,060 (2011-$108,737) 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, 2012 was $5,000 (2011 - $6,151).

15. BUDGET FIGURES

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

16. CHANGE IN ACCOUNTING POLICY PS-2120

Previously, the School District did not recognize an accrued benefit obligation related to sick leave benefits as the benefits do not vest. The benefit costs were only recognized and recorded in the period when an employee was sick. PSA standards require that a liability and an expense be recognized for post-employment benefits and compensated absences that vest or accumulate in the period in which employees render services to the school district in return for the benefit. An adjustment was made to recognize a liability and an expense related to accumulated sick leave entitlement. The resulting adjustment to the liability to Employee Future Benefits at July 1, 2011 was $112,113. An additional expense of $2,235 was recognized in the 2010-2011 fiscal year. The liability for employee future benefits recorded at June 30, 2012 was increased by $43,662 related to the accrual for accumulated sick leave entitlement determined using net present value technique.

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 12, 2012

MNP LLP

Independent Auditors' Report

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

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, 2012, 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. 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 the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Park West School Division as at June 30, 2012 and the consolidated results of its operations, consolidated changes in net debt and its consolidated cash flow for the year then ended in accordance with Canadian generally accepted accounting principles established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

Other Matters

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

Brandon, Manitoba
October 25, 2012

MNP LLP
Chartered Accountants

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

Chairperson of the Board

Oct 25/12
Date

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2012	2011
	Financial Assets		
	Cash and Bank	-	-
	Short Term Investments	-	-
	Due from - Provincial Government	936,680	894,581
	- Federal Government	93,249	86,091
	- Municipal Government	3,164,165	3,077,388
	- Other School Divisions	-	-
	- First Nations	300,964	2,406,282
	Accounts Receivable	126,338	63,439
	Accrued Investment Income	-	-
	Other Investments	-	-
		4,621,396	6,527,781
	Liabilities		
5	Overdraft	2,202,455	3,874,030
	Accounts Payable	711,517	836,939
	Accrued Liabilities	-	-
	Employee Future Benefits	-	-
	Accrued Interest Payable	152,170	161,328
	Due to - Provincial Government	-	-
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
6	Deferred Revenue	600,492	560,985
7	Debenture Debt	6,977,401	6,937,127
	Other Borrowings	-	-
	School Generated Funds Liability	-	-
		10,644,035	12,370,409
	Net Debt	(6,022,639)	(5,842,628)
	Non-Financial Assets		
8	Net Tangible Capital Assets (TCA Schedule)	8,640,495	8,688,081
	Inventories	126,908	123,745
	Prepaid Expenses	51,196	34,701
		8,818,599	8,846,527
9	**Accumulated Surplus**	2,795,960	3,003,899

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes			2012	2011
	Revenue			
	Provincial Government		14,387,970	14,000,166
	Federal Government		17,166	-
	Municipal Government	- Property Tax	5,710,521	5,642,847
		- Other	-	-
	Other School Divisions		14,300	11,700
	First Nations		5,665,362	4,354,313
	Private Organizations and Individuals		9,000	-
	Other Sources		35,555	49,738
	School Generated Funds		1,177,147	1,191,166
	Other Special Purpose Funds		-	-
			27,017,021	25,249,930
	Expenses			
	Regular Instruction		14,177,931	12,645,937
	Student Support Services		3,430,230	3,163,899
	Adult Learning Centres		135,751	74,083
	Community Education and Services		70,234	46,168
	Divisional Administration		1,064,829	974,305
	Instructional and Other Support Services		666,660	587,960
	Transportation of Pupils		2,046,036	1,955,535
	Operations and Maintenance		2,862,403	2,560,773
11	Fiscal	- Interest	462,800	495,137
		- Other	378,492	207,008
	Amortization		738,279	753,305
	Other Capital Items		-	-
	School Generated Funds		1,191,315	1,186,317
	Other Special Purpose Funds		-	-
			27,224,960	24,650,427
	Current Year Surplus (Deficit)		(207,939)	599,503
	Less: Non-vested sick leave		0	0
	Opening Accumulated Surplus		3,003,899	2,404,396
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	-
		Other than Tangible Cap. Assets	-	-
		Non-vested sick leave	-	-
	Opening Accumulated Surplus, as adjusted		3,003,899	2,404,396
	Closing Accumulated Surplus		2,795,960	3,003,899

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2012

	2012	2011
Current Year Surplus (Deficit)	(207,939)	599,503
Amortization of Tangible Capital Assets	738,279	753,305
Acquisition of Tangible Capital Assets	(693,785)	(649,626)
(Gain) / Loss on Disposal of Tangible Capital Assets	3,092	12,161
Proceeds on Disposal of Tangible Capital Assets	-	10,000
	47,586	125,840
Inventories (Increase)/Decrease	(3,163)	(14,930)
Prepaid Expenses (Increase)/Decrease	(16,495)	331,393
	(19,658)	316,463
(Increase)/Decrease in Net Debt	(180,011)	1,041,806
Net Debt at Beginning of Year	(5,842,628)	(6,884,434)
Adjustments Other than Tangible Cap. Assets	-	-
	(5,842,628)	(6,884,434)
Net Debt at End of Year	(6,022,639)	(5,842,628)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2012

	2012	2011
Operating Transactions		
Current Year Surplus/(Deficit)	(207,939)	599,503
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	738,279	753,305
(Gain)/Loss on Disposal of Tangible Capital Assets	3,092	12,161
Employee Future Benefits Increase/(Decrease)	-	-
Short Term Investments (Increase)/Decrease	-	-
Due from Other Organizations (Increase)/Decrease	1,969,284	(2,202,058)
Accounts Receivable & Accrued Income (Increase)/Decrease	(62,899)	(38,714)
Inventories and Prepaid Expenses - (Increase)/Decrease	(19,658)	316,463
Due to Other Organizations Increase/(Decrease)	-	-
Accounts Payable & Accrued Liabilities Increase/(Decrease)	(134,580)	525,467
Deferred Revenue Increase/(Decrease)	39,507	40,841
School Generated Funds Liability Increase/(Decrease)	-	-
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by Operating Transactions	2,325,086	6,968
Capital Transactions		
Acquisition of Tangible Capital Assets	(693,785)	(649,626)
Proceeds on Disposal of Tangible Capital Assets	-	10,000
Cash (Applied to)/Provided by Capital Transactions	(693,785)	(639,626)
Investing Transactions		
Other Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
Financing Transactions		
Debenture Debt Increase/(Decrease)	40,274	(175,605)
Other Borrowings Increase/(Decrease)	-	-
Cash Provided by (Applied to) Financing Transactions	40,274	(175,605)
Cash and Bank / Overdraft (Increase)/Decrease	1,671,575	(808,263)
Cash and Bank (Overdraft) at Beginning of Year	(3,874,030)	(3,065,767)
Cash and Bank (Overdraft) at End of Year	(2,202,455)	(3,874,030)

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2012

	Buildings and Leasehold Improvements		School	Other	Furniture / Fixtures &	Computer Hardware &		Land	Assets Under	2012	2011
	School	Non-School	Buses	Vehicles	Equipment	Software *	Land	Improvements	Construction	TOTALS	TOTALS
Tangible Capital Asset Cost											
Opening Cost, as previously reported	21,582,253	172,594	2,570,457	80,625	200,356	82,645	372,988	-	233,912	25,295,830	24,762,216
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	21,582,253	172,594	2,570,457	80,625	200,356	82,645	372,988	-	233,912	25,295,830	24,762,216
Add: Additions during the year	612,583	-	84,409	17,444	65,349	-	-	-	(86,000)	693,785	649,626
Less: Disposals and write downs	-	-	-	-	30,914	-	-	-		30,914	116,012
Closing Cost	22,194,836	172,594	2,654,866	98,069	234,791	82,645	372,988	-	147,912	25,958,701	25,295,830
Accumulated Amortization											
Opening, as previously reported	14,661,124	43,055	1,711,522	62,172	119,545	10,331		-		16,607,749	15,948,295
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	14,661,124	43,055	1,711,522	62,172	119,545	10,331		-		16,607,749	15,948,295
Add: Current period Amortization	511,493	6,904	154,641	8,642	35,938	20,661		-		738,279	753,305
Less: Accumulated Amortization on Disposals and Writedowns	-	-	-	-	27,822	-		-		27,822	93,851
Closing Accumulated Amortization	15,172,617	49,959	1,866,163	70,814	127,661	30,992		-		17,318,206	16,607,749
Net Tangible Capital Asset	7,022,219	122,635	788,703	27,255	107,130	51,653	372,988	-	147,912	8,640,495	8,688,081
Proceeds from Disposal of Capital Assets	-	-	-	-	-	-				-	10,000

* Includes network infrastructure.

1. Nature of Organization and Economic Dependence

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

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

2. 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 $147,912 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:

	Balance as at June 30, 2011	Additions in the period	Revenue recognized in the period	Balance as at June 30, 2012
Manitoba Textbook Bureau	$ -	$ 47,082	$ 47,082	-
Donated Capital Assets	-	-	-	-
Education Property Tax credit	560,985	1,442,822	1,403,315	600,492
	$ 560,985	$ 1,489,904	$ 1,450,397	$ 600,492

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 2013 to 2032. Payment of principal and interest is funded entirely by grants from the Province of Manitoba. The debentures carry interest rates that range from 4.00% to 9.875%. Debenture interest expense payable as at June 30, 2012, 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
2013	$554,911	$417,570	$972,481
2014	513,353	378,684	892,037
2015	544,651	344,302	888,953
2016	479,237	307,741	786,978
2017	473,943	278,408	752,351
	$2,566,095	$1,726,705	$4,292,800

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	2012 Net Book Value
Owned-tangible capital assets	$25,958,701	$17,318,206	$8,640,495
Capital lease	-	-	-
	$25,958,701	$17,318,206	$8,640,495

9. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2012
Operating Fund	
Designated Surplus	-
Undesignated Surplus	557,395
	557,395
Capital Fund	
Reserve Accounts	526,074
Equity in Tangible Capital Assets	1,515,183
	2,041,257
Special Purpose Fund	
School Generated Funds	197,308
Other Special Purpose Funds	-
	197,308
Total Accumulated Surplus	$ 2,795,960

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.

	2012
Bus reserves	239,874
Other reserves	286,200
Capital Reserve	$526,074

School Generated Funds are externally restricted moneys for school use.

	2012
Foundation-Scholarship	-
Other -- School Funds	197,308
Other Special Purpose Funds	197,308

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 2011 tax year and 55.6% from 2012 tax year. Below are the related revenue and receivable amounts:

	2012	2011
Revenue-Municipal Government-Property Tax	$5,710,521	$5,642,847
Receivable-Due from Municipal-Property Tax	$3,164,165	$3,077,388

11. Interest Received and Paid

The Division received interest during the year of $5,239 (previous year $2,219); interest paid during the year was $462,800 (previous year $495,137).

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

	2012
Operating Fund	
Fiscal-short term loan, interest and bank charges	$38,861
Capital Fund	
Debenture debt interest	423,939
Other interest	
	$462,800

The accrual portion of debenture debt interest expense of $152,170 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 2012	Budget 2012	Actual 2011
Salaries	$ 17,386,172	$ 17,226,649	$ 15,839,542
Employees benefits & allowances	1,238,391	1,258,350	1,050,641
Services	3,748,019	3,610,462	3,352,906
Supplies, materials & minor equipment	1,982,936	1,915,144	1,668,035
Interest	462,800	40,000	495,137
Bad debts	-	-	(121,474)
Payroll tax	378,492	380,000	328,482
Amortization	738,279	-	753,305
Other capital items	-	-	-
School generated funds	1,191,315	-	1,186,317
Transfers	98,556	95,000	97,536
	$ 27,224,960	$ 24,525,605	$ 24,650,427

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, 2012, the amount of this special levy was $423,956 (2011 - $439,593). 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, 2012, 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.

Grant Thornton

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, 2012, 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.

Grant Thornton LLP

Winnipeg, Manitoba

November 8, 2012

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

Nov. 8/2012

Date

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2012	2011
	Financial Assets		
	Cash and Bank	5,403,562	5,314,309
	Short Term Investments	-	-
	Due from - Provincial Government	5,287,383	5,138,290
	- Federal Government	182,932	189,996
13	- Municipal Government	31,291,200	30,036,458
	- Other School Divisions	-	-
	- First Nations	-	-
	Accounts Receivable	279,224	288,079
	Accrued Investment Income	-	-
	Other Investments	-	-
		42,444,301	40,967,132
	Liabilities		
4	Overdraft	-	-
	Accounts Payable	4,607,217	3,751,989
	Accrued Liabilities	1,482,892	2,089,116
5	Employee Future Benefits	1,604,447	1,602,099
	Accrued Interest Payable	599,768	514,272
	Due to - Provincial Government	544,262	496,875
	- Federal Government	6,411,129	6,055,829
	- Municipal Government	144,664	107,219
	- Other School Divisions	32,104	36,583
	- First Nations	-	-
6	Deferred Revenue	9,671,357	9,356,947
7	Debenture Debt	22,088,311	18,949,510
8	Other Borrowings	10,988,294	11,487,384
9	School Generated Funds Liability	726,318	809,921
		58,900,763	55,257,744
	Net Debt	(16,456,462)	(14,290,612)
	Non-Financial Assets		
10	Net Tangible Capital Assets (TCA Schedule)	43,116,550	41,354,579
	Inventories	-	-
	Prepaid Expenses	395,052	365,915
		43,511,602	41,720,494
11	**Accumulated Surplus**	27,055,140	27,429,882

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes			2012	2011
	Revenue			
	Provincial Government		84,056,423	81,018,877
	Federal Government		1,701	4,887
13	Municipal Government	- Property Tax	52,219,164	51,554,758
		- Other	6,088	41,037
	Other School Divisions		770,080	694,402
	First Nations		88,276	5,847
	Private Organizations and Individuals		2,541,147	2,644,868
	Other Sources		926,149	787,410
	School Generated Funds		1,327,067	1,351,580
	Other Special Purpose Funds		-	-
			141,936,095	138,103,666
	Expenses			
	Regular Instruction		76,794,189	74,674,461
	Student Support Services		28,646,814	26,799,552
	Adult Learning Centres		-	-
	Community Education and Services		778,348	944,180
	Divisional Administration		4,361,382	4,372,189
	Instructional and Other Support Services		5,864,273	5,793,304
	Transportation of Pupils		2,192,378	2,230,312
	Operations and Maintenance		15,635,660	14,481,980
14	Fiscal	- Interest	1,321,772	1,225,828
		- Other	2,311,629	2,174,298
	Amortization		3,064,480	2,968,971
	Other Capital Items		14,564	43,483
	School Generated Funds		1,279,403	1,439,544
	Other Special Purpose Funds		-	-
			142,264,892	137,148,102
	Current Year Surplus (Deficit)		(328,797)	955,564
	Less: Non-vested sick leave		(45,945)	(3,475)
	Opening Accumulated Surplus		27,429,882	27,051,449
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	-
		Other than Tangible Cap. Assets	-	-
		Non-vested sick leave	-	(573,656)
	Opening Accumulated Surplus, as adjusted		27,429,882	26,477,793
	Closing Accumulated Surplus		27,055,140	27,429,882

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2012

	2012	2011
Current Year Surplus (Deficit)	(328,797)	955,564
Amortization of Tangible Capital Assets	3,064,480	2,968,971
Acquisition of Tangible Capital Assets	(4,849,204)	(6,658,232)
(Gain) / Loss on Disposal of Tangible Capital Assets	22,753	-
Proceeds on Disposal of Tangible Capital Assets	-	-
	(1,761,971)	(3,689,261)
Inventories (Increase)/Decrease	-	-
Prepaid Expenses (Increase)/Decrease	(29,137)	(27,100)
	(29,137)	(27,100)
(Increase)/Decrease in Net Debt	(2,119,905)	(2,760,797)
Net Debt at Beginning of Year	(14,290,612)	(10,952,684)
Adjustments Other than Tangible Cap. Assets	(45,945)	(577,131)
	(14,336,557)	(11,529,815)
Net Debt at End of Year	(16,456,462)	(14,290,612)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2012

	2012	2011
Operating Transactions		
Current Year Surplus/(Deficit)	(328,797)	955,564
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	3,064,480	2,968,971
(Gain)/Loss on Disposal of Tangible Capital Assets	22,753	-
Employee Future Benefits Increase/(Decrease)	2,348	698,469
Short Term Investments (Increase)/Decrease	-	-
Due from Other Organizations (Increase)/Decrease	(1,396,771)	(1,506,252)
Accounts Receivable & Accrued Income (Increase)/Decrease	8,855	(21,219)
Inventories and Prepaid Expenses - (Increase)/Decrease	(29,137)	(27,100)
Due to Other Organizations Increase/(Decrease)	435,653	390,605
Accounts Payable & Accrued Liabilities Increase/(Decrease)	334,500	1,079,997
Deferred Revenue Increase/(Decrease)	314,410	1,082,231
School Generated Funds Liability Increase/(Decrease)	(83,603)	128,769
Adjustments Other than Tangible Cap. Assets	(45,945)	(577,131)
Cash Provided by Operating Transactions	2,298,746	5,172,904
Capital Transactions		
Acquisition of Tangible Capital Assets	(4,849,204)	(6,658,232)
Proceeds on Disposal of Tangible Capital Assets	-	-
Cash (Applied to)/Provided by Capital Transactions	(4,849,204)	(6,658,232)
Investing Transactions		
Other Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
Financing Transactions		
Debenture Debt Increase/(Decrease)	3,138,801	1,340,643
Other Borrowings Increase/(Decrease)	(499,090)	1,493,481
Cash Provided by (Applied to) Financing Transactions	2,639,711	2,834,124
Cash and Bank / Overdraft (Increase)/Decrease	89,253	1,348,796
Cash and Bank (Overdraft) at Beginning of Year	5,314,309	3,965,513
Cash and Bank (Overdraft) at End of Year	5,403,562	5,314,309

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2012

	Buildings and Leasehold Improvements		School	Other	Furniture / Fixtures &	Computer Hardware &		Land	Assets Under	2012	2011
	School	Non-School	Buses	Vehicles	Equipment	Software *	Land	Improvements	Construction	TOTALS	TOTALS
Tangible Capital Asset Cost											
Opening Cost, as previously reported	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
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	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
Add: Additions during the year	6,095,131	-	247,468	86,678	23,668	75,391	-	359,044	(2,038,176)	4,849,204	6,658,232
Less: Disposals and write downs	-	-	-	-	-	62,438	-	-	-	62,438	156,195
Closing Cost	81,153,509	5,603,537	3,972,527	674,180	5,189,440	1,626,738	2,981,799	1,396,383	1,563,219	104,161,332	99,374,566
Accumulated Amortization											
Opening, as previously reported	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
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	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
Add: Current period Amortization	1,696,096	138,242	357,615	79,878	527,879	145,630		119,140		3,064,480	2,968,971
Less: Accumulated Amortization on Disposals and Writedowns	-	-	-	-	-	39,685		-		39,685	156,195
Closing Accumulated Amortization	50,302,781	3,005,443	2,272,258	491,876	3,362,802	1,314,064		295,558		61,044,782	58,019,987
Net Tangible Capital Asset	30,850,728	2,598,094	1,700,269	182,304	1,826,638	312,674	2,981,799	1,100,825	1,563,219	43,116,550	41,354,579
Proceeds from Disposal of Capital Assets	-	-	-	-	-	-				-	-

* Includes network infrastructure.

PEMBINA TRAILS SCHOOL DIVISION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - JUNE 30, 2012

1. Nature of Organization and Economic Dependence

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

The Division is economically dependent on the Province and on special levy for its revenue and capital financing requirements. Without these funding sources, the Division would not be able to continue its operations.

2. Significant Accounting Policies

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

a) Reporting Entity and Consolidation

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the operating fund, capital fund, and special purpose fund of the Division. The Division reporting entity includes school generated funds, and the Pembina Trails Education Support Fund, Pembina Trails Voices and InForm Net which are entities controlled by the Division. All inter-fund accounts and transactions are eliminated upon consolidation.

b) Basis of Accounting

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

c) Fund Accounting

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

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

d) Tangible Capital Assets

Tangible capital assets are non-financial assets that are used by the Division to provide services to the public and have an economic life beyond one fiscal year.

Tangible capital assets include land, buildings, buses, other vehicles, furniture and equipment, computers, capital leases, leasehold improvements, and assets under construction.

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

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

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

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

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

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

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

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

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

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal if not fully amortized. Assets under construction are not amortized until the date of substantial completion.

e) Employee Future Benefits

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

Manitoba School Board Association (MSBA) Pension Plan, Maternity and Parental Leave, Vacation Days and Non-Vested Sick Leave. The Division adopted the following policies with respect to accounting for these employee future benefits:

(i) Defined contribution plan – MSBA Pension Plan

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

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

(ii) Defined employee future benefit plans – Maternity and Parental Leave

For benefit obligations that are event driven (non-vesting maternity and parental leave), the benefit costs are recognized and recorded only in the period when the event occurs. The employee future benefits liability is the total accrued benefit obligation; while the employee future benefit expense is the Division's contribution for the period.

(iii) Defined employee future benefit plans – Accumulated Vacation Days

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.

(iv) Defined employee future benefit plans – Non-Vested Sick Leave

For non-vesting accumulating sick days, the benefit costs are recognized based on a projection of expected future utilization of sick time (excess of days used over earned per year, to a maximum entitlement), discounted using net present value techniques. The employee future benefits liability is the total accrued benefit obligation; while the employee future benefit expense is the Division's contribution for the period.

f) School Generated Funds

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

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

Period end cash balances of all school generated funds are included in the Consolidated Statement of Financial Position. The uncontrolled portion of this amount is reflected in the School Generated Funds Liability account. Examples of uncontrolled school generated funds are specific purpose student fees and fund raising, school meal programs, scholarship funds, and parent or student council funds. Revenues and expenses of uncontrolled school generated funds are not included in the consolidated financial statements.

g) Capital Reserve

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

h) Use of Estimates

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

i) Financial instruments

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

3. Change in Accounting Policy

Previously, the School Division did not recognize an accrued benefit obligation related to sick leave benefits as the benefits do not vest. The benefit costs were only recognized and recorded in the period when an employee was sick. Public Sector Accounting (PSA) standards require that a liability and an expense be recognized for post-employment benefits and compensated absences that vest or accumulate in the period in which employees render services to the School Division in return for the benefits. An adjustment was made to recognize the liability and an expense related to the accumulated sick leave entitlement. The resulting adjustment to the liability for Employee Future Benefits at July 1, 2011 was $573,656. An additional expense of $3,475 was recognized in the 2010-11 fiscal year. The liability for Employee Future Benefits recorded at June 30, 2012 was increased by $45,945 related to the accrual for accumulated sick leave entitlement, determined using net present value techniques for a total liability at June 30, 2012 of $623,076.

4. Overdraft

The Division has an authorized line of credit with The Toronto-Dominion Bank of $30,000,000 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.

5. Employee Future Benefits

The following employee future benefits are benefits earned by employees in the current period, but will not be paid out until future periods.

	Type of Plan	2012	2011
MSBA Pension Plan	Defined Contribution	$ -	$ -
Maternity and Parental Leave	Defined Benefit - Event Driven	119,251	150,137
Accumulated Vacation Days	Defined Benefit - Vesting	862,120	874,831
Non-Vested Sick Leave	Defined Benefit - Non-Vesting	623,076	577,131
		$ 1,604,447	**$ 1,602,099**

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, 2011	Additions	Recognized	June 30, 2012
Education Property Tax Credit	$ 7,823,323	$ 7,891,783	$ 7,823,323	$ 7,891,783
International Student Program Fees	583,800	862,636	583,800	862,636
Fibre Access Agreements	100,708	-	8,049	92,659
Externally Funded Programs	164,163	167,608	164,163	167,608
Donated Capital Assets	684,953	81,291	109,573	656,671
	$ 9,356,947	**$ 9,003,318**	**$ 8,688,908**	**$ 9,671,357**

7. 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 2012 to 2032. Payment of principal and interest is funded entirely by grants from the Province of Manitoba. The debentures carry interest rates that range from 4.000% to 11.375%. Debenture interest expense payable as at June 30, 2012, 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
2012/13	$ 1,740,420	$ 1,234,710	$ 2,975,130
2013/14	1,628,783	1,116,648	2,745,431
2014/15	$ 1,719,329	1,011,266	2,730,595
2015/16	1,594,845	899,861	2,494,706
2016/17	$ 1,530,562	803,449	$ 2,334,011
	$ 8,213,939	**$ 5,065,934**	**$ 13,279,873**

8. Other Borrowings

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

	2012	2011
Bankers Acceptances	$ 10,988,294	$ 11,487,384
	$ 10,988,294	**$ 11,487,384**

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

	2012	2011
Student Fees - Activities, Clubs, Trips	$ 309,519	$ 321,730
Student - Fees, Yearbooks, Agendas	223,977	221,358
Specific Purpose Fund Raising	45,482	137,367
Breakfast and Lunch Programs	93,236	81,606
Scholarship Funds	(6,809)	3,974
Parent/ Student Council Funds, Other	60,913	43,886
	$ 726,318	**$ 809,921**

10. 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	2012 Net Book Value
Owned Tangible Capital Assets	$ 104,161,332	$ 61,044,782	$ 43,116,550
	$ 104,161,332	**$ 61,044,782**	**$ 43,116,550**

11. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2012	2011
Operating Fund		
Designated Surplus	$ 1,235,372	$ 1,123,672
Undesignated Surplus	3,174,358	3,793,104
Non-Vested Sick Leave	(623,076)	(577,131)
	$ 3,786,654	**$ 4,339,645**
Related Entities		
Pembina Trails Education Support Fund	$ 278,235	$ 153,941
Pembina Trails Voices	$ 83,881	$ 71,689
InForm Net	9,812	11,062
	$ 371,928	**$ 236,692**
Capital Fund		
Reserve Accounts	$ 2,936,134	$ 2,605,789
Equity in Tangible Capital Assets	19,438,000	19,772,996
	$ 22,374,134	**$ 22,378,785**
Special Purpose Fund		
School Generated Funds	$ 522,424	$ 474,760
Other Special Purpose Funds	-	-
	$ 522,424	**$ 474,760**
Total Accumulated Surplus	**$ 27,055,140**	**$ 27,429,882**

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.

12. Restatement of Opening Accumulated Surplus

Employee Future Benefits for the prior period are reported as a restatement of the Opening Accumulated Surplus in 2011 and 2012.

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

Education property tax or Special Levy is raised as the Division's contribution to the cost of providing public education for 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 2011 tax year and 60% from 2012 tax year. Below are the related revenue and receivable amounts:

	2012	2011
Revenue - Municipal Government Property Tax	**$ 52,219,164**	**$ 51,554,758**
Receivable - Due from Municipal Government Property Tax	$ 31,290,200	$ 30,031,652
Receivable - Due from Municipal Government Other	0	4,806
Total Receivable from Municipal Government	**$ 31,290,200**	**$ 30,036,458**

14. Interest Received and Paid

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

	2012	2011
Interest Received		
Operating Fund - Interest Earned	**$ 160,913**	**$ 128,462**
Interest Paid		
Operating Fund - Interest and Bank Charges	$ 84,391	$ 71,259
Capital Fund - Debenture Debt Interest	1,237,381	1,154,569
Total Interest Paid	**$ 1,321,772**	**$ 1,225,828**

15. 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 $636,000 for 2012/13.

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, 2012 is $193,460.

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

In accordance with Section 190.1 of The Public Schools Act the Division is required to collect a special levy on behalf of la Division scolaire franco-manitobaine. The special levy for 2012 was $581,656 (2011 - $512,080). These amounts are not included in the Division's consolidated financial statements.

17. Vacant Land

During the spring of 2012, the Division undertook an initiative to ensure that all property owned by the Division was correctly registered in the Division's legal name. As a product of that initiative, the Division became aware that a parcel of land located at the intersection of Turnbull Drive and Courchaine Road is owned by the Division and the registration of the title into the name of "The Pembina Trails School Division" was completed on May 30, 2012. The parcel is approximately four (4) acres in size and is undeveloped. The Division will be undertaking a market value assessment with respect to the property.

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.

Chairperson

Secretary-Treasurer

October 23, 2012

MNP LLP

Independent Auditors' Report

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

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, 2012, 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. 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 the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Pine Creek School Division as at June 30, 2012 and the consolidated results of its operations, consolidated changes in net debt and its consolidated cash flow for the year then ended in accordance with Canadian generally accepted accounting principles established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

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

MNP LLP
Chartered Accountants

Brandon, Manitoba
October 23, 2012

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

Chairperson of the Board

Oct. 23/12
Date

ACCOUNTING › CONSULTING › TAX
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1.800.446.0890 P: 204.727.0661 F: 204.726.1543 mnp.ca

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2012	2011
	Financial Assets		
	Cash and Bank	679,643	1,129,304
	Short Term Investments	-	-
	Due from - Provincial Government	476,683	406,005
	- Federal Government	44,131	32,226
	- Municipal Government	2,051,910	1,956,881
	- Other School Divisions	-	-
	- First Nations	-	-
	Accounts Receivable	44,893	81,116
	Accrued Investment Income	-	-
	Other Investments	-	-
		3,297,260	3,605,532
	Liabilities		
	Overdraft	-	-
	Accounts Payable	202,232	244,727
	Accrued Liabilities	1,291,510	1,171,188
5	Employee Future Benefits	32,039	22,159
	Accrued Interest Payable	59,716	65,521
	Due to - Provincial Government	9,883	63,370
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	5,200	-
	- First Nations	-	-
6	Deferred Revenue	509,273	473,909
7	Debenture Debt	2,704,663	2,878,085
	Other Borrowings	-	-
	School Generated Funds Liability	-	-
		4,814,516	4,918,959
	Net Debt	(1,517,256)	(1,313,427)
	Non-Financial Assets		
8	Net Tangible Capital Assets (TCA Schedule)	4,573,958	4,339,302
	Inventories	-	-
	Prepaid Expenses	47,374	61,613
		4,621,332	4,400,915
9	**Accumulated Surplus**	3,104,076	3,087,488

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes		2012	2011
	Revenue		
	Provincial Government	9,348,961	8,895,704
	Federal Government	-	-
	Municipal Government - Property Tax	4,168,248	4,151,177
	- Other	-	-
	Other School Divisions	33,150	28,506
	First Nations	-	-
	Private Organizations and Individuals	1,910	2,028
	Other Sources	69,526	51,823
	School Generated Funds	307,508	269,412
	Other Special Purpose Funds	-	-
		13,929,303	13,398,650
	Expenses		
	Regular Instruction	7,494,278	7,103,212
	Student Support Services	1,612,488	1,498,247
	Adult Learning Centres	-	-
	Community Education and Services	13,507	11,515
	Divisional Administration	538,901	496,120
	Instructional and Other Support Services	413,512	351,558
	Transportation of Pupils	1,089,132	1,100,083
	Operations and Maintenance	1,507,115	1,345,628
11	Fiscal - Interest	165,151	154,688
	- Other	251,562	181,166
	Amortization	507,527	486,130
	Other Capital Items	-	-
	School Generated Funds	309,662	266,299
	Other Special Purpose Funds	-	-
		13,902,835	12,994,646
	Current Year Surplus (Deficit)	26,468	404,004
	Less: Non-vested sick leave	(9,880)	1,071
	Opening Accumulated Surplus	3,087,488	2,705,643
	Adjustments: Tangible Cap. Assets and Accum. Amort.	-	-
	Other than Tangible Cap. Assets	-	-
	Non-vested sick leave	-	(23,230)
	Opening Accumulated Surplus, as adjusted	3,087,488	2,682,413
	Closing Accumulated Surplus	3,104,076	3,087,488

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2012

	2012	2011
Current Year Surplus (Deficit)	26,468	404,004
Amortization of Tangible Capital Assets	507,527	486,130
Acquisition of Tangible Capital Assets	(742,183)	(829,924)
(Gain) / Loss on Disposal of Tangible Capital Assets	(14,111)	(692)
Proceeds on Disposal of Tangible Capital Assets	14,111	2,500
	(234,656)	(341,986)
Inventories (Increase)/Decrease	-	-
Prepaid Expenses (Increase)/Decrease	14,239	(13,021)
	14,239	(13,021)
(Increase)/Decrease in Net Debt	(193,949)	48,997
Net Debt at Beginning of Year	(1,313,427)	(1,340,265)
Adjustments Other than Tangible Cap. Assets	(9,880)	(22,159)
	(1,323,307)	(1,362,424)
Net Debt at End of Year	(1,517,256)	(1,313,427)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2012

	2012	2011
Operating Transactions		
Current Year Surplus/(Deficit)	26,468	404,004
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	507,527	486,130
(Gain)/Loss on Disposal of Tangible Capital Assets	(14,111)	(692)
Employee Future Benefits Increase/(Decrease)	9,880	22,159
Short Term Investments (Increase)/Decrease	-	-
Due from Other Organizations (Increase)/Decrease	(177,612)	(316,068)
Accounts Receivable & Accrued Income (Increase)/Decrease	36,223	(27,199)
Inventories and Prepaid Expenses - (Increase)/Decrease	14,239	(13,021)
Due to Other Organizations Increase/(Decrease)	(48,287)	53,487
Accounts Payable & Accrued Liabilities Increase/(Decrease)	72,022	513,307
Deferred Revenue Increase/(Decrease)	35,364	49,530
School Generated Funds Liability Increase/(Decrease)	-	-
Adjustments Other than Tangible Cap. Assets	(9,880)	(22,159)
Cash Provided by Operating Transactions	451,833	1,149,478
Capital Transactions		
Acquisition of Tangible Capital Assets	(742,183)	(829,924)
Proceeds on Disposal of Tangible Capital Assets	14,111	2,500
Cash (Applied to)/Provided by Capital Transactions	(728,072)	(827,424)
Investing Transactions		
Other Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
Financing Transactions		
Debenture Debt Increase/(Decrease)	(173,422)	542,963
Other Borrowings Increase/(Decrease)	-	-
Cash Provided by (Applied to) Financing Transactions	(173,422)	542,963
Cash and Bank / Overdraft (Increase)/Decrease	(449,661)	865,017
Cash and Bank (Overdraft) at Beginning of Year	1,129,304	264,287
Cash and Bank (Overdraft) at End of Year	679,643	1,129,304

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2012

	Buildings and Leasehold Improvements		School	Other	Furniture / Fixtures &	Computer Hardware &		Land	Assets Under	2012	2011
	School	Non-School	Buses	Vehicles	Equipment	Software *	Land	Improvements	Construction	TOTALS	TOTALS
Tangible Capital Asset Cost											
Opening Cost, as previously reported	10,665,871	395,239	2,435,143	129,311	82,695	85,209	75,334	-	-	13,868,802	13,127,032
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	10,665,871	395,239	2,435,143	129,311	82,695	85,209	75,334	-	-	13,868,802	13,127,032
Add: Additions during the year	408,742	36,210	186,086	53,148	35,364	-	-	-	22,633	742,183	829,924
Less: Disposals and write downs	-	-	168,505	26,500	-	-	-	-	-	195,005	88,154
Closing Cost	11,074,613	431,449	2,452,724	155,959	118,059	85,209	75,334	-	22,633	14,415,980	13,868,802
Accumulated Amortization											
Opening, as previously reported	7,346,425	249,535	1,766,818	101,299	39,276	26,147		-		9,529,500	9,129,716
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	7,346,425	249,535	1,766,818	101,299	39,276	26,147		-		9,529,500	9,129,716
Add: Current period Amortization	303,676	15,006	146,708	15,393	9,869	16,875		-		507,527	486,130
Less: Accumulated Amortization on Disposals and Writedowns	-	-	168,505	26,500	-	-		-		195,005	86,346
Closing Accumulated Amortization	7,650,101	264,541	1,745,021	90,192	49,145	43,022		-		9,842,022	9,529,500
Net Tangible Capital Asset	3,424,512	166,908	707,703	65,767	68,914	42,187	75,334	-	22,633	4,573,958	4,339,302
Proceeds from Disposal of Capital Assets	-	-	3,236	10,875	-	-				14,111	2,500

* Includes network infrastructure.

1. Nature of Organization and Economic Dependence

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

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

2. Significant Accounting Policies

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

a) Reporting Entity and Consolidation

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

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

b) Trust funds

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

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

c) Basis of Accounting

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

d) Fund Accounting

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

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

e) School Generated Funds

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

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

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

f) Tangible Capital Assets

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

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

Asset Description	Capitalization Threshold ($)	Estimated Useful Life (years)
Land Improvements	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. Effective the 2009/2010 fiscal year, expected future payment on non vested accumulated sick leave benefits for employees based on estimated sick days that will be used over earned per year has been set up as a future benefit.

h) Capital Reserve

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

i) Use of Estimates

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

j) Financial instruments

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

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. As well, expected future payment on non vested accumulated sick leave benefits for employees based on estimated sick days that will be used over earned per year has been set up as a future benefit.

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, 2011	Additions in the period	Revenue recognized in the period	Balance as at June 30, 2012
Manitoba Textbook Bureau	$ 8,016	$ 33,780	$ 41,495	$ 0
Education Property Tax Credit	$445,494	$459,193	$445,494	$459,193
International Tuition	$ 0	$ 0	$ 0	$ 0
Donated Capital Assets	$ 20,399	$ 31,828	$ 2,147	$ 50,080
Other special purpose funds	$ 0	$ 0	$ 0	$ 0
	$473,909	$524,801	$489,136	$509,273

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 2013 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 8.375%.

Debenture interest expense payable as at June 30, 2012, 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
2013	$170,808	$154,692	$325,500
2014	$181,581	$144,074	$325,655
2015	$183,468	$133,202	$316,670
2016	$194,612	$122,409	$317,021
2017	$206,454	$110,939	$317,393
	$936,923	$665,316	$1,602,239

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).

	Gross Amount	Accumulated Amortization	2012 Net Book Value
Owned-tangible capital assets	$14,415,980	$9,842,022	$4,573,958

9. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2012
Operating Fund	
Designated Surplus	$ 329,144
Undesignated Surplus	$ 836,820
Non Vested Sick Leave to date	($ 32,039)
	$1,133,925
Capital Fund	
Reserve Accounts	$ 404,780
Equity in Tangible Capital Assets	$1,465,087
	$1,869,867
Special Purpose Fund	
School Generated Funds	$ 100,284
Other Special Purpose Funds	$ 0
	$ 100,284
Total Accumulated Surplus	$ 3,104,076

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.

	2012
Board approved appropriation by motion	$284,544
School budget carryovers by board policy	$ 44,600
Designated surplus	$329,144

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.

	2012
Bus reserves	$404,780
Other reserves	$ 0
Capital Reserve	$404,780

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

Education property tax or Special Levy is raised as the Division's contribution to the cost of providing public education for the 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 2011 tax year and 49.5% from 2012 tax year. Below are the related revenue and receivable amounts:

	2012	2011
Revenue–Municipal Government-Property Tax	$4,168,248	$4,151,177
Receivable-Due from Municipal-Property Tax	$2,051,910	$1,956,881

11. Interest Received and Paid

The Division received interest during the year of $12,903 (previous year $10,664); interest paid during the year was $165,151 (previous year $154,688).

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

	2012
Operating Fund	
Fiscal-short term loan, interest and bank charges	$ 408
Capital fund	
Debenture debt interest	$164,743
Other interest	$ 0
	$165,151

The accrual portion of debenture debt interest expense of $59,716 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 2012	Budget 2012	Actual 2011
Salaries	$ 9,343,982	$ 9,533,318	$ 8,967,769
Employees benefits & allowances	$ 726,611	$ 780,988	$ 717,370
Services	$ 1,227,557	$ 1,509,477	$ 1,160,468
Supplies, materials & minor equipment	$ 1,334,498	$ 1,019,417	$ 1,036,024
Interest	$ 165,151	$ 11,000	$ 154,688
Bad debts	$ 0	$ 0	$ 0
Payroll tax – and transfers	$ 287,847	$ 237,733	$ 205,898
Amortization	$ 507,527	$ 0	$ 486,130
Other capital items	$ 0	$ 0	$ 0
School generated funds	$ 309,662	$ 0	$ 266,299
Other special purpose funds	$ 0	$ 0	$ 0
	$13,902,835	$13,091,933	$12,994,646

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 11, 2012

BDO

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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, 2012, and the consolidated statement of revenue, expenses and accumulated surplus, statement of change in net debt and statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

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

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

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **Portage la Prairie School Division** as at June 30, 2012, 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 11, 2012

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.

10/30/12
Date

Chairperson

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2012	2011
	Financial Assets		
	Cash and Bank	-	476,669
3	Short Term Investments	13,679	24,549
	Due from - Provincial Government	830,027	858,036
	- Federal Government	151,491	162,266
	- Municipal Government	5,646,424	5,199,552
	- Other School Divisions	-	-
	- First Nations	174,967	340,815
	Accounts Receivable	55,810	48,548
	Accrued Investment Income	-	-
	Other Investments	-	-
		6,872,398	7,110,435
	Liabilities		
4	Overdraft	477,471	-
	Accounts Payable	332,712	536,974
	Accrued Liabilities	3,541,820	3,567,639
5	Employee Future Benefits	-	-
	Accrued Interest Payable	145,387	163,385
	Due to - Provincial Government	-	-
	- Federal Government	415,760	361,599
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
6	Deferred Revenue	1,486,188	1,437,936
7	Debenture Debt	9,799,716	10,373,984
	Other Borrowings	-	-
8	School Generated Funds Liability	103,619	71,285
		16,302,673	16,512,802
	Net Debt	(9,430,275)	(9,402,367)
	Non-Financial Assets		
9	Net Tangible Capital Assets (TCA Schedule)	14,651,671	14,842,159
	Inventories	51,306	61,785
	Prepaid Expenses	52,261	16,583
		14,755,238	14,920,527
10	**Accumulated Surplus**	5,324,963	5,518,160

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes			2012	2011
	Revenue			
	Provincial Government		22,108,203	21,626,024
	Federal Government		7,537	14,716
11	Municipal Government	- Property Tax	10,678,292	9,875,989
		- Other	-	-
	Other School Divisions		194,392	59,132
	First Nations		726,079	1,080,091
	Private Organizations and Individuals		6,450	9,200
	Other Sources		20,447	28,534
	School Generated Funds		1,569,293	1,589,372
	Other Special Purpose Funds		-	-
			35,310,693	34,283,058
13	**Expenses**			
	Regular Instruction		18,526,900	17,294,994
	Student Support Services		6,145,282	6,168,581
	Adult Learning Centres		-	2,688
	Community Education and Services		40,365	29,840
	Divisional Administration		1,078,819	1,087,545
	Instructional and Other Support Services		1,164,197	1,102,647
	Transportation of Pupils		945,659	909,453
	Operations and Maintenance		3,620,229	3,474,068
12	Fiscal	- Interest	602,418	629,494
		- Other	555,941	518,688
	Amortization		1,159,961	1,166,308
	Other Capital Items		-	-
	School Generated Funds		1,664,119	1,714,251
	Other Special Purpose Funds		-	-
			35,503,890	34,098,557
	Current Year Surplus (Deficit)		(193,197)	184,501
	Less: Non-vested sick leave		0	0
	Opening Accumulated Surplus		5,518,160	5,333,659
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	-
		Other than Tangible Cap. Assets	-	-
		Non-vested sick leave	-	-
	Opening Accumulated Surplus, as adjusted		5,518,160	5,333,659
	Closing Accumulated Surplus		5,324,963	5,518,160

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2012

	2012	2011
Current Year Surplus (Deficit)	(193,197)	184,501
Amortization of Tangible Capital Assets	1,159,961	1,166,308
Acquisition of Tangible Capital Assets	(971,573)	(1,290,164)
(Gain) / Loss on Disposal of Tangible Capital Assets	2,100	(1,149)
Proceeds on Disposal of Tangible Capital Assets	-	240,000
	190,488	114,995
Inventories (Increase)/Decrease	10,479	16,942
Prepaid Expenses (Increase)/Decrease	(35,678)	5,721
	(25,199)	22,663
(Increase)/Decrease in Net Debt	(27,908)	322,159
Net Debt at Beginning of Year	(9,402,367)	(9,724,526)
Adjustments Other than Tangible Cap. Assets	-	-
	(9,402,367)	(9,724,526)
Net Debt at End of Year	(9,430,275)	(9,402,367)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2012

	2012	2011
Operating Transactions		
Current Year Surplus/(Deficit)	(193,197)	184,501
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	1,159,961	1,166,308
(Gain)/Loss on Disposal of Tangible Capital Assets	2,100	(1,149)
Employee Future Benefits Increase/(Decrease)	-	-
Short Term Investments (Increase)/Decrease	10,870	11,704
Due from Other Organizations (Increase)/Decrease	(242,240)	(302,902)
Accounts Receivable & Accrued Income (Increase)/Decrease	(7,262)	59,135
Inventories and Prepaid Expenses - (Increase)/Decrease	(25,199)	22,663
Due to Other Organizations Increase/(Decrease)	54,161	58,898
Accounts Payable & Accrued Liabilities Increase/(Decrease)	(248,079)	424,936
Deferred Revenue Increase/(Decrease)	48,252	47,928
School Generated Funds Liability Increase/(Decrease)	32,334	71,285
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by Operating Transactions	591,701	1,743,307
Capital Transactions		
Acquisition of Tangible Capital Assets	(971,573)	(1,290,164)
Proceeds on Disposal of Tangible Capital Assets	-	240,000
Cash (Applied to)/Provided by Capital Transactions	(971,573)	(1,050,164)
Investing Transactions		
Other Investments (Increase)/Decrease	-	63,192
Cash Provided by (Applied to) Investing Transactions	-	63,192
Financing Transactions		
Debenture Debt Increase/(Decrease)	(574,268)	3,856,061
Other Borrowings Increase/(Decrease)	-	(3,761,242)
Cash Provided by (Applied to) Financing Transactions	(574,268)	94,819
Cash and Bank / Overdraft (Increase)/Decrease	(954,140)	851,154
Cash and Bank (Overdraft) at Beginning of Year	476,669	(374,485)
Cash and Bank (Overdraft) at End of Year	(477,471)	476,669

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2012

	Buildings and Leasehold Improvements		School	Other	Furniture / Fixtures &	Computer Hardware &		Land	Assets Under	2012	2011
	School	Non-School	Buses	Vehicles	Equipment	Software *	Land	Improvements	Construction	TOTALS	TOTALS
Tangible Capital Asset Cost											
Opening Cost, as previously reported	31,596,373	338,037	1,664,276	58,829	732,199	-	272,286	-	994,134	35,656,134	34,604,821
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	31,596,373	338,037	1,664,276	58,829	732,199	-	272,286	-	994,134	35,656,134	34,604,821
Add: Additions during the year	1,011,808	-	91,692	16,290	30,397	-	-	-	(178,614)	971,573	1,290,164
Less: Disposals and write downs	145,648				113,487	-	2,100	-		261,235	238,851
Closing Cost	32,462,533	338,037	1,755,968	75,119	649,109	-	270,186	-	815,520	36,366,472	35,656,134
Accumulated Amortization											
Opening, as previously reported	18,725,739	338,037	1,320,026	38,515	391,658	-		-		20,813,975	19,647,667
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	18,725,739	338,037	1,320,026	38,515	391,658	-		-		20,813,975	19,647,667
Add: Current period Amortization	979,602	-	85,276	8,395	86,688	-		-		1,159,961	1,166,308
Less: Accumulated Amortization on Disposals and Writedowns	145,648				113,487	-		-		259,135	-
Closing Accumulated Amortization	19,559,693	338,037	1,405,302	46,910	364,859	-		-		21,714,801	20,813,975
Net Tangible Capital Asset	12,902,840	-	350,666	28,209	284,250	-	270,186	-	815,520	14,651,671	14,842,159
Proceeds from Disposal of Capital Assets	-	-	-	-	-	-				-	240,000

* Includes network infrastructure.

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.

Tangible Capital Assets

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

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

Asset Description	Capitalization Threshold ($)	Estimated Useful Life
Land improvements	25,000	10 years
Buildings – bricks, mortar, steel	25,000	40 years
Buildings – wood frame	25,000	25 years
School buses	20,000	10 years
Vehicles	10,000	5 years
Equipment	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 beyond the employee portion payable.

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

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

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

Capital Reserve

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

Use of Estimates

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

Financial Instruments

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

3. 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, 2012, the short-term investment was $13,679 (2011 – $24,549).

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, 2012); 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 $337,826 (2011 - $332,650).

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, 2011	Additions in year	recognized in year	Balance as at June 30, 2012
Education Property Tax Credit (EPTC)	$ 1,416,575	$ 3,032,752	$ 2,993,606	$ 1,455,721
Manitoba Text Book Bureau	21,361	89,733	90,826	20,268
Other	-	10,199	-	10,199
	-	-	-	-
	$ 1,437,936	$ 3,132,684	$ 3,084,432	$ 1,486,188

7. Debenture Debt

	2012	2011
Supportable debenture	$ 6,303,588	$ 6,741,930
Non-supportable debenture	3,496,128	3,632,154
	$ 9,799,716	$ 10,373,984

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 2013 to 2032. 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 4.00% to 11.25%. Debenture interest expense payable as at June 30, 2012, 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.

2013	$ 901,788
2014	851,554
2015	752,505
2016	708,283
2017	665,055

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 in the next five fiscal years ending are as follows.

2013	$ 331,255
2014	331,255
2015	331,255
2016	331,255
2017	331,255

8. School Generated Funds Liability

School Generated Funds Liability includes the non-controlled portion of school generated funds. At June 30, 2012, an amount equal to $103,619 (2011 - $71,285) is included in cash and bank (overdraft) on the consolidated financial statement.

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 (previous year nil).

10. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following.

		2012		2011
Operating Fund				
Designated Surplus	$	-	$	-
Undesignated Surplus		663,809		628,159
	$	663,809	$	628,159
Capital Fund				
Reserve Accounts	$	125,000	$	125,000
Equity in Tangible Capital Assets		4,244,814		4,378,835
	$	4,369,814	$	4,503,835
Special Purpose Fund				
School Generated Funds	$	291,340		386,166
Other Special Purpose Funds		-		-
	$	291,340		386,166
Total Accumulated Surplus	$	5,324,963	$	5,518,160

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.

		2012		2011
Yellowquill Regulation Track Reserve	$	125,000	$	125,000

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

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

Education property tax or Special Levy is raised as the Division's contribution to the cost of providing public education for 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 2011 tax year and 52% from 2012 tax year. Below are the related revenue and receivable amounts.

		2012	2011
Revenue – Municipal Government – Property Tax	$	10,678,292	9,875,989
Receivable – Due from Municipal – Property Tax	$	5,646,424	5,199,552

12. Interest Received and Paid

The Division received interest during the year of $11,770 (2011 - $16,670) and interest paid during the year was $602,418 (2011 - $629,494).

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

		2012		2011
Operating Fund				
Fiscal-short term loan, interest and bank charges	$	19,655	$	20,664
Capital Fund				
Debenture interest		582,763		410,693
Other interest – non-supportable		-		198,137
	$	602,418	$	629,494

The accrual portion of debenture debt interest expense of $145,387 (2011 - $163,385) 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 2012		Actual 2011
Salaries	$	25,454,728	$	24,148,003
Employees benefits and allowances		1,729,720		1,511,044
Services		2,110,673		2,282,885
Supplies, materials and minor equipment		2,176,280		2,081,734
Interest		602,418		629,494
Payroll tax		555,941		518,688
Bad debts		-		-
Transfers		50,050		46,150
Amortization		1,159,961		1,166,308
School generated funds		1,664,119		1,714,251
	$	35,503,890	$	34,098,557

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, 2012, the amount of this levy was $36,502 (2011 - $24,649). These amounts are not included in the Division's consolidated financial statements.

15. Commitments

Subsequent to yearend, The Board of Trustees awarded a contract to build a Science Lab Renovations Project for the PCI Life Skills and Grooming Room renovations at a cost of approximately $800,000. The capital project will be financed 60% through a debenture funded by Public Schools Finance 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.

Chair

Secretary-Treasurer

October 22, 2012

CRAIG & ROSS
CHARTERED ACCOUNTANTS

October 5, 2012

INDEPENDENT AUDITORS' REPORT

To the Chairperson and Trustees of
Prairie Rose School Division

We have audited the accompanying consolidated financial statements of Prairie Rose School Division which comprise the consolidated statement of financial position as at June 30, 2012 and June 30, 2011, and the consolidated statements of revenue, expenses and accumulated surplus, change in net debt and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian 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 financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the consolidated financial position of Prairie Rose School Division as at June 30, 2012 and the consolidated results of its operations, changes in net debt and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Craig & Ross
Chartered 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.

Oct 22/12
Date

Chairperson

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2012	2011
	Financial Assets		
	Cash and Bank	-	-
	Short Term Investments	-	-
	Due from - Provincial Government	1,322,178	1,304,733
	- Federal Government	39,077	72,382
	- Municipal Government	4,538,944	4,467,987
	- Other School Divisions	18,500	18,500
	- First Nations	-	-
	Accounts Receivable	118,436	146,794
	Accrued Investment Income	-	-
	Other Investments	-	-
		6,037,135	6,010,396
	Liabilities		
*	Overdraft	2,074,938	2,194,951
	Accounts Payable	1,057,326	1,058,056
	Accrued Liabilities	242,449	758,274
*	Employee Future Benefits	93,711	103,408
	Accrued Interest Payable	-	176,637
	Due to - Provincial Government	167,541	4,788
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
*	Deferred Revenue	799,759	799,448
*	Debenture Debt	7,230,251	7,240,628
*	Other Borrowings	563,863	600,840
	School Generated Funds Liability	21,041	27,509
		12,250,879	12,964,539
	Net Debt	(6,213,744)	(6,954,143)
	Non-Financial Assets		
*	Net Tangible Capital Assets (TCA Schedule)	11,201,365	11,592,652
	Inventories	-	-
	Prepaid Expenses	58,418	63,393
		11,259,783	11,656,045
*	**Accumulated Surplus**	5,046,039	4,701,902

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes			2012	2011
	Revenue			
	Provincial Government		17,579,149	17,157,598
	Federal Government		15,804	-
	Municipal Government	- Property Tax	7,770,167	7,829,284
		- Other	1,917	1,958
	Other School Divisions		62,400	71,917
	First Nations		-	-
	Private Organizations and Individuals		77,241	12,449
	Other Sources		101,176	(64,274)
	School Generated Funds		517,265	502,963
	Other Special Purpose Funds		19,314	11,143
			26,144,433	25,523,038
	Expenses			
	Regular Instruction		13,761,686	13,208,317
	Student Support Services		3,443,904	3,243,869
	Adult Learning Centres		246,848	244,202
	Community Education and Services		25,024	22,625
	Divisional Administration		968,629	932,809
	Instructional and Other Support Services		690,172	622,364
	Transportation of Pupils		1,809,770	1,685,380
	Operations and Maintenance		2,546,027	2,847,058
*	Fiscal	- Interest	474,704	521,674
		- Other	390,573	354,145
	Amortization		918,686	887,969
	Other Capital Items		-	-
	School Generated Funds		519,281	495,272
	Other Special Purpose Funds		14,689	20,548
			25,809,993	25,086,232
	Current Year Surplus (Deficit)		334,440	436,806
	Less: Non-vested sick leave		9,697	2,856
	Opening Accumulated Surplus		4,701,902	4,368,504
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	-
		Other than Tangible Cap. Assets	-	-
		Non-vested sick leave	-	(106,264)
	Opening Accumulated Surplus, as adjusted		4,701,902	4,262,240
	Closing Accumulated Surplus		5,046,039	4,701,902

See accompanying notes to the Financial Statements

* NOTE REQUIRED

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2012

	2012	2011
Current Year Surplus (Deficit)	334,440	436,806
Amortization of Tangible Capital Assets	918,686	887,969
Acquisition of Tangible Capital Assets	(585,158)	(1,264,955)
(Gain) / Loss on Disposal of Tangible Capital Assets	(20,961)	224,284
Proceeds on Disposal of Tangible Capital Assets	78,720	-
	391,287	(152,702)
Inventories (Increase)/Decrease	-	-
Prepaid Expenses (Increase)/Decrease	4,975	9,079
	4,975	9,079
(Increase)/Decrease in Net Debt	730,702	293,183
Net Debt at Beginning of Year	(6,954,143)	(7,143,918)
Adjustments Other than Tangible Cap. Assets	9,697	(103,408)
	(6,944,446)	(7,247,326)
Net Debt at End of Year	(6,213,744)	(6,954,143)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2012

	2012	2011
Operating Transactions		
Current Year Surplus/(Deficit)	334,440	436,806
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	918,686	887,969
(Gain)/Loss on Disposal of Tangible Capital Assets	(20,961)	224,284
Employee Future Benefits Increase/(Decrease)	(9,697)	103,408
Short Term Investments (Increase)/Decrease	-	-
Due from Other Organizations (Increase)/Decrease	(55,097)	(480,903)
Accounts Receivable & Accrued Income (Increase)/Decrease	28,358	75,788
Inventories and Prepaid Expenses - (Increase)/Decrease	4,975	9,079
Due to Other Organizations Increase/(Decrease)	162,753	(379)
Accounts Payable & Accrued Liabilities Increase/(Decrease)	(693,192)	362,516
Deferred Revenue Increase/(Decrease)	311	(44,280)
School Generated Funds Liability Increase/(Decrease)	(6,468)	1,358
Adjustments Other than Tangible Cap. Assets	9,697	(103,408)
Cash Provided by Operating Transactions	673,805	1,472,238
Capital Transactions		
Acquisition of Tangible Capital Assets	(585,158)	(1,264,955)
Proceeds on Disposal of Tangible Capital Assets	78,720	-
Cash (Applied to)/Provided by Capital Transactions	(506,438)	(1,264,955)
Investing Transactions		
Other Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
Financing Transactions		
Debenture Debt Increase/(Decrease)	(10,377)	(534,422)
Other Borrowings Increase/(Decrease)	(36,977)	(36,308)
Cash Provided by (Applied to) Financing Transactions	(47,354)	(570,730)
Cash and Bank / Overdraft (Increase)/Decrease	120,013	(363,447)
Cash and Bank (Overdraft) at Beginning of Year	(2,194,951)	(1,831,504)
Cash and Bank (Overdraft) at End of Year	(2,074,938)	(2,194,951)

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2012

	Buildings and Leasehold Improvements		School	Other	Furniture / Fixtures &	Computer Hardware &		Land	Assets Under	2012	2011
	School	Non-School	Buses	Vehicles	Equipment	Software *	Land	Improvements	Construction	TOTALS	TOTALS
Tangible Capital Asset Cost											
Opening Cost, as previously reported	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
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	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
Add: Additions during the year	769,528	137,788	179,448	-	51,789	142,702	-	-	(696,097)	585,158	1,264,955
Less: Disposals and write downs	153,886	148,297	193,406	-	36,200	-	4,028	-	-	535,817	394,555
Closing Cost	20,440,517	816,970	4,023,704	73,158	118,754	1,464,087	108,984	151,993	201,024	27,399,191	27,349,850
Accumulated Amortization											
Opening, as previously reported	12,244,017	448,598	2,719,642	65,947	59,506	198,208		21,280		15,757,198	15,039,500
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	12,244,017	448,598	2,719,642	65,947	59,506	198,208		21,280		15,757,198	15,039,500
Add: Current period Amortization	479,020	15,444	260,075	4,804	7,185	146,079		6,079		918,686	887,969
Less: Accumulated Amortization on Disposals and Writedowns	100,155	148,297	193,406	-	36,200	-		-		478,058	170,271
Closing Accumulated Amortization	12,622,882	315,745	2,786,311	70,751	30,491	344,287		27,359		16,197,826	15,757,198
Net Tangible Capital Asset	7,817,635	501,225	1,237,393	2,407	88,263	1,119,800	108,984	124,634	201,024	11,201,365	11,592,652
Proceeds from Disposal of Capital Assets	21,920	35,450	3,222	-	14,100	-	4,028			78,720	-

* Includes network infrastructure.

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1. Nature of Organization and Economic Dependence

Prairie Rose School Division (the "Division") is a public body that provides education services to residents within its geographic boundaries. It is governed by a Board of Trustees acting under the authority of The Public Schools Act. The Division is funded mainly by grants from the Province of Manitoba (the "Province"), and a special levy on property located in the Division's geographic boundaries. The Division is exempt from income tax.

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

2. Change in Accounting Policy

Previously, the School Division did not recognize an accrued benefit obligation related to sick leave benefits as the benefits do not vest. The benefit costs were only recognized and recorded in the period when an employee was sick. Public sector accounting standards require that a liability and an expense be recognized for post-employment benefits and compensated absences that vest or accumulate in the period in which employees render services to the School Division in return for the benefits.

An adjustment was made to recognize a liability and an expense related to accumulated sick leave entitlement. The resulting adjustment to the liability for Employee Future Benefits at July 1, 2010 was $106,264. A recovery of this expense in the amount of $2,856 was recognized in the 2010/2011 fiscal year. The liability for Employee Future Benefits recorded at June 30, 2012 was decreased by $9,697 related to the accrual for accumulated sick leave entitlement, determined using net present value techniques.

3. 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.

3. Significant Accounting Policies - Continued

c) Fund Accounting

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

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

Trust funds and their related operations administered by the Division are not consolidated in these financial statements. The trust funds administered by the Division are presented in the Trust Funds Schedule.

d) School Generated Funds

School generated funds are 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) Non-Financial Assets

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

f) Employee Future Benefits

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

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.

3. Significant Accounting Policies - Continued

g) Tangible Capital Assets

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

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.

3. Significant Accounting Policies - Continued

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. Overdraft

The Division has an authorized line of credit with Access Credit Union of $4,000,000 by way of overdrafts and is repayable on demand. The overdraft bears interest at the credit union prime lending rate less .65% and is paid monthly. $1,942,398 remains available on this line of credit at June 30, 2012. Overdrafts are secured by a first charge on any funds receivable from the Province of Manitoba.

5. Employee Future Benefits

Non-vested accumulated sick leave benefits are measured using net present value techniques on the expected future utilization of excess of sick benefits used over earned per year, to a maximum entitlement. The impact of the estimated non-vested sick leave benefit recovery for 2011 / 2012 is $9,697 (2010 / 2011 - $2,856) .

6. Deferred Revenue

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

7. 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 2032. Payment of principal and interest is funded entirely by grants from the Province of Manitoba. The debentures carry interest rates that range from 4.000% to 10.5%. Debenture interest expense payable as at June 30, 2012 and 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:

2013	$1,162,268
2014	978,243
2015	907,813
2016	830,376
2017	776,334
	$4,655,034

8. 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.	$ 563,863

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

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	Accumulated Amortization	2012 Net Book Value	2011 Net Book Value
Tangible capital assets	**$27,399,191**	**$16,197,826**	**$11,201,365**	$11,592,652

10. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2012	2011
Operating Fund		
Undesignated Surplus	**$ 767,261**	$ 796,758
Capital Fund		
Reserve Accounts	**803,308**	819,510
Equity in Tangible Capital Assets	**3,358,351**	2,971,124
	4,161,659	3,790,634
Special Purpose Fund		
School Generated Funds	**90,135**	92,151
Other Special Purpose Funds	**26,984**	22,359
	117,119	114,510
Total Accumulated Surplus	**$5,046,039**	$4,701,902

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 audited financial statements.

School Generated Funds and Other Special Purpose Funds are externally restricted moneys for school use, scholarship awards and donations for school projects.

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

Education property tax or Special Levy is raised as the Division's contribution to the cost of providing public education for the students resident in the division. The Municipal Government-Property Tax shown on the consolidated revenue and expense is raised over the two calendar (tax) years; 42% from the 2011 tax year and 58% from the 2012 tax year. Below are the related revenue and receivable amounts:

	2012	2011
Revenue-Municipal Government-Property Tax	**$7,770,167**	$7,829,284
Receivable-Due from Municipal-Property Tax	**$4,538,944**	$4,467,987

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, 2012, the amount of this special levy was $450,206 (2011 - $428,846). These amounts are not included in the Division's financial statements.

12. Interest Expense

	2012	2011
Operating Fund		
Fiscal-short term loan, interest and bank charges	**$ 15,542**	$ 23,107
Capital Fund		
Debenture debt interest	**444,539**	483,276
Other borrowings – Access Credit Union	**14,623**	15,291
	$ 474,704	$ 521,674

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.

13. Budget Figures and Non Financial Information

The 2012 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.

MNP LLP

Independent Auditors' Report

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

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, 2012, 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. 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 the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Prairie Spirit School Division as at June 30, 2012 and the consolidated results of its operations, consolidated changes in net debt and its consolidated cash flow for the year then ended in accordance with Canadian generally accepted accounting principles established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

Other Matters

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

Brandon, Manitoba
October 19, 2012

MNP LLP
Chartered Accountants

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

Chairperson of the Board

Date

Praxity MEMBER
GLOBAL ALLIANCE OF INDEPENDENT FIRMS

BEST EMPLOYERS IN CANADA 2012

ACCOUNTING › CONSULTING › TAX
1401 PRINCESS AVENUE, BRANDON, MB R7A 7L7
1.800.446.0890 P: 204.727.0661 F: 204.726.1543 mnp.ca

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2012	2011
	Financial Assets		
	Cash and Bank	482,612	-
	Short Term Investments	-	-
	Due from - Provincial Government	878,978	938,775
	- Federal Government	94,602	127,325
	- Municipal Government	4,820,299	4,769,171
	- Other School Divisions	264	130
	- First Nations	70,467	66,063
	Accounts Receivable	66,549	20,667
	Accrued Investment Income	-	-
	Other Investments	-	-
		6,413,771	5,922,131
	Liabilities		
	Overdraft	-	2,238,862
	Accounts Payable	1,977,656	2,198,499
	Accrued Liabilities	1,059,063	509,549
4	Employee Future Benefits	590,522	356,172
	Accrued Interest Payable	183,642	198,522
	Due to - Provincial Government	-	-
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
5	Deferred Revenue	487,612	282,985
6	Debenture Debt	6,810,045	7,316,657
7	Other Borrowings	2,300,000	-
	School Generated Funds Liability	72,627	74,452
		13,481,167	13,175,698
	Net Debt	(7,067,396)	(7,253,567)
	Non-Financial Assets		
9	Net Tangible Capital Assets (TCA Schedule)	13,173,163	12,680,755
	Inventories	-	-
	Prepaid Expenses	26,354	10,874
		13,199,517	12,691,629
10	**Accumulated Surplus**	6,132,121	5,438,062

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes			2012	2011
	Revenue			
	Provincial Government		18,130,593	17,493,032
	Federal Government		15,772	20,964
	Municipal Government	- Property Tax	8,470,225	8,682,257
		- Other	-	-
	Other School Divisions		16,900	17,550
	First Nations		356,489	358,465
	Private Organizations and Individuals		68,838	79,442
	Other Sources		116,326	103,002
	School Generated Funds		661,727	552,492
	Other Special Purpose Funds		-	-
			27,836,870	27,307,204
	Expenses			
	Regular Instruction		13,942,003	13,641,984
	Student Support Services		3,104,971	3,146,923
	Adult Learning Centres		-	-
	Community Education and Services		29,874	13,943
	Divisional Administration		1,080,251	975,410
	Instructional and Other Support Services		712,083	646,782
	Transportation of Pupils		2,300,827	2,125,581
	Operations and Maintenance		3,037,720	3,065,034
12	Fiscal	- Interest	504,741	490,751
		- Other	371,079	375,621
	Amortization		1,230,830	1,085,228
	Other Capital Items		190,806	-
	School Generated Funds		650,776	531,866
	Other Special Purpose Funds		-	-
			27,155,961	26,099,123
	Current Year Surplus (Deficit)		680,909	1,208,081
	Less: Non-vested sick leave		13,150	(3,034)
	Opening Accumulated Surplus		5,438,062	4,338,823
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	-
		Other than Tangible Cap. Assets	-	-
		Non vested sick leave	-	(105,808)
	Opening Accumulated Surplus, as adjusted		5,438,062	4,233,015
	Closing Accumulated Surplus		6,132,121	5,438,062

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2012

	2012	2011
Current Year Surplus (Deficit)	680,909	1,208,081
Amortization of Tangible Capital Assets	1,230,830	1,085,228
Acquisition of Tangible Capital Assets	(1,758,696)	(2,637,463)
(Gain) / Loss on Disposal of Tangible Capital Assets	24,208	(16,940)
Proceeds on Disposal of Tangible Capital Assets	11,250	69,550
	(492,408)	(1,499,625)
Inventories (Increase)/Decrease	-	-
Prepaid Expenses (Increase)/Decrease	(15,480)	(5,971)
	(15,480)	(5,971)
(Increase)/Decrease in Net Debt	173,021	(297,515)
Net Debt at Beginning of Year	(7,253,567)	(6,847,210)
Adjustments Other than Tangible Cap. Assets	13,150	(108,842)
	(7,240,417)	(6,956,052)
Net Debt at End of Year	(7,067,396)	(7,253,567)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2012

	2012	2011
Operating Transactions		
Current Year Surplus/(Deficit)	680,909	1,208,081
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	1,230,830	1,085,228
(Gain)/Loss on Disposal of Tangible Capital Assets	24,208	(16,940)
Employee Future Benefits Increase/(Decrease)	234,350	50,519
Short Term Investments (Increase)/Decrease	-	-
Due from Other Organizations (Increase)/Decrease	36,854	(691,832)
Accounts Receivable & Accrued Income (Increase)/Decrease	(45,882)	(11,789)
Inventories and Prepaid Expenses - (Increase)/Decrease	(15,480)	(5,971)
Due to Other Organizations Increase/(Decrease)	-	-
Accounts Payable & Accrued Liabilities Increase/(Decrease)	313,791	713,051
Deferred Revenue Increase/(Decrease)	204,627	(291,700)
School Generated Funds Liability Increase/(Decrease)	(1,825)	(16,209)
Adjustments Other than Tangible Cap. Assets	13,150	(108,842)
Cash Provided by Operating Transactions	2,675,532	1,913,596
Capital Transactions		
Acquisition of Tangible Capital Assets	(1,758,696)	(2,637,463)
Proceeds on Disposal of Tangible Capital Assets	11,250	69,550
Cash (Applied to)/Provided by Capital Transactions	(1,747,446)	(2,567,913)
Investing Transactions		
Other Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
Financing Transactions		
Debenture Debt Increase/(Decrease)	(506,612)	152,606
Other Borrowings Increase/(Decrease)	2,300,000	-
Cash Provided by (Applied to) Financing Transactions	1,793,388	152,606
Cash and Bank / Overdraft (Increase)/Decrease	2,721,474	(501,711)
Cash and Bank (Overdraft) at Beginning of Year	(2,238,862)	(1,737,151)
Cash and Bank (Overdraft) at End of Year	482,612	(2,238,862)

Prairie Spirit School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2012

	Buildings and Leasehold Improvements		School	Other	Furniture / Fixtures &	Computer Hardware &		Land	Assets Under	2012	2011
	School	Non-School	Buses	Vehicles	Equipment	Software *	Land	Improvements	Construction	TOTALS	TOTALS
Tangible Capital Asset Cost											
Opening Cost, as previously reported	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
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	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
Add: Additions during the year	27,509	-	422,480	-	62,365	3,155,948	-	-	(1,909,606)	1,758,696	2,637,463
Less: Disposals and write downs	95,529	273,927	43,273	-	-	-	2,000	-	-	414,729	448,728
Closing Cost	24,066,339	668,144	6,639,038	112,986	430,723	4,182,254	51,005	-	175,038	36,325,527	34,981,560
Accumulated Amortization											
Opening, as previously reported	15,668,067	770,244	4,702,100	56,264	233,416	870,714		-		22,300,805	21,611,695
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	15,668,067	770,244	4,702,100	56,264	233,416	870,714		-		22,300,805	21,611,695
Add: Current period Amortization	618,974	14,299	333,149	22,597	37,272	204,539		-		1,230,830	1,085,228
Less: Accumulated Amortization on Disposals and Writedowns	95,529	240,469	43,273	-	-	-		-		379,271	396,118
Closing Accumulated Amortization	16,191,512	544,074	4,991,976	78,861	270,688	1,075,253		-		23,152,364	22,300,805
Net Tangible Capital Asset	7,874,827	124,070	1,647,062	34,125	160,035	3,107,001	51,005	-	175,038	13,173,163	12,680,755
Proceeds from Disposal of Capital Assets	10,000	100	1,150	-	-	-				11,250	69,550

* Includes network infrastructure.

1. Nature of Organization and Economic Dependence

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

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

2. Significant Accounting Policies

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

a) Reporting Entity and Consolidation

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

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

Trust Funds

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

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

b) Basis of Accounting

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

c) Fund Accounting

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

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

d) School Generated Funds

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

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

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

e) Tangible Capital Assets

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

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

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

All land acquired prior to June 30, 1995 has been valued using information provided by the Crown Lands and Property Agency and adjusted by the Division where further information was available.

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

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

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

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

f) Employee Future Benefits

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

However, the Division provides other future benefits to its employees. These benefits include supplemental employment benefits and sick leave. These benefits are event driven and the costs are recognized when the event becomes known. Effective with the 2009/2010 fiscal year, expected future payment of non vested accumulated sick leave benefits for employees based on estimated sick days that will be used over earned per year has been set up as a future benefit.

g) Capital Reserve

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

h) Use of Estimates

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

i) Financial instruments

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

3. Overdraft

The Division had an authorized line of credit with the Royal Bank of Canada of $6,100,000 by way of overdrafts and is repayable on demand at prime less 0.75%; interest is paid monthly. $6,100,000 remains available on this line of credit. Overdrafts are secured by a temporary borrowing by-law.

4. Employee Future Benefits

Employee Future Benefits are benefits earned by employees in the current period, but will not be paid out until future periods and include vacation accrual, retirement payment, supplemental employment and sick leave benefits. As well, expected future payment of non vested accumulated sick leave benefits for employees based on estimated sick days that will be used over earned per year has been set up as a future benefit.

5. Deferred Revenue

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

6. Debenture Debt

The debenture debt of the Division is in the form of twenty year debentures payable, principal and interest, in twenty equal yearly installments and maturing at various dates from 2012 to 2032. Payment of principal and interest is funded entirely by grants from the Province of Manitoba. The debentures carry interest rates that range from 4% to 11.75%. Debenture interest expense payable as at June 30, 2012, 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:

2013	$ 969,923
2014	954,424
2015	934,680
2016	865,769
2017	840,236
	$ 4,565,032

7. Capital Borrowing

The Division has a self funded debenture for constructing towers for the purpose of transmission of distance learning courses and distribution of high speed internet throughout the Division. The capital loan is with Access Credit Union for $3,000,000 which as at June 30th, 2012 had a remaining balance of $2,300,000. Interest is payable monthly at a rate of prime less .65%. Repayment of the loan is $25,000 per month plus any lump sum payment as determined by the Board of Trustees.

8. School Generated Funds Liability

School Generated Funds Liability represents the non-controlled portion of school generated funds consolidated in the cash and bank balances in the amount of $72,627 ($74,452 in 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.

	Gross Amount	Accumulated Amortization	2012 Net Book Value	2011 Net Book Value
Owned-tangible capital assets	$ 36,325,527	$23,152,364	$ 13,173,163	$ 12,680,755
Capital lease	-	-	-	-
	$ 36,325,527	$23,152,364	$ 13,173,163	$ 12,680,755

10. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2012	2011
Operating Fund		
Designated Surplus	$ -	$ 300,000
Undesignated Surplus	1,142,120	1,117,834
Non vested sick leave to date	(95,692)	(108,842)
	1,046,428	1,308,992
Capital Fund		
Reserve Accounts	1,144,108	676,695
Equity in Tangible Capital Assets	3,772,650	3,294,391
	4,916,758	3,971,086
Special Purpose Fund		
School Generated Funds	168,935	157,984
Other Special Purpose Funds	-	-
	168,935	157,984
Total Accumulated Surplus	$ 6,132,121	$ 5,438,062

Designated Surplus under the Operating Fund represents internally restricted amounts appropriated by the board or, in the case of school budget carryovers, by board policy.

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

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

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

Education property tax or Special Levy is raised as the Division's contribution to the cost of providing public education for the students resident in the Division. The Municipal Government-Property Tax shown on the consolidated revenue and expense is raised over the two calendar (tax) years; 43% from 2011 tax year and 57% from 2012 tax year. Below are the related revenue and receivable amounts:

	2012	2011
Revenue-Municipal Government-Property Tax	$8,470,225	$8,682,257
Receivable-Due from Municipal-Property Tax	$4,820,299	$4,769,171

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, 2012, the amount of this special levy was $621,747 (2011: $607,577). These amounts are not included in the Division's financial statements in 2012.

12. Interest Received and Paid

The Division received interest during the year of $30,972 (2011: $14,222); interest paid during the year was $504,741 (2011: $490,751).

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

	2011	2011
Operating Fund		
Fiscal-short term loan, interest and bank charges	$ 25,876	$ 36,006
Capital Fund		
Tower infrastructure capital loan	38,600	-
Debenture debt interest	440,265	454,745
	$ 504,741	$ 490,751

The accrual portion of debenture debt interest expense of $183,642 (2011: $198,522) 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 2012	Budget 2012	Actual 2011
Salaries	$ 17,868,672	$ 18,108,100	$ 17,586,377
Employees benefits and allowances	1,625,832	1,445,500	1,597,251
Services	2,554,466	2,669,500	2,369,070
Supplies, materials and minor equipment	2,044,759	2,661,900	1,934,566
Interest	504,741	50,000	490,751
Bad debts	-	-	-
Payroll tax	371,079	375,000	375,621
Transfers	114,000	384,199	128,393
Amortization	1,230,830		1,085,228
Other capital services, supplies, and materials	190,806		
School generated funds	650,776		531,866
Other special purpose funds	-	-	-
	$ 27,155,961	$ 25,694,199	$ 26,099,123

14. Budget Figures and Non Financial Information

The 2012 budget figures, transportation statistics, full time equivalent personnel, and senior staff allocations are unaudited and have been presented for information purposes only.

15. Commitment

The Division has leased realty at an annual rental of $46,939 through October 31, 2021. The aggregate minimum lease payments to the expiry date are $438,099.

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

Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of Red River Valley School Division 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.

Chairperson   Secretary-Treasurer

October 16, 2012

That each of us will be life long learners

BDO

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Independent Auditor's Report

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, 2012, and the consolidated statement of revenue, expenses and accumulated surplus, statement of change in net debt and statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

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

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

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **Red River Valley School Division** as at June 30, 2012, 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 16, 2012

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

Chairperson

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2012	2011
	Financial Assets		
	Cash and Bank	-	-
	Short Term Investments	-	-
	Due from - Provincial Government	1,585,004	1,145,664
	- Federal Government	99,005	74,758
	- Municipal Government	4,859,483	4,773,795
	- Other School Divisions	138,477	137,879
	- First Nations	-	-
	Accounts Receivable	45,748	101,600
	Accrued Investment Income	-	-
	Other Investments	-	-
		6,727,717	6,233,696
	Liabilities		
4	Overdraft	1,440,965	779,428
	Accounts Payable	1,208,783	923,593
	Accrued Liabilities	211,794	547,154
5	Employee Future Benefits	77,701	75,721
	Accrued Interest Payable	203,628	220,403
	Due to - Provincial Government	4,040	94,160
	- Federal Government	1,371,119	1,025,774
	- Municipal Government	39,883	39,752
	- Other School Divisions	227,181	200,775
	- First Nations	-	-
6	Deferred Revenue	1,117,711	1,061,882
7	Debenture Debt	7,588,150	7,845,424
8	Other Borrowings	76,185	107,055
9	School Generated Funds Liability	22,976	25,689
		13,590,116	12,946,810
	Net Debt	(6,862,399)	(6,713,114)
	Non-Financial Assets		
10	Net Tangible Capital Assets (TCA Schedule)	13,513,868	12,856,146
	Inventories	132,001	119,378
	Prepaid Expenses	94,336	17,996
		13,740,205	12,993,520
11	**Accumulated Surplus**	6,877,806	6,280,406

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes			2012	2011
	Revenue			
	Provincial Government		16,028,942	15,438,676
	Federal Government		21,279	21,391
	Municipal Government	- Property Tax	8,108,644	8,129,029
		- Other	-	-
	Other School Divisions		712,610	622,537
	First Nations		4,251	4,251
	Private Organizations and Individuals		173,238	144,955
	Other Sources		71,029	62,242
	School Generated Funds		560,685	604,896
	Other Special Purpose Funds		-	-
			25,680,678	25,027,977
14	**Expenses**			
	Regular Instruction		13,412,477	13,027,196
	Student Support Services		3,121,938	3,068,449
	Adult Learning Centres		-	-
	Community Education and Services		28,459	21,154
	Divisional Administration		914,803	900,852
	Instructional and Other Support Services		496,232	448,159
	Transportation of Pupils		2,307,081	2,220,338
	Operations and Maintenance		2,318,652	2,364,807
13	Fiscal	- Interest	530,848	560,172
		- Other	366,339	361,691
	Amortization		1,018,729	963,850
	Other Capital Items		-	-
	School Generated Funds		565,740	603,866
	Other Special Purpose Funds		-	-
			25,081,298	24,540,534
	Current Year Surplus (Deficit)		599,380	487,443
	Less: Non-vested sick leave		(1,980)	1,317
	Opening Accumulated Surplus		6,280,406	5,868,684
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	-
		Other than Tangible Cap. Assets	-	-
		Non-vested sick leave	-	(77,038)
	Opening Accumulated Surplus, as adjusted		6,280,406	5,791,646
	Closing Accumulated Surplus		6,877,806	6,280,406

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2012

	2012	2011
Current Year Surplus (Deficit)	599,380	487,443
Amortization of Tangible Capital Assets	1,018,729	963,850
Acquisition of Tangible Capital Assets	(1,677,115)	(1,370,042)
(Gain) / Loss on Disposal of Tangible Capital Assets	478	1,197
Proceeds on Disposal of Tangible Capital Assets	186	850
	(657,722)	(404,145)
Inventories (Increase)/Decrease	(12,623)	12,594
Prepaid Expenses (Increase)/Decrease	(76,340)	(3,367)
	(88,963)	9,227
(Increase)/Decrease in Net Debt	(147,305)	92,525
Net Debt at Beginning of Year	(6,713,114)	(6,729,918)
Adjustments Other than Tangible Cap. Assets	(1,980)	(75,721)
	(6,715,094)	(6,805,639)
Net Debt at End of Year	(6,862,399)	(6,713,114)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2012

	2012	2011
Operating Transactions		
Current Year Surplus/(Deficit)	599,380	487,443
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	1,018,729	963,850
(Gain)/Loss on Disposal of Tangible Capital Assets	478	1,197
Employee Future Benefits Increase/(Decrease)	1,980	(100,657)
Short Term Investments (Increase)/Decrease	-	-
Due from Other Organizations (Increase)/Decrease	(549,873)	102,725
Accounts Receivable & Accrued Income (Increase)/Decrease	55,852	(50,516)
Inventories and Prepaid Expenses - (Increase)/Decrease	(88,963)	9,227
Due to Other Organizations Increase/(Decrease)	281,762	1,127,314
Accounts Payable & Accrued Liabilities Increase/(Decrease)	(66,945)	967,772
Deferred Revenue Increase/(Decrease)	55,829	160,139
School Generated Funds Liability Increase/(Decrease)	(2,713)	(2,905)
Adjustments Other than Tangible Cap. Assets	(1,980)	(75,721)
Cash Provided by Operating Transactions	1,303,536	3,589,868
Capital Transactions		
Acquisition of Tangible Capital Assets	(1,677,115)	(1,370,042)
Proceeds on Disposal of Tangible Capital Assets	186	850
Cash (Applied to)/Provided by Capital Transactions	(1,676,929)	(1,369,192)
Investing Transactions		
Other Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
Financing Transactions		
Debenture Debt Increase/(Decrease)	(257,274)	(22,904)
Other Borrowings Increase/(Decrease)	(30,870)	(29,156)
Cash Provided by (Applied to) Financing Transactions	(288,144)	(52,060)
Cash and Bank / Overdraft (Increase)/Decrease	(661,537)	2,168,616
Cash and Bank (Overdraft) at Beginning of Year	(779,428)	(2,948,044)
Cash and Bank (Overdraft) at End of Year	(1,440,965)	(779,428)

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2012

	Buildings and Leasehold Improvements		School	Other	Furniture / Fixtures &	Computer Hardware &		Land	Assets Under	2012	2011
	School	Non-School	Buses	Vehicles	Equipment	Software *	Land	Improvements	Construction	TOTALS	TOTALS
Tangible Capital Asset Cost											
Opening Cost, as previously reported	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
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	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
Add: Additions during the year	726,185	-	352,449	20,091	95,229	165,418	-	32,740	285,003	1,677,115	1,370,042
Less: Disposals and write downs	-	-	-	15,846	13,273	-	-	-		29,119	51,139
Closing Cost	21,121,905	1,236,802	3,999,445	237,008	804,056	363,841	563,070	63,220	1,379,673	29,769,020	28,121,024
Accumulated Amortization											
Opening, as previously reported	11,849,323	544,161	2,077,440	202,484	509,423	74,427		7,620		15,264,878	14,350,120
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	11,849,323	544,161	2,077,440	202,484	509,423	74,427		7,620		15,264,878	14,350,120
Add: Current period Amortization	551,128	33,680	282,714	12,914	85,712	47,896		4,685		1,018,729	963,850
Less: Accumulated Amortization on Disposals and Writedowns	-	-	-	15,846	12,609	-		-		28,455	49,092
Closing Accumulated Amortization	12,400,451	577,841	2,360,154	199,552	582,526	122,323		12,305		16,255,152	15,264,878
Net Tangible Capital Asset	8,721,454	658,961	1,639,291	37,456	221,530	241,518	563,070	50,915	1,379,673	13,513,868	12,856,146
Proceeds from Disposal of Capital Assets	-	-	-	186	-	-				186	850

* Includes network infrastructure.

Red River Valley School Division
Notes to Consolidated Financial Statements
For the Year Ended June 30, 2012

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.

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

Tangible Capital Assets

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

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

Asset Description	Capitalization Threshold ($)	Estimated Useful Life
Land Improvements	25,000	10 years
Buildings – bricks, mortar, steel	25,000	40 years
Buildings – wood frame	25,000	25 years
School buses	20,000	10 years
Vehicles	10,000	5 years
Equipment	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 non-vesting accumulating sick days, the benefit costs are recognized, if deemed material, based on a projection of expected future utilization of sick time, discounted using net present value techniques.

Capital Reserve

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

Use of Estimates

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

Financial Instruments

There are no significant terms and conditions related to financial instruments 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. Change in Accounting Policy Relating to Sick Leave Benefits

Previously, the School Division did not recognize a liability for sick leave benefits that accumulate but do not vest. The benefit costs were recognized and recorded in the period when an employee was sick. PSAB standards require that a liability and an expense be recognized for sick leave benefits that accumulate but do not vest in the period in which employees render services to the Division in return for the benefits.

The Division has changed its accounting policy in the current year to be consistent with PSAB standards. As a consequence, a prior period adjustment has been recorded to recognize a liability and an expense and retroactively restate opening accumulated surplus. The resulting changes on figures previously reported as at and for the year ended June 30, 2011 are as follows:

	As previously reported	Restatement	As restated
Consolidated Statement of Financial Position			
Liabilities			
Employee Future Benefits	$ -	75,721	75,721
Consolidated Statement of Revenue, Expenses and Accumulated Surplus			
Non-vested sick leave recovery (expense)	$ -	1,317	1,317
Opening Accumulated Surplus	$ 5,868,684	(77,038)	5,791,646
Closing Accumulated Surplus	$ 6,356,127	(75,721)	6,280,406

4. 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, 2012); interest is paid monthly. As at June 30, 2012, the Division's operating line of credit was being utilized.

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 less .6% (2.4% at June 30, 2012); interest is paid monthly. Overdrafts are secured by borrowing by-laws. As at June 30, 2012, the Division's line of credit was being utilized.

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 consolidated financial statements.

The employee future benefit expense is a part of the Employee Benefits and Allowances expense which includes pension expense for the year of $302,276 ($249,806 in 2011).

Non-vested accumulating sick leave benefits are measured using net present value techniques on the expected future utilization of excess of sick leave benefits used over earned per year, to maximum entitlement. The non-vested sick leave expense for the year is $1,980 ($1,317 recovery in 2011).

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, 2011	Additions in year	Revenue recognized in year	Balance as at June 30, 2012
Education Property Tax Credit (EPTC)	$ 774,396	1,965,218	1,953,527	786,087
Manitoba Text Book Bureau	2,975	118,812	121,367	420
Tax Incentive Grant	276,088	687,028	688,305	274,811
Other	8,423	99,386	59,416	48,393
	$ 1,061,882	2,870,444	2,822,615	1,109,711

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 fiscal years ending 2013 to 2032. 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 4.00% to 10.00%. Debenture interest expense payable as at June 30, 2012, 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:

2013	$ 1,170,417
2014	1,169,431
2015	1,169,431
2016	1,109,853
2017	1,026,785

8. Other Borrowings

Other borrowings are debts other than overdrafts or debentures. This includes financing for the acquisition of a board office.

	2012	2011
Board office loan – Bank of Montreal	$ 76,185	$ 107,055

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 three fiscal years ending are as follows:

2013	$ 32,696
2014	34,626
2015	8,863

9. School Generated Funds Liability

School Generated Funds Liability represents the non-controlled portion of school generated funds. At June 30, 2012, an amount equal to the liability or $26,692 ($25,689 at June 30, 2011) is included in overdraft on the Consolidated Statement of Financial Position.

10. Net Tangible Capital Assets

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

11. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2012	2011
Operating Fund		
Designated Surplus	$ 417,342	336,290
Undesignated Surplus	1,281,254	1,042,071
Non-vested Sick Leave	(77,701)	(75,721)
	$ 1,620,895	1,302,640
Capital Fund		
Reserve Accounts	$ 524,352	558,538
Equity in Tangible Capital Assets	4,583,946	4,265,560
	$ 5,108,298	4,824,098
Special Purpose Fund		
School Generated Funds	$ 148,613	153,668
Other Special Purpose Funds	-	-
	$ 148,613	153,668
Total Accumulated Surplus	$ 6,877,806	6,280,406

Designated Surplus under the Operating Fund represents internally restricted amounts appropriated by the Board of Trustees or, in the case of school budget carryovers, by Board policy. The Designated Surplus in the current and prior year were relating to school budget carryover.

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.

	2012	2011
Bus Reserve	$ 24,352	58,538
Vocational Programming Reserve	500,000	500,000
Capital Reserve	$ 524,352	558,538

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; 40% from 2011 tax year and 60% from 2012 tax year. Below are the related revenue and receivable amounts:

	2012	2011
Revenue – Municipal Government – Property Tax	$ 8,108,644	8,129,029
Receivable – Due from Municipal – Property Tax	$ 4,859,483	4,773,795

13. Interest Received and Paid

The Division received interest during the year of $7,743 ($3,472 in 2011); interest paid during the year was $530,848 ($560,172 in 2011).

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

	2012	2011
Operating Fund		
Fiscal-short term loan, interest and bank charges	$ 23,048	28,172
Capital Fund		
Debenture interest	502,446	524,932
Other interest	5,354	7,068
	$ 530,848	560,172

The accrual portion of debenture debt interest expense of $203,628 ($220,403 in 2011) 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:

	2012	2011
Salaries	$ 17,180,257	16,765,123
Employees benefits and allowances	1,261,241	1,210,496
Services	2,005,663	1,999,739
Supplies, materials and minor equipment	1,792,208	1,746,820
Interest	530,848	560,172
Payroll tax	366,059	361,524
Bad debt	280	167
Transfers	360,273	328,777
Amortization	1,018,729	963,850
School generated funds	565,740	603,866
	$ 25,081,298	24,540,534

15. 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 $417,342 at June 30, 2012 ($336,290 at June 30, 2011). The details of the Designated Surplus are disclosed at note 11 and page 5 of the audited financial statements.

The Division has equipment lease agreements. Future annual minimum operating lease commitments in the next three fiscal years ending are as follows:

2013	$ 4,035
2014	4,035
2015	263

16. Contingent Liabilities

A lawsuit has been filed against the 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 Division's insurers. Should any loss result from the resolution of this claim, such loss will be charged to operations in the year of resolution.

MANAGEMENT REPORT

Management's Responsibility for the Financial Statements

The accompanying consolidated financial statements of River East Transcona School Division are the responsibility of the Division's management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of The 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.

Chairperson
Robert Fraser

Secretary-Treasurer
Vince Mariani

Deloitte.

Deloitte & Touche LLP
360 Main Street
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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, 2012, and for the year then ended:

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles established by the Public Sector Accounting Board of the 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 River East Transcona School Division as at June 30, 2012 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 above listed financial statements taken as a whole. The current year's supplementary information included in the other statements and reports is presented for purposes of additional analysis and is not a required part of basic financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and in, our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Deloitte & Touche LLP

Chartered Accountants
Winnipeg, Manitoba
October 23, 2012

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2012	2011
	Financial Assets		
	Cash and Bank	9,981,574	8,169,945
	Short Term Investments	-	-
	Due from - Provincial Government	4,733,347	4,172,873
	- Federal Government	187,144	163,838
	- Municipal Government	27,333,391	26,955,936
	- Other School Divisions	76,176	88,760
	- First Nations	51,971	22,937
	Accounts Receivable	191,018	625,006
	Accrued Investment Income	-	-
	Other Investments	-	-
		42,554,621	40,199,295
	Liabilities		
	Overdraft	-	-
	Accounts Payable	1,846,976	1,486,830
	Accrued Liabilities	14,620,843	16,422,607
*	Employee Future Benefits	900,692	878,083
	Accrued Interest Payable	1,015,322	1,034,128
	Due to - Provincial Government	848	2,184
	- Federal Government	7,790	12,798
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
*	Deferred Revenue	10,517,461	10,211,089
*	Debenture Debt	35,575,339	35,289,409
*	Other Borrowings	5,374,258	4,922,613
	School Generated Funds Liability	1,177,020	1,144,930
		71,036,549	71,404,671
	Net Debt	(28,481,928)	(31,205,376)
	Non-Financial Assets		
*	Net Tangible Capital Assets (TCA Schedule)	63,822,624	62,140,043
	Inventories	-	-
	Prepaid Expenses	390,879	333,307
		64,213,503	62,473,350
*	**Accumulated Surplus**	35,731,575	31,267,974

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes			2012	2011
	Revenue			
	Provincial Government		124,116,082	120,294,398
	Federal Government		-	16,453
	Municipal Government	- Property Tax	45,397,579	45,631,176
		- Other	-	-
	Other School Divisions		874,177	885,541
	First Nations		85,934	69,991
	Private Organizations and Individuals		3,073,117	3,098,594
	Other Sources		430,274	345,972
	School Generated Funds		1,000,687	989,454
	Other Special Purpose Funds		-	-
			174,977,850	171,331,579
	Expenses			
	Regular Instruction		92,456,354	90,110,422
	Student Support Services		30,650,315	29,481,618
	Adult Learning Centres		1,013,370	967,520
	Community Education and Services		1,282,051	1,183,762
	Divisional Administration		4,783,577	4,844,038
	Instructional and Other Support Services		6,785,642	6,445,184
	Transportation of Pupils		3,272,912	3,056,768
	Operations and Maintenance		18,351,802	18,393,932
*	Fiscal	- Interest	2,367,422	2,282,713
		- Other	2,764,627	2,705,722
	Amortization		5,780,518	5,502,017
	Other Capital Items		141,361	42,039
	School Generated Funds		888,270	997,788
	Other Special Purpose Funds		-	-
			170,538,221	166,013,523
	Current Year Surplus (Deficit)		4,439,629	5,318,056
*	Less: Non-vested sick leave		23,972	(120,381)
*	Opening Accumulated Surplus		31,267,974	26,647,097
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	-
		Other than Tangible Cap. Assets	-	-
*		Non-vested sick leave	-	(576,798)
	Opening Accumulated Surplus, as adjusted		31,267,974	26,070,299
	Closing Accumulated Surplus		35,731,575	31,267,974

See accompanying notes to the Financial Statements

* NOTE REQUIRED

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2012

	2012	2011
Current Year Surplus (Deficit)	4,439,629	5,318,056
Amortization of Tangible Capital Assets	5,780,518	5,502,017
Acquisition of Tangible Capital Assets	(7,463,099)	(9,207,414)
(Gain) / Loss on Disposal of Tangible Capital Assets	(15,795)	(3,500)
Proceeds on Disposal of Tangible Capital Assets	15,795	3,500
	(1,682,581)	(3,705,397)
Inventories (Increase)/Decrease	-	-
Prepaid Expenses (Increase)/Decrease	(57,572)	(3,469)
	(57,572)	(3,469)
(Increase)/Decrease in Net Debt	2,699,476	1,609,190
Net Debt at Beginning of Year	(31,205,376)	(32,117,387)
Adjustments Other than Tangible Cap. Assets	23,972	(697,179)
	(31,181,404)	(32,814,566)
Net Debt at End of Year	(28,481,928)	(31,205,376)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2012

	2012	2011
Operating Transactions		
Current Year Surplus/(Deficit)	4,439,629	5,318,056
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	5,780,518	5,502,017
(Gain)/Loss on Disposal of Tangible Capital Assets	(15,795)	(3,500)
Employee Future Benefits Increase/(Decrease)	22,609	738,913
Short Term Investments (Increase)/Decrease	-	-
Due from Other Organizations (Increase)/Decrease	(977,685)	(488,310)
Accounts Receivable & Accrued Income (Increase)/Decrease	433,988	(416,600)
Inventories and Prepaid Expenses - (Increase)/Decrease	(57,572)	(3,469)
Due to Other Organizations Increase/(Decrease)	(6,344)	(4,467)
Accounts Payable & Accrued Liabilities Increase/(Decrease)	(1,460,424)	3,097,093
Deferred Revenue Increase/(Decrease)	306,372	1,322,327
School Generated Funds Liability Increase/(Decrease)	32,090	(447,528)
Adjustments Other than Tangible Cap. Assets	23,972	(697,179)
Cash Provided by Operating Transactions	8,521,358	13,917,353
Capital Transactions		
Acquisition of Tangible Capital Assets	(7,463,099)	(9,207,414)
Proceeds on Disposal of Tangible Capital Assets	15,795	3,500
Cash (Applied to)/Provided by Capital Transactions	(7,447,304)	(9,203,914)
Investing Transactions		
Other Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
Financing Transactions		
Debenture Debt Increase/(Decrease)	285,930	926,713
Other Borrowings Increase/(Decrease)	451,645	54,120
Cash Provided by (Applied to) Financing Transactions	737,575	980,833
Cash and Bank / Overdraft (Increase)/Decrease	1,811,629	5,694,272
Cash and Bank (Overdraft) at Beginning of Year	8,169,945	2,475,673
Cash and Bank (Overdraft) at End of Year	9,981,574	8,169,945

River East Transcona School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2012

	Buildings and Leasehold Improvements		School	Other	Furniture / Fixtures &	Computer Hardware &		Land	Assets Under	2012	2011
	School	Non-School	Buses	Vehicles	Equipment	Software *	Land	Improvements	Construction	TOTALS	TOTALS
Tangible Capital Asset Cost											
Opening Cost, as previously reported	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
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	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
Add: Additions during the year	4,206,755	-	261,688	44,743	392,236	2,571,016	-	-	(13,339)	7,463,099	9,207,414
Less: Disposals and write downs	-	-	181,464	33,924	602,790	3,896,979	-	-	-	4,715,157	106,175
Closing Cost	111,357,890	6,537,137	5,733,198	381,044	4,244,289	14,274,756	1,878,287	2,380,582	2,078,286	148,865,469	146,117,527
Accumulated Amortization											
Opening, as previously reported	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
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	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
Add: Current period Amortization	2,608,278	219,093	446,409	33,070	519,940	1,715,670		238,058		5,780,518	5,502,017
Less: Accumulated Amortization on Disposals and Writedowns	-	-	181,464	33,924	602,790	3,896,979		-		4,715,157	106,175
Closing Accumulated Amortization	67,952,715	2,991,701	3,500,940	280,584	2,686,670	6,427,068		1,203,167		85,042,845	83,977,484
Net Tangible Capital Asset	43,405,175	3,545,436	2,232,258	100,460	1,557,619	7,847,688	1,878,287	1,177,415	2,078,286	63,822,624	62,140,043
Proceeds from Disposal of Capital Assets	-	-	14,720	1,075	-	-				15,795	3,500

* Includes network infrastructure.

1. NATURE OF ORGANIZATION AND ECONOMIC DEPENDENCE

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) *Fund Accounting*

The fund method of accounting is employed by the Division to record financial transactions in separate funds as defined by FRAME in accordance with the purpose for which the funds have been created.

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

e) *School Generated Funds*

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

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

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

f) *Tangible Capital Assets*

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) *Tangible Capital Assets (continued)*

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

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

All land acquired prior to June 30, 2006 has been valued by the Crown Lands and Property Agency at their estimated fair market value at the time of acquisition.

All tangible capital assets, except for land, and assets under construction, are amortized on a straight-line basis over their estimated useful lives as follows:

Asset Description	Estimated Useful Life (Years)
Land Improvements	10
Building - Brick, Mortar and Steel	40
Buildings - Wood Frame	25
School Buses	10
Vehicles	5
Equipment	5
Network Infrastructure	10
Computer Hardware, Servers & Peripherals	4
Computer Software	4
Furniture & Fixtures	10
Leasehold Improvements	Over term of lease

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

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

g) *Employee Future Benefits*

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

g) *Employee Future Benefits (continued)*

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

Under the Manitoba School Board Association (MSBA) Pension Plan for non-teaching staff, the Division's contribution 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.

3. NON-VESTED SICK LEAVE

Previously, the School Division did not recognize an accrued benefit obligation related to sick leave benefits as the benefits do not vest. The benefit costs were only recognized and recorded in the period when an employee was sick. PSAB standards require that a liability

3. NON-VESTED SICK LEAVE (continued)

and an expense be recognized for post-employee benefits and compensated absences that vest or accumulate in the period in which employees render services to the School Division in return for the benefits. An adjustment was made to recognize a liability and an expense related to accumulated sick leave entitlement. The resulting increase to the liability for Employee Future Benefits and decrease to the Opening Accumulated Surplus at July 1, 2010 was $576,798. An additional expense of $120,381 was recognized in the 2010-11 fiscal year.

4. EMPLOYEE FUTURE BENEFITS

An employee future benefit liability of $227,485 (2011 - $180,904) has been accrued as at June 30, 2012 relating to maternity and parental leave top up payments. The employee future benefit expense is a part of the Employee Benefits and Allowances expense account.

Non-vested accumulated sick leave benefits are measured using net present value techniques of the expected future utilization of excess of sick benefits used over earned per year, to maximum entitlement. The impact of the estimated non-vested sick leave liability is $673,207 (2011 - $697,179).

During the year ended June 30, 2012, the employer contributions to Manitoba School Board Association (MSBA) Pension Plan amounted to $1,769,495 (2011 - $1,730,237). This amount has been expensed in the Division's financial statements for the year ended June 30, 2012.

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, 2011	**Additions in the period**	**Revenue Recognized in the period**	**Balance as at June 30, 2012**
Province of Manitoba – EPTC*	$ 8,748,175	$ 9,026,723	$ 8,748,175	**$ 9,026,723**
Province of Manitoba - Other	53,197	391,748	384,598	**60,347**
Tuition Fees	616,360	576,565	616,360	**576,565**
Donated Capital Assets	642,145	214,753	136,220	**720,678**
Miscellaneous	151,212	188,987	207,051	**133,148**
	$10,211,089	$10,398,776	$10,092,404	**$10,517,461**

*EPTC = Education Property Tax Credit

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 $1,177,020 (2011 - $1,144,930).

7. 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 2012 to 2032. Payment of principal and interest is funded entirely by grants from the Province of Manitoba. The debentures carry interest rates that range from 3.875% to 10.500%. Debenture interest expense payable as at June 30, 2012, 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
2013	$ 2,499,126	$ 2,093,345	$ 4,592,471
2014	2,485,391	1,949,038	4,434,429
2015	2,426,527	1,808,740	4,235,267
2016	2,340,358	1,677,806	4,018,164
2017	2,222,240	1,556,620	3,778,860
	$ 11,973,642	$ 9,085,549	$ 21,059,191

8. 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 1.56% to 3.87% per annum and have lease terms that expire between 2013 to 2017. These loans are secured by the assets to which the leases relate.

Principal and interest repayments related to obligations under capital leases are as follows:

	Principal	Interest	Total
2013	$ 1,161,480	$ 101,622	$ 1,263,102
2014	1,051,451	66,171	1,117,622
2015	747,972	39,240	787,212
2016	552,028	19,242	571,270
2017	210,427	4,544	214,971
	$ 3,723,358	$ 230,819	$ 3,954,177

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

8. OTHER BORROWINGS (continued)

debentures carry interest rates of 6.875%. The principal and interest repayments for the debentures in the next five years are:

	Principal	Interest	Total
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
2017	156,816	76,879	233,695
	$ 689,489	$ 478,986	$ 1,168,475

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 asset class. The amount of interest capitalized in the period included in Assets under Construction was $13,029 (2011 - $2,650). 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, 2012 are $10,903,039, $6,476,050 and $4,426,989 respectively.

10. ACCUMULATED SURPLUS

The consolidated accumulated surplus is comprised of the following:

	2012	2011
Operating Fund		
Designated Surplus	**$ 3,882,788**	$ 1,589,772
Undesignated Surplus	**4,315,212**	5,867,352
Non-Vested Sick Leave	**<673,207>**	<697,179>
	$ 7,524,793	$ 6,759,945
Capital Fund		
Reserve Accounts	**$ 6,557,699**	$ 3,792,424
Equity in Tangible Capital Assets	**21,368,481**	20,547,420
	$ 27,926,180	$ 24,339,844
Special Purpose Fund		
School Generated Funds	**$ 280,602**	$ 168,185
Other Special Purpose Funds	**—**	—
	$ 280,602	$ 168,185
Total Accumulated Surplus	**$ 35,731,575**	$ 31,267,974

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

10. ACCUMULATED SURPLUS (continued)

page 5 of the audited financial statements for a detailed breakdown of the Designated Surplus.

	2012	2011
Board approved appropriation by motion	**$ 3,041,021**	$ 717,133
School budget carryovers by board policy	**841,767**	872,639
Designated surplus	**$ 3,882,788**	$ 1,589,772

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

	2012	2011
Bus reserve	**$ 552,032**	$ 500,000
Other reserve	**6,005,667**	3,292,424
Capital reserve	**$ 6,557,699**	$ 3,792,424

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

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

Education property tax or Special Levy is raised as the Division's contribution to the cost of providing public education for the student's resident in the division. The Municipal Government-Property Tax shown on the consolidated revenue and expense is raised over the two calendar (tax) years; 40% from 2011 tax year and 60% from 2012 tax year. Below are the related revenue and receivable amounts:

	2012	2011
Revenue-Municipal Government-Property Tax	**$ 45,397,579**	$ 45,631,176
Receivable-Due from Municipal Government-Property Tax	**$ 27,333,391**	$ 26,955,936

12. INTEREST RECEIVED AND PAID

The Division received interest during the year of $154,768 (2011 - $109,850).

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

		2012		2011
Operating Fund				
Fiscal-Short Term Loan, Interest and Bank Charges	$	**17,950**	$	32,485
Capital Fund				
Debenture Debt Interest		**2,212,495**		2,142,415
Interest on Obligation under Capital Lease		**133,374**		103,863
Other Interest		**3,603**		3,950
	$	**2,367,422**	$	2,282,713

The accrued portion of debenture debt interest expense at June 30, 2012 of $1,015,322 (2011- $1,034,128) 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 2012	Budget 2012	Actual 2011
Salaries	**$128,864,778**	$129,414,792	$125,952,071
Employees benefits & allowances	**9,171,162**	9,230,000	8,423,540
Services	**12,003,524**	12,949,268	12,595,848
Supplies, materials, minor equipment	**8,066,846**	6,250,360	7,043,151
Interest	**2,367,422**	112,000	2,278,763
School Divisions	**450,634**	-	434,044
Other operating expenses	**39,079**	22,300	34,590
Payroll tax	**2,764,627**	2,800,000	2,705,722
Amortization	**5,780,518**	-	5,502,017
Other capital items	**141,361**	-	45,989
School generated funds	**888,270**	-	997,788
	$170,538,221	$160,778,720	$166,013,523

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 la Division scolaire franco-manitobaine. As at June 30, 2012, the amount of this special levy was $718,400 (2011 - $602,083). These amounts are not included in the Division's consolidated financial statements.

15. TRUST FUND

The Division administers the following trust funds, which are not reflected in the financial statements:

	2012	2011
Scholarship Funds		
Balance, beginning of year	$ 310,962	$ 321,910
Cash contributions received during the year	13,543	11,850
Interest income	3,193	2,938
Scholarships awarded	<24,466>	<25,736>
Balance, end of year	$ 303,232	$ 310,962
Assets		
Cash and investments	$ 303,232	$ 310,962

MANAGEMENT REPORT

Management's Responsibility for the Financial Statements

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

The preparation of 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 7, 2012

MNP LLP

Independent Auditors' Report

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

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, 2012, 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. 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 the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Rolling River School Division as at June 30, 2012 and the consolidated results of its operations, consolidated changes in net debt and its consolidated cash flow for the year then ended in accordance with Canadian generally accepted accounting principles established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

Other Matters

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

Brandon, Manitoba
November 7, 2012

MNP LLP
Chartered Accountants

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

Chairperson of the Board

Nov. 7, 2012
Date

ACCOUNTING › CONSULTING › TAX
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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2012	2011
	Financial Assets		
	Cash and Bank	-	-
	Short Term Investments	-	-
	Due from - Provincial Government	883,378	826,352
	- Federal Government	57,257	75,639
	- Municipal Government	4,018,915	3,834,811
	- Other School Divisions	-	-
	- First Nations	320,051	-
	Accounts Receivable	68,766	87,602
	Accrued Investment Income	-	-
	Other Investments	-	-
		5,348,367	4,824,404
	Liabilities		
5	Overdraft	491,871	1,341,145
	Accounts Payable	251,342	271,002
	Accrued Liabilities	1,111,490	544,989
*	Employee Future Benefits	49,484	91,450
	Accrued Interest Payable	188,673	197,844
	Due to - Provincial Government	37,531	8,555
	- Federal Government	-	-
	- Municipal Government	6,229	6,229
	- Other School Divisions	-	24,675
	- First Nations	-	-
7	Deferred Revenue	368,943	153,172
8	Debenture Debt	6,646,842	6,665,790
	Other Borrowings	-	-
	School Generated Funds Liability	-	-
		9,152,405	9,304,851
	Net Debt	(3,804,038)	(4,480,447)
	Non-Financial Assets		
9	Net Tangible Capital Assets (TCA Schedule)	8,727,640	8,609,846
	Inventories	-	-
	Prepaid Expenses	167,708	8,362
		8,895,348	8,618,208
10	**Accumulated Surplus**	5,091,310	4,137,761

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes			2012	2011
	Revenue			
	Provincial Government		14,366,634	14,047,661
	Federal Government		83,571	78,105
	Municipal Government	- Property Tax	6,995,924	6,697,889
		- Other	-	-
	Other School Divisions		73,190	96,200
	First Nations		1,075,078	1,125,084
	Private Organizations and Individuals		47,973	45,332
	Other Sources		72,592	53,333
	School Generated Funds		623,433	616,311
	Other Special Purpose Funds		-	-
			23,338,395	22,759,915
	Expenses			
	Regular Instruction		11,983,444	11,665,917
	Student Support Services		2,790,624	2,768,279
	Adult Learning Centres		156,537	137,393
	Community Education and Services		24,180	22,671
	Divisional Administration		854,623	852,768
	Instructional and Other Support Services		677,184	564,352
	Transportation of Pupils		1,539,195	1,483,056
	Operations and Maintenance		2,200,743	2,170,494
12	Fiscal	- Interest	440,224	474,854
		- Other	321,172	324,470
	Amortization		774,673	785,104
	Other Capital Items		-	-
	School Generated Funds		664,213	639,890
	Other Special Purpose Funds		-	-
			22,426,812	21,889,248
	Current Year Surplus (Deficit)		911,583	870,667
	Less: Non-vested sick leave		41,966	1,216
	Opening Accumulated Surplus		4,137,761	3,358,544
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	-
		Other than Tangible Cap. Assets	-	-
		Non-vested sick leave	-	(92,666)
	Opening Accumulated Surplus, as adjusted		4,137,761	3,265,878
	Closing Accumulated Surplus		5,091,310	4,137,761

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2012

	2012	2011
Current Year Surplus (Deficit)	911,583	870,667
Amortization of Tangible Capital Assets	774,673	785,104
Acquisition of Tangible Capital Assets	(892,467)	(551,457)
(Gain) / Loss on Disposal of Tangible Capital Assets	-	-
Proceeds on Disposal of Tangible Capital Assets	-	-
	(117,794)	233,647
Inventories (Increase)/Decrease	-	-
Prepaid Expenses (Increase)/Decrease	(159,346)	9,964
	(159,346)	9,964
(Increase)/Decrease in Net Debt	634,443	1,114,278
Net Debt at Beginning of Year	(4,480,447)	(5,503,275)
Adjustments Other than Tangible Cap. Assets	41,966	(91,450)
	(4,438,481)	(5,594,725)
Net Debt at End of Year	(3,804,038)	(4,480,447)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2012

	2012	2011
Operating Transactions		
Current Year Surplus/(Deficit)	911,583	870,667
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	774,673	785,104
(Gain)/Loss on Disposal of Tangible Capital Assets	-	-
Employee Future Benefits Increase/(Decrease)	(41,966)	91,450
Short Term Investments (Increase)/Decrease	-	-
Due from Other Organizations (Increase)/Decrease	(542,799)	(3,506)
Accounts Receivable & Accrued Income (Increase)/Decrease	18,836	(1,457)
Inventories and Prepaid Expenses - (Increase)/Decrease	(159,346)	9,964
Due to Other Organizations Increase/(Decrease)	4,301	14,094
Accounts Payable & Accrued Liabilities Increase/(Decrease)	537,670	278,963
Deferred Revenue Increase/(Decrease)	215,771	(425,928)
School Generated Funds Liability Increase/(Decrease)	-	-
Adjustments Other than Tangible Cap. Assets	41,966	(91,450)
Cash Provided by Operating Transactions	1,760,689	1,527,901
Capital Transactions		
Acquisition of Tangible Capital Assets	(892,467)	(551,457)
Proceeds on Disposal of Tangible Capital Assets	-	-
Cash (Applied to)/Provided by Capital Transactions	(892,467)	(551,457)
Investing Transactions		
Other Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
Financing Transactions		
Debenture Debt Increase/(Decrease)	(18,948)	(548,206)
Other Borrowings Increase/(Decrease)	-	-
Cash Provided by (Applied to) Financing Transactions	(18,948)	(548,206)
Cash and Bank / Overdraft (Increase)/Decrease	849,274	428,238
Cash and Bank (Overdraft) at Beginning of Year	(1,341,145)	(1,769,383)
Cash and Bank (Overdraft) at End of Year	(491,871)	(1,341,145)

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2012

	Buildings and Leasehold Improvements		School	Other	Furniture / Fixtures &	Computer Hardware &		Land	Assets Under	2012	2011
	School	Non-School	Buses	Vehicles	Equipment	Software *	Land	Improvements	Construction	TOTALS	TOTALS
Tangible Capital Asset Cost											
Opening Cost, as previously reported	18,463,346	107,000	2,609,038	334,746	154,103	-	153,468	-	133,227	21,954,928	21,403,471
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	18,463,346	107,000	2,609,038	334,746	154,103	-	153,468	-	133,227	21,954,928	21,403,471
Add: Additions during the year	597,772	-	260,158	-	53,318	62,615	-	-	(81,396)	892,467	551,457
Less: Disposals and write downs	-	-	-	-	-	-	-	-	-	-	-
Closing Cost	19,061,118	107,000	2,869,196	334,746	207,421	62,615	153,468	-	51,831	22,847,395	21,954,928
Accumulated Amortization											
Opening, as previously reported	11,271,162	78,988	1,587,902	272,385	134,645	-		-		13,345,082	12,559,978
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	11,271,162	78,988	1,587,902	272,385	134,645	-		-		13,345,082	12,559,978
Add: Current period Amortization	527,154	2,675	199,875	23,912	13,230	7,827		-		774,673	785,104
Less: Accumulated Amortization on Disposals and Writedowns	-	-	-	-	-	-		-		-	-
Closing Accumulated Amortization	11,798,316	81,663	1,787,777	296,297	147,875	7,827		-		14,119,755	13,345,082
Net Tangible Capital Asset	7,262,802	25,337	1,081,419	38,449	59,546	54,788	153,468	-	51,831	8,727,640	8,609,846
Proceeds from Disposal of Capital Assets	-	-	-	-	-	-				-	-

* Includes network infrastructure.

1. Nature of Organization and Economic Dependence

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

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

2. Significant Accounting Policies

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

a) Reporting Entity and Consolidation

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

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

b) Trust funds

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

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

c) Basis of Accounting

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

d) Fund Accounting

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

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

e) School Generated Funds

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

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

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

f) Tangible Capital Assets

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

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

Asset Description	Capitalization Threshold ($)	Estimated Useful Life (years)
Land 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 other future benefits to its employees. These benefits include supplemental employment benefits and sick leave. These benefits are event driven and the costs are recognized when the event becomes known. Effective with the 2009/2010 fiscal year, expected future payment of non vested accumulated sick leave benefits for employees based on estimated sick days that will be used over earned per year has been set up as a future benefit.

h) Capital Reserve

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

i) Use of Estimates

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

j) Financial instruments

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

3. 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.

4. Change in Accounting Policy – Future Sick Leave

Previously, the School Division did not recognize an accrued benefit obligation related to sick leave benefits as the benefits do not vest. The benefit costs were only recognized and recorded in the period when an employee was sick. Public Sector Accounting Standards require that a liability and an expense be recognized for post-employment benefits and compensated absences that vest or accumulate in the period in which employees render services to the School Division in return for the benefits. An adjustment was made to recognize a liability and an expense related to accumulated sick leave entitlement. The resulting adjustment to the liability for Employee Future Benefits at July 1, 2011 was $92,666. A reduction of expense of $1,216 was recognized in the 2010/11 fiscal year. The liability for employee future benefits recorded at June 30, 2012 was decreased by $41,966 related to the accrual for accumulated sick leave entitlement, determined using net present value techniques.

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. Expected future payment of non vested accumulated sick leave benefits for employees based on estimated sick days that will be used over earned per year has been set up as a future benefit.

Non-vested accumulated sick leave benefits are measured using net present value techniques on the expected future utilization of excess of sick benefits used over earned per year, to maximum entitlement. The impact of the estimated non-vested sick leave benefits cost for 2011/12 is a decrease of the liability in the amount of $41,966.

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.

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, 2011	Additions in the period	Revenue recognized in the period	Balance as at June 30, 2012
Manitoba Textbook Bureau	$ -	$ -	$ -	$ -
General Support Grant	-		-	-
Education Property Tax Credit	153,172	368,943	153,172	368,943
	$ 153,172	$ 368,943	$ 153,172	$ 368,943

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 2013 to 2032. Payment of principal and interest is funded entirely by grants from the Province of Manitoba, except for the debenture debt on self-funded capital projects. The debentures carry interest rates that range from 3.875 % to 10.0 %. Debenture interest expense payable as at June 30, 2012, 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
2012/13	$ 599,461	$ 403,163
2013/14	603,572	359,789
2014/15	639,551	316,795
2015/16	493,980	271,117
2016/17	524,265	240,832
	$ 2,860,829	$ 1,591,696

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	2012 Net Book Value
Owned-tangible capital assets	$ 22,847,395	$ 14,119,755	$ 8,727,640
Capital lease	-	-	-
	$ 22,847,395	$ 14,119,755	$ 8,727,640

10. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2012
Operating Fund	
Designated Surplus	-
Undesignated Surplus	776,047
Non-vested sick leave	(49,484)
	726,563
Capital Fund	
Reserve Accounts	2,111,388
Equity in Tangible Capital Assets	2,076,468
	4,187,856
Special Purpose Fund	
School Generated Funds	176,891
Other Special Purpose Funds	
	176,891
Total Accumulated Surplus	$ 5,091,310

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.

	2012
Board approved appropriation by motion	
School budget carryovers by board policy	-
Designated surplus	$ -

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

	2012
Bus reserves	599,003
Other reserves	1,512,385
($7,385 Software; $805,000 Division Office Renovations, $400,000 Wide Area Network, $300,000 High School Water & Sewer)	
Capital Reserve	$ 2,111,388

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

	2012
Foundation-Scholarship	-
Other - *Specify*	-
Other Special Purpose Funds	$ -

11. Restatement of Opening Accumulated Surplus

Restatement of Opening Accumulated Surplus is comprised of:

		2012
Operating Fund		
Employee Future Benefits		91,450
Capital Fund		
Tangible Capital Assets		-
Accumulated Amortization		-
		-
Special Purpose Fund		
School Generated Funds		-
Other Special Purpose Funds		-
		-
Total Restatement of Opening Accumulated Surplus	$	91,450

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

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

Education property tax or Special Levy is raised as the Division's contribution to the cost of providing public education for the students who reside in the division. The Municipal Government-Property Tax shown on the consolidated statement of revenue and expense is raised over the two calendar (tax) years; 42.3% from 2011 tax year and 57.7% from 2012 tax year. Below are the related revenue and receivable amounts:

		2012		2011
Revenue-Municipal Government-Property Tax	$	6,995,924	$	6,697,889
Receivable-Due from Municipal-Property Tax	$	4,018,915	$	3,834,811

13. Interest Received and Paid

The Division received interest during the year of $21,283 (previous year $14,471); interest paid during the year was $440,224 (previous year $474,854).

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

		2012
Operating Fund		
Fiscal-short term loan, interest and bank charges	$	26,694
Capital Fund		
Debenture debt interest		413,530
Other interest		-
	$	440,224

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 $188,673 included under the Capital Fund-Debenture debt interest is offset by an accrual of the debt servicing grant from the Province of Manitoba.

14. Allowance for Doubtful Accounts

All receivables presented on the consolidated statement of financial position are net of an allowance for doubtful accounts. Below is the total allowance for doubtful accounts as at June 30, 2012:

	2012
Allowance for doubtful accounts deducted from Receivable below:	
Due from First Nations	
Accounts Receivable	
	NIL
Bad debts expense (included in fiscal-Other)	NIL

15. Expenses by object

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

	Actual 2012	Budget 2012	Actual 2011
Salaries	$ 15,554,548	$ 16,005,495	$ 15,163,032
Employees benefits & allowances	1,127,067	1,164,710	1,052,295
Services	1,702,261	1,787,985	1,639,953
Supplies, materials & minor equipment	1,633,949	1,581,700	1,620,139
Interest	440,224	55,000	474,854
Transfers	208,705	200,600	189,511
Payroll tax	321,172	342,000	324,470
Amortization	774,673		785,104
Other capital items			
School generated funds	664,213		639,890
Other special purpose funds			
	$ 22,426,812	$ 21,137,490	$ 21,889,248

16. Budget Figures and Non Financial Information

The 2012 budget figures, transportation statistics, full time equivalent personnel and senior staff allocations are unaudited and have been presented for information purposes only.

17. 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, 2012, the amount of this special levy was $31,002 (previous year $34,563). These amounts are not included in the Division's consolidated financial statements.

18. High Speed Connectivity Agreement

The Division has entered into a long term service agreement with Westman Communications Group to provide high speed internet and wide area network service for the majority of schools and the Division Offices in the division. The initial term of the agreement is 10 years and there are two options to renew for a further five years each. The Division Offices and all schools except Hutterite Colony Schools and Oak River Elementary School are covered by the agreement and will utilize fiber optic cable technology. Hutterite Colony Schools and Oak River Elementary schools are not included in the agreement. The total installation cost is $1,250,000 net of taxes. The Division has made the first payment (20%) in the amount of $250,000 net of taxes and will be making future payments as per an installation schedule. The Board of Trustees will determine any amounts and terms of financing during the 2012/2013 fiscal year.

Rivière Seine River

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MANAGEMENT REPORT

Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of Seine River School Division ("Division") are the responsibility of the Division's management and have been prepared in compliance with legislation, and in accordance with Canadian 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 23, 2012

BDO

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Independent Auditor's Report

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, 2012, and the consolidated statement of revenue, expenses and accumulated surplus, statement of change in net debt and statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

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

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

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **Seine River School Division** as at June 30, 2012, 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 23, 2012

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 23, 2012
Date

Chairperson

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2012	2011
	Financial Assets		
	Cash and Bank	-	-
	Short Term Investments	-	-
	Due from - Provincial Government	2,606,437	884,581
	- Federal Government	278,270	218,027
11	- Municipal Government	6,517,752	5,876,159
	- Other School Divisions	-	7,896
	- First Nations	-	-
	Accounts Receivable	42,757	40,790
	Accrued Investment Income	-	-
	Other Investments	-	-
		9,445,216	7,027,453
	Liabilities		
4	Overdraft	2,490,522	2,607,751
	Accounts Payable	1,509,003	1,965,813
	Accrued Liabilities	433,062	600,892
5	Employee Future Benefits	126,485	215,926
	Accrued Interest Payable	569,389	394,947
	Due to - Provincial Government	142,515	128,525
	- Federal Government	1,755,625	1,805,932
	- Municipal Government	46,863	70,146
	- Other School Divisions	-	-
	- First Nations	-	-
6	Deferred Revenue	1,817,074	1,439,955
7	Debenture Debt	26,191,625	16,277,174
	Other Borrowings	-	-
8	School Generated Funds Liability	35,284	44,873
		35,117,447	25,551,934
	Net Debt	(25,672,231)	(18,524,481)
	Non-Financial Assets		
9	Net Tangible Capital Assets (TCA Schedule)	33,479,659	25,305,773
	Inventories	-	-
	Prepaid Expenses	473,508	36,554
		33,953,167	25,342,327
10	**Accumulated Surplus**	8,280,936	6,817,846

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes			2012	2011
	Revenue			
	Provincial Government		32,404,617	31,266,195
	Federal Government		28,106	26,532
11	Municipal Government	- Property Tax	9,287,522	8,556,146
		- Other	-	-
	Other School Divisions		220,386	224,001
	First Nations		39,813	30,330
	Private Organizations and Individuals		32,382	28,084
	Other Sources		77,599	77,411
	School Generated Funds		1,039,875	921,986
	Other Special Purpose Funds		-	-
			43,130,300	41,130,685
13	**Expenses**			
	Regular Instruction		21,520,898	20,799,506
	Student Support Services		7,344,332	7,312,388
	Adult Learning Centres		303,443	290,172
	Community Education and Services		41,881	43,909
	Divisional Administration		1,255,363	1,400,777
	Instructional and Other Support Services		965,432	895,227
	Transportation of Pupils		2,342,114	2,194,282
	Operations and Maintenance		3,649,502	3,612,672
12	Fiscal	- Interest	1,191,360	1,046,868
		- Other	642,352	612,978
	Amortization		1,475,774	1,409,984
	Other Capital Items		-	-
	School Generated Funds		1,024,200	953,364
	Other Special Purpose Funds		-	-
			41,756,651	40,572,127
	Current Year Surplus (Deficit)		1,373,649	558,558
	Less: Non-vested sick leave		89,441	(29,307)
3	Opening Accumulated Surplus		6,817,846	6,475,214
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	-
		Other than Tangible Cap. Assets	-	-
3		Non-vested sick leave	-	(186,619)
	Opening Accumulated Surplus, as adjusted		6,817,846	6,288,595
	Closing Accumulated Surplus		8,280,936	6,817,846

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2012

	2012	2011
Current Year Surplus (Deficit)	1,373,649	558,558
Amortization of Tangible Capital Assets	1,475,774	1,409,984
Acquisition of Tangible Capital Assets	(9,649,660)	(4,737,086)
(Gain) / Loss on Disposal of Tangible Capital Assets	(4,200)	(6,230)
Proceeds on Disposal of Tangible Capital Assets	4,200	6,230
	(8,173,886)	(3,327,102)
Inventories (Increase)/Decrease	-	-
Prepaid Expenses (Increase)/Decrease	(436,954)	563,692
	(436,954)	563,692
(Increase)/Decrease in Net Debt	(7,237,191)	(2,204,852)
Net Debt at Beginning of Year	(18,524,481)	(16,103,703)
Adjustments Other than Tangible Cap. Assets	89,441	(215,926)
	(18,435,040)	(16,319,629)
Net Debt at End of Year	(25,672,231)	(18,524,481)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2012

	2012	2011
Operating Transactions		
Current Year Surplus/(Deficit)	1,373,649	558,558
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	1,475,774	1,409,984
(Gain)/Loss on Disposal of Tangible Capital Assets	(4,200)	(6,230)
Employee Future Benefits Increase/(Decrease)	(89,441)	(263,306)
Short Term Investments (Increase)/Decrease	-	53,052
Due from Other Organizations (Increase)/Decrease	(2,415,796)	(408,280)
Accounts Receivable & Accrued Income (Increase)/Decrease	(1,967)	39,970
Inventories and Prepaid Expenses - (Increase)/Decrease	(436,954)	563,692
Due to Other Organizations Increase/(Decrease)	(59,600)	272,193
Accounts Payable & Accrued Liabilities Increase/(Decrease)	(450,198)	1,606,624
Deferred Revenue Increase/(Decrease)	377,119	(14,555)
School Generated Funds Liability Increase/(Decrease)	(9,589)	11,134
Adjustments Other than Tangible Cap. Assets	89,441	(215,926)
Cash Provided by Operating Transactions	(151,762)	3,606,910
Capital Transactions		
Acquisition of Tangible Capital Assets	(9,649,660)	(4,737,086)
Proceeds on Disposal of Tangible Capital Assets	4,200	6,230
Cash (Applied to)/Provided by Capital Transactions	(9,645,460)	(4,730,856)
Investing Transactions		
Other Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
Financing Transactions		
Debenture Debt Increase/(Decrease)	9,914,451	302,168
Other Borrowings Increase/(Decrease)	-	-
Cash Provided by (Applied to) Financing Transactions	9,914,451	302,168
Cash and Bank / Overdraft (Increase)/Decrease	117,229	(821,778)
Cash and Bank (Overdraft) at Beginning of Year	(2,607,751)	(1,785,973)
Cash and Bank (Overdraft) at End of Year	(2,490,522)	(2,607,751)

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2012

	Buildings and Leasehold Improvements		School	Other	Furniture / Fixtures &	Computer Hardware &		Land	Assets Under	2012	2011
	School	Non-School	Buses	Vehicles	Equipment	Software *	Land	Improvements	Construction	TOTALS	TOTALS
Tangible Capital Asset Cost											
Opening Cost, as previously reported	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
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	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
Add: Additions during the year	49,428	-	387,207	24,543	40,711	166,451	-	-	8,981,320	9,649,660	4,737,086
Less: Disposals and write downs	-	-	58,667	-	-	-	-	-	-	58,667	-
Closing Cost	34,967,404	2,958,759	4,762,654	129,610	600,702	472,021	451,886	-	12,082,470	56,425,506	46,834,513
Accumulated Amortization											
Opening, as previously reported	17,312,657	623,706	2,755,356	91,667	456,762	288,592		-		21,528,740	20,118,756
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	17,312,657	623,706	2,755,356	91,667	456,762	288,592		-		21,528,740	20,118,756
Add: Current period Amortization	944,436	92,472	361,001	8,854	43,354	25,657		-		1,475,774	1,409,984
Less: Accumulated Amortization on Disposals and Writedowns	-	-	58,667	-	-	-		-		58,667	-
Closing Accumulated Amortization	18,257,093	716,178	3,057,690	100,521	500,116	314,249		-		22,945,847	21,528,740
Net Tangible Capital Asset	16,710,311	2,242,581	1,704,964	29,089	100,586	157,772	451,886	-	12,082,470	33,479,659	25,305,773
Proceeds from Disposal of Capital Assets	-	-	4,200	-	-	-				4,200	6,230

* Includes network infrastructure.

1. Nature of Organization and Economic Dependence

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

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

2. Significant Accounting Policies

The consolidated financial statements have been prepared by management in accordance with Canadian 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 extracurricular activities for the sole use of the school that the principal of each school, subject to the rules of the school board, may raise, hold, administer and expend for the purposes of the school.

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

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

Tangible Capital Assets

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

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

Asset Description	Capitalization Threshold ($)	Estimated Useful Life
Land improvements	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 parental leave benefits to all certified teachers of the Division.

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 plans that are event driven such as non-vesting parental leave, the benefit costs are recognized and recorded only in the period when the event occurs.

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

Capital Reserve

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

Use of Estimates

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

Financial Instruments

There are no significant terms and conditions related to financial instruments (cash, accounts receivable, investments, 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. Change in Accounting Policy Relating to Sick Leave Benefits

Previously, the School Division did not recognize a liability for sick leave benefits that accumulate but do not vest. The benefit costs were recognized and recorded in the period when an employee was sick. PSAB standards require that a liability and an expense be recognized for sick leave benefits that accumulate but do not vest in the period in which employees render services to the Division in return for the benefits.

The Division has changed its accounting policy in the current year to be consistent with PSAB standards. As a consequence, a prior period adjustment has been recorded to recognize a liability and an expense and retroactively restate opening accumulated surplus. The resulting changes on figures previously reported as at and for the year ended June 30, 2011 are as follows:

	As previously reported	Restatement	As restated
Consolidated Statement of Financial Position			
Liabilities			
Employee Future Benefits	$ -	215,926	215,926
Consolidated Statement of Revenue, Expenses and Accumulated Surplus			
Non-vested sick leave recovery (expense)	$ -	(29,307)	(29,307)
Opening Accumulated Surplus	$ 6,475,214	(186,619)	6,288,595
Closing Accumulated Surplus	$ 7,033,772	(215,926)	6,817,846

4. 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, 2012); 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 $224,959 ($300,290 in 2011).

Non-vested accumulating sick leave benefits are measured using net present value techniques on the expected future utilization of excess of sick leave benefits used over earned per year, to maximum entitlement. The non-vested sick leave recovery for the year is $89,441 ($29,307 expense in 2011).

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, 2011	Additions in year	Revenue recognized in year	Balance as at June 30, 2012
Education Property Tax Credit (EPTC)	$ 1,439,955	4,582,291	4,226,030	1,796,216
Other	-	218,491	197,633	20,858
	$ 1,439,955	4,800,782	4,423,663	1,817,074

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 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 3.625% to 10.000%. Debenture interest expense payable as at June 30, 2012, 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:

2013	$ 3,015,280
2014	2,991,107
2015	2,903,472
2016	2,822,307
2017	2,626,647

8. School Generated Funds Liability

School Generated Funds Liability includes the non-controlled portion of school generated funds. At June 30, 2012, an amount equal to the liability or $35,284 ($44,873 at June 30, 2011) is included in overdraft on the Consolidated Statement of Financial Position.

9. Net Tangible Capital Assets

The Schedule of Tangible Capital Assets (TCA), page 23 of the 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).

10. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2012	2011
Operating Fund		
Designated Surplus	$ 154,639	153,113
Undesignated	1,241,167	857,727
Non-vested Sick Leave	(126,485)	(215,926)
	1,269,321	794,914
Capital Fund		
Reserve Accounts	525,071	120,871
Equity in Tangible Capital Assets	6,232,031	5,663,223
	6,757,102	5,784,094
Special Purpose Fund		
School Generated Funds	254,513	238,838
Other School Generated Funds	-	-
	254,513	238,838
Total Accumulated Surplus	$ 8,280,936	6,817,846

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:

	2012	2011
School budget carryovers by board policy	$ 41,501	-
Various projects	113,138	153,113
Designated surplus	$ 154,639	153,113

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.

	2012	2011
Bus Reserve	$ 472,018	67,818
Board Office Roof Replacement Reserve	53,053	53,053
Capital Reserve	$ 525,071	120,871

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; 42% from 2011 tax year and 58% from 2012 tax year. Below are the related revenue and receivable amounts:

	2012	2011
Revenue – Municipal Government – Property Tax	$ 9,287,522	8,556,146
Receivable – Due from Municipal – Property Tax	$ 6,517,752	5,876,159

12. Interest Received and Paid

The Division received interest during the year of $1,425 ($2,264 in 2011); interest paid during the year was $1,191,360 ($1,046,868 in 2011).

Interest expense for the year ended June 30, 2012 is comprised of the following:

	2012	2011
Operating Fund		
Fiscal-short term loan, interest and bank charges	$ 37,549	55,277
Capital Fund		
Debenture interest	1,161,965	985,940
Other interest	(8,154)	5,651
	$ 1,191,360	1,046,868

The accrual portion of debenture debt interest expense of $569,389 ($394,947 in 2011) included under the Capital Fund - Debenture debt interest is offset by an accrual of the debt servicing grant from the Province of Manitoba of $569,576 as at June 30, 2012 ($392,203 in 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:

	2012	2011
Salaries	$ 29,254,266	28,530,488
Employees benefits and allowances	2,316,615	2,228,378
Services	2,843,324	2,849,367
Supplies, materials and minor equipment	2,412,033	2,359,568
Interest	1,191,360	1,046,868
Payroll tax	642,352	612,978
Amortization	1,475,774	1,409,984
Transfers	596,727	581,132
School generated funds	1,024,200	953,364
Non-vested sick leave expense (recovery)	(89,441)	29,307
	$ 41,667,210	40,601,434

14. Commitments

Commitments of Operating Fund Surplus at year end are detailed in the Analysis of Consolidated Accumulated Surplus. Designated Operating Fund Accumulated Surplus is $154,639 at June 30, 2012 ($153,113 at June 30, 2011). The details of the Designated Surplus are disclosed at note 10 and page 5 of the consolidated financial statements.

The Division has equipment lease agreements. Future annual minimum operating lease commitments are as follows for the fiscal years ending:

2013	$ 219,321
2014	186,943
2015	112,116

15. Trust Funds

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

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.

Chairperson   Secretary-Treasurer

October 29, 2012

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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, 2012, 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, 2012, and its consolidated results of operations, its consolidated change in net debt and its consolidated cash flows for the year then ended in accordance with Canadian 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 29, 2012
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 29, 2012
Date

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2012	2011
	Financial Assets		
	Cash and Bank	-	-
	Short Term Investments	-	-
	Due from - Provincial Government	6,085,497	5,685,011
	- Federal Government	197,598	253,759
	- Municipal Government	16,619,660	15,170,301
	- Other School Divisions	4,114	14,349
	- First Nations	218,400	238,400
	Accounts Receivable	242,526	315,028
	Accrued Investment Income	-	-
	Other Investments	-	-
		23,367,795	21,676,848
	Liabilities		
*	Overdraft	722,292	7,485,469
	Accounts Payable	3,279,247	2,449,774
	Accrued Liabilities	5,103,922	2,299,936
*	Employee Future Benefits	586,490	617,728
	Accrued Interest Payable	959,563	868,935
	Due to - Provincial Government	404,110	426,433
	- Federal Government	206,313	145,838
	- Municipal Government	165,863	105,278
	- Other School Divisions	40,844	5,327
	- First Nations	-	-
*	Deferred Revenue	4,947,905	4,159,528
*	Debenture Debt	39,739,453	35,611,145
*	Other Borrowings	8,615,967	9,075,954
	School Generated Funds Liability	561,405	567,492
		65,333,374	63,818,837
	Net Debt	(41,965,579)	(42,141,989)
	Non-Financial Assets		
*	Net Tangible Capital Assets (TCA Schedule)	79,509,793	75,652,540
	Inventories	-	-
	Prepaid Expenses	258,514	221,293
		79,768,307	75,873,833
*	**Accumulated Surplus**	37,802,728	33,731,844

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes			2012	2011
	Revenue			
	Provincial Government		83,662,250	78,279,498
	Federal Government		10,883	94,969
	Municipal Government	- Property Tax	27,649,401	27,015,658
		- Other	-	-
	Other School Divisions		1,086,098	1,011,308
	First Nations		349,600	269,600
	Private Organizations and Individuals		998,961	946,953
	Other Sources		114,899	260,779
	School Generated Funds		134,826	117,585
	Other Special Purpose Funds		-	-
			114,006,918	107,996,350
	Expenses			
	Regular Instruction		61,908,496	58,192,331
	Student Support Services		18,541,992	17,054,667
	Adult Learning Centres		595,979	519,067
	Community Education and Services		912,980	955,454
	Divisional Administration		3,055,087	3,033,596
	Instructional and Other Support Services		3,606,268	3,393,710
	Transportation of Pupils		3,288,467	3,074,900
	Operations and Maintenance		10,234,800	10,137,552
*	Fiscal	- Interest	2,658,830	2,608,452
		- Other	1,655,613	1,586,564
	Amortization		3,414,033	2,899,424
	Other Capital Items		9	49,864
	School Generated Funds		94,718	178,901
	Other Special Purpose Funds		-	-
			109,967,272	103,684,482
	Current Year Surplus (Deficit)		4,039,646	4,311,868
	Less: Non-vested sick leave		31,238	(118,357)
	Opening Accumulated Surplus		33,731,844	30,037,704
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	-
		Other than Tangible Cap. Assets	-	-
		Non-vested sick leave	-	(499,371)
	Opening Accumulated Surplus, as adjusted		33,731,844	29,538,333
	Closing Accumulated Surplus		37,802,728	33,731,844

See accompanying notes to the Financial Statements

* NOTE REQUIRED

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2012

	2012	2011
Current Year Surplus (Deficit)	4,039,646	4,311,868
Amortization of Tangible Capital Assets	3,414,033	2,899,424
Acquisition of Tangible Capital Assets	(7,274,274)	(7,192,805)
(Gain) / Loss on Disposal of Tangible Capital Assets	(2,012)	(187,323)
Proceeds on Disposal of Tangible Capital Assets	5,000	200,523
	(3,857,253)	(4,280,181)
Inventories (Increase)/Decrease	-	-
Prepaid Expenses (Increase)/Decrease	(37,221)	(39,967)
	(37,221)	(39,967)
(Increase)/Decrease in Net Debt	145,172	(8,280)
Net Debt at Beginning of Year	(42,141,989)	(41,515,981)
Adjustments Other than Tangible Cap. Assets	31,238	(617,728)
	(42,110,751)	(42,133,709)
Net Debt at End of Year	(41,965,579)	(42,141,989)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2012

	2012	2011
Operating Transactions		
Current Year Surplus/(Deficit)	4,039,646	4,311,868
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	3,414,033	2,899,424
(Gain)/Loss on Disposal of Tangible Capital Assets	(2,012)	(187,323)
Employee Future Benefits Increase/(Decrease)	(31,238)	617,728
Short Term Investments (Increase)/Decrease	-	-
Due from Other Organizations (Increase)/Decrease	(1,763,449)	(2,030,045)
Accounts Receivable & Accrued Income (Increase)/Decrease	72,502	518,659
Inventories and Prepaid Expenses - (Increase)/Decrease	(37,221)	(39,967)
Due to Other Organizations Increase/(Decrease)	134,254	(33,206)
Accounts Payable & Accrued Liabilities Increase/(Decrease)	3,724,087	2,236,827
Deferred Revenue Increase/(Decrease)	788,377	73,801
School Generated Funds Liability Increase/(Decrease)	(6,087)	105,562
Adjustments Other than Tangible Cap. Assets	31,238	(617,728)
Cash Provided by Operating Transactions	10,364,130	7,855,600
Capital Transactions		
Acquisition of Tangible Capital Assets	(7,274,274)	(7,192,805)
Proceeds on Disposal of Tangible Capital Assets	5,000	200,523
Cash (Applied to)/Provided by Capital Transactions	(7,269,274)	(6,992,282)
Investing Transactions		
Other Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
Financing Transactions		
Debenture Debt Increase/(Decrease)	4,128,308	1,008,724
Other Borrowings Increase/(Decrease)	(459,987)	(437,209)
Cash Provided by (Applied to) Financing Transactions	3,668,321	571,515
Cash and Bank / Overdraft (Increase)/Decrease	6,763,177	1,434,833
Cash and Bank (Overdraft) at Beginning of Year	(7,485,469)	(8,920,302)
Cash and Bank (Overdraft) at End of Year	(722,292)	(7,485,469)

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2012

	Buildings and Leasehold Improvements		School	Other	Furniture / Fixtures &	Computer Hardware &		Land	Assets Under	2012	2011
	School	Non-School	Buses	Vehicles	Equipment	Software *	Land	Improvements	Construction	TOTALS	TOTALS
Tangible Capital Asset Cost											
Opening Cost, as previously reported	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
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	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
Add: Additions during the year	6,194,734	-	475,097	69,966	241,245	61,668	26,962	33,913	170,689	7,274,274	7,192,805
Less: Disposals and write downs	-	-	450,045	-	164,451	-	-	-	-	614,496	26,600
Closing Cost	99,114,018	2,177,320	4,283,980	349,000	1,507,171	1,407,670	13,065,220	33,913	684,072	122,622,364	115,962,586
Accumulated Amortization											
Opening, as previously reported	34,530,371	1,465,468	2,765,982	133,265	969,088	445,872		-		40,310,046	37,424,022
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	34,530,371	1,465,468	2,765,982	133,265	969,088	445,872		-		40,310,046	37,424,022
Add: Current period Amortization	2,681,064	48,489	301,570	51,683	181,755	147,776		1,696		3,414,033	2,899,424
Less: Accumulated Amortization on Disposals and Writedowns	-	-	450,045	-	161,463	-		-		611,508	13,400
Closing Accumulated Amortization	37,211,435	1,513,957	2,617,507	184,948	989,380	593,648		1,696		43,112,571	40,310,046
Net Tangible Capital Asset	61,902,583	663,363	1,666,473	164,052	517,791	814,022	13,065,220	32,217	684,072	79,509,793	75,652,540
Proceeds from Disposal of Capital Assets	-	-	5,000	-	-	-				5,000	200,523

* Includes network infrastructure.

SEVEN OAKS SCHOOL DIVISION

Notes to Consolidated Financial Statements

Year ended June 30, 2012

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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:

Maples Youth Activity Centre	$	515
Kildonan Youth Activity Centre		28,954
Seven Oaks Parents in Support of Aboriginal Education		(118,142)
Safe Youth Program - from Federal Government Grant		2,557
Elwick Village & Resource Centre Inc.		45,272
	$	(40,844)

The amounts contributed by the Division will be reimbursed by these organizations.

2. Significant accounting policies (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.

2. Significant accounting policies (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	10,000	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) Non-vesting accumulating sick days:

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

2. Significant accounting policies (continued):

(h) Capital reserve:

Certain amounts approved by the Board of Trustees and the Public Schools Finance Board have been set aside in reserve accounts for future capital purposes 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.

(i) Government transfers:

Government transfers, including legislative grants, are recognized in the consolidated financial statements in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met and reasonable estimates of the amount can be made.

(j) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

(k) Change in accounting policy

Previously, the School Division did not recognize an accrued benefit obligation related to sick leave entitlements as the benefits do not vest. The benefit costs were previously only recognized and recorded in the period when an employee was sick. Public Sector Accounting standards require that a liability and an expense be recognized for post-employment benefits and compensated absences that vest or accumulate in the period in which employees render services to the Division in return for benefits. A retrospective adjustment was made to recognize a liability related to accumulated sick leave entitlement at July 1, 2010 in the amount of $499,371. The impact of the estimated non-vested sick leave benefit cost for the year ended June 30, 2012 is a decrease by $31,238 (2011 - increase by $118,357).

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. Non-vested accumulated sick leave benefits:

Non-vested accumulated sick leave benefits are measured using net present value techniques on the expected future utilization of excess of sick benefits used over earner per year, to maximum entitlement. The impact of the estimated non-vested sick leave benefit cost for the year ended June 30, 2012 is a decrease of $31,238 (2011 - increase of $118,357). At June 30, 2012, the Division has recorded an estimated liability of $586,490 (2011 - $617,728) in respect of these benefits.

5. Commitments:

On January 18, 2012 and June 6, 2012, the Division received approval from the Public Schools Finance Board to proceed with the project to install an additional (9) portables at O. V. Jewitt Community School (3), James Nisbet Community School (3), A. E. Wright Community School (2), École Belmont (1). The projected completion date is October 15, 2012 (8), December 30, 2012 (1).

On May 9, 2012, the Division received approval from the Public Schools Finance Board to proceed with the Maples Collegiate Institute roof replacement phase 2. The projected completion date of the project is March 31, 2013.

On June 13, 2012, the Division received approval from the Public Schools Finance Board to proceed with the Maples Collegiate Institute chiller and cooling tower replacement. The projected completion date of the project is May 31, 2013.

In April 2011, the premier provided his government's approval of the construction of a new school in Amber Trails. The projected completion date is 2014.

6. Deferred revenue:

	Balance, June 30, 2011	Additions in the period	Revenue recognized in the period	Balance, June 30, 2012
Education property tax credit	$ 3,736,674	$ 13,094,807	$ 12,000,881	$ 4,830,600
Bus pass fees	29,418	338,096	333,257	34,257
Other special purpose funds:				
Wayfinders Program	296,286	603,152	894,100	5,338
Capital - play structures	15,368	–	7,321	8,047
Community Led Emissions Reduction Grant	26,509	2,000	28,509	–
Community Schools Partnership Initiative	2,805	65,000	67,805	–
CVE fees	2,100	5,730	7,830	–
International student fee	12,000	18,100	30,100	–
My Camp	8,893	15,739	16,529	8,103
Summer school fees	29,475	48,160	49,865	27,770
LIFT Grants	–	36,275	4,485	31,790
School Grants	–	2,000	–	2,000
	$ 4,159,528	$ 14,229,059	$ 13,440,682	$ 4,947,905

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, 2012, school funds held in the Special Purpose Fund totaled $687,415 (2011 - $653,394).

The school generated funds liability of $561,405 at June 30, 2012 (2011 - $567,492) comprises the portion of the school generated funds that are not controlled.

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 2032. Payment of principal and interest is funded entirely by grants from the Province of Manitoba. The debentures carry interest rates that range from 4.0 percent to 10.5 percent. The debenture principal and interest repayments in the next five years and thereafter are:

	Principal	Interest	Total
2013	$ 2,168,167	$ 2,196,152	$ 4,364,319
2014	2,279,247	2,059,243	4,338,490
2015	2,399,140	1,915,599	4,314,739
2016	2,287,708	1,764,511	4,052,219
2017	2,178,488	1,628,420	3,806,908
Thereafter	28,426,703	10,143,147	38,569,850
	$ 39,739,453	$ 19,707,072	$ 59,446,525

During 2012, the Division had submitted claims for capital projects to the Public Schools Finance Board totaling $6,516,900 (2011 - $3,194,300) and received debenture proceeds of this amount in 2012.

9. 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
2013	$ 184,604	$ 14,716	$ 199,320
2014	72,105	5,428	77,533
2015	43,113	1,886	44,999
	$ 299,822	$ 22,030	$ 321,852

9. 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
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
2017	368,419	356,320	724,739
Thereafter	6,651,156	2,408,075	9,059,231
	$ 8,316,145	$ 4,366,777	$ 12,682,922

10. 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	$ 120,433,653	$ 41,467,318	$ 78,966,335
Capital leases	2,188,711	1,645,253	543,458
	$ 122,622,364	$ 43,112,571	$ 79,509,793

11. Expenditures by type:

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

12. 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 2012, the Division provided a grant to the Foundation in the amount of $16,000 (2011 - $16,000).

13. Interest paid:

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

	2012	2011
Operating Fund:		
Overdraft interest	$ 19,922	$ 41,531
Capital Fund:		
Debenture debt interest - PSFB funded	2,186,539	2,102,152
Lease interest	11,860	9,888
Loan interest	440,509	454,881
	$ 2,658,830	$ 2,608,452

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 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 23, 2012

MNP LLP

Independent Auditors' Report

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

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, 2012, 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. 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 the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Southwest Horizon School Division as at June 30, 2012 and the consolidated results of its operations, consolidated changes in net debt and its consolidated cash flow for the year then ended in accordance with Canadian generally accepted accounting principles established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

Other Matters

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

Brandon, Manitoba
October 23, 2012

MNP LLP
Chartered Accountants

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

Chairperson of the Board

October 23, 2012
Date

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2012	2011
	Financial Assets		
	Cash and Bank	-	-
	Short Term Investments	-	-
	Due from - Provincial Government	1,395,648	1,344,381
	- Federal Government	214,745	139,212
	- Municipal Government	4,027,969	3,614,835
	- Other School Divisions	-	71,954
	- First Nations	-	-
	Accounts Receivable	187,157	227,821
	Accrued Investment Income	-	-
	Other Investments	-	-
		5,825,519	5,398,203
	Liabilities		
4	Overdraft	5,539,331	4,029,336
	Accounts Payable	837,652	846,656
	Accrued Liabilities	131,400	331,765
	Employee Future Benefits	-	-
	Accrued Interest Payable	376,930	370,808
	Due to - Provincial Government	-	-
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
5	Deferred Revenue	358,543	353,652
6	Debenture Debt	15,411,553	14,495,306
7	Other Borrowings	168,125	268,184
	School Generated Funds Liability	-	-
		22,823,534	20,695,707
	Net Debt	(16,998,015)	(15,297,504)
	Non-Financial Assets		
8	Net Tangible Capital Assets (TCA Schedule)	19,229,775	16,935,828
	Inventories	85,238	88,736
	Prepaid Expenses	161,080	43,049
		19,476,093	17,067,613
9	**Accumulated Surplus**	2,478,078	1,770,109

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes			2012	2011
	Revenue			
	Provincial Government		14,063,943	13,315,796
	Federal Government		8,442	48,573
	Municipal Government	- Property Tax	7,489,175	6,726,002
		- Other	-	-
	Other School Divisions		99,450	99,271
	First Nations		-	-
	Private Organizations and Individuals		7,257	3,050
	Other Sources		72,550	213,189
	School Generated Funds		401,060	481,427
	Other Special Purpose Funds		-	-
			22,141,877	20,887,308
	Expenses			
	Regular Instruction		10,735,376	10,606,703
	Student Support Services		2,478,293	2,323,545
	Adult Learning Centres		-	-
	Community Education and Services		60,563	57,088
	Divisional Administration		798,369	809,025
	Instructional and Other Support Services		775,581	675,253
	Transportation of Pupils		1,827,709	1,663,492
	Operations and Maintenance		2,016,343	2,070,175
11	Fiscal	- Interest	949,552	928,823
		- Other	303,282	281,706
	Amortization		1,092,899	1,035,950
	Other Capital Items		-	-
	School Generated Funds		395,941	471,604
	Other Special Purpose Funds		-	-
			21,433,908	20,923,364
	Current Year Surplus (Deficit)		707,969	(36,056)
	Less: Non-vested sick leave		0	0
	Opening Accumulated Surplus		1,770,109	1,806,165
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	-
		Other than Tangible Cap. Assets	-	-
		Non-vested sick leave	-	-
	Opening Accumulated Surplus, as adjusted		1,770,109	1,806,165
	Closing Accumulated Surplus		2,478,078	1,770,109

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2012

	2012	2011
Current Year Surplus (Deficit)	707,969	(36,056)
Amortization of Tangible Capital Assets	1,092,899	1,035,950
Acquisition of Tangible Capital Assets	(3,389,653)	(1,289,935)
(Gain) / Loss on Disposal of Tangible Capital Assets	1,607	(700)
Proceeds on Disposal of Tangible Capital Assets	1,200	700
	(2,293,947)	(253,985)
Inventories (Increase)/Decrease	3,498	(3,183)
Prepaid Expenses (Increase)/Decrease	(118,031)	215,501
	(114,533)	212,318
(Increase)/Decrease in Net Debt	(1,700,511)	(77,723)
Net Debt at Beginning of Year	(15,297,504)	(15,219,781)
Adjustments Other than Tangible Cap. Assets	-	-
	(15,297,504)	(15,219,781)
Net Debt at End of Year	(16,998,015)	(15,297,504)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2012

	2012	2011
Operating Transactions		
Current Year Surplus/(Deficit)	707,969	(36,056)
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	1,092,899	1,035,950
(Gain)/Loss on Disposal of Tangible Capital Assets	1,607	(700)
Employee Future Benefits Increase/(Decrease)	-	-
Short Term Investments (Increase)/Decrease	-	-
Due from Other Organizations (Increase)/Decrease	(467,980)	(279,544)
Accounts Receivable & Accrued Income (Increase)/Decrease	40,664	(93,029)
Inventories and Prepaid Expenses - (Increase)/Decrease	(114,533)	212,318
Due to Other Organizations Increase/(Decrease)	-	-
Accounts Payable & Accrued Liabilities Increase/(Decrease)	(203,247)	215,784
Deferred Revenue Increase/(Decrease)	4,891	(197,206)
School Generated Funds Liability Increase/(Decrease)	-	-
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by Operating Transactions	1,062,270	857,517
Capital Transactions		
Acquisition of Tangible Capital Assets	(3,389,653)	(1,289,935)
Proceeds on Disposal of Tangible Capital Assets	1,200	700
Cash (Applied to)/Provided by Capital Transactions	(3,388,453)	(1,289,235)
Investing Transactions		
Other Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
Financing Transactions		
Debenture Debt Increase/(Decrease)	916,247	(233,191)
Other Borrowings Increase/(Decrease)	(100,059)	(77,359)
Cash Provided by (Applied to) Financing Transactions	816,188	(310,550)
Cash and Bank / Overdraft (Increase)/Decrease	(1,509,995)	(742,268)
Cash and Bank (Overdraft) at Beginning of Year	(4,029,336)	(3,287,068)
Cash and Bank (Overdraft) at End of Year	(5,539,331)	(4,029,336)

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2012

	Buildings and Leasehold Improvements		School	Other	Furniture / Fixtures &	Computer Hardware &		Land	Assets Under	2012	2011
	School	Non-School	Buses	Vehicles	Equipment	Software *	Land	Improvements	Construction	TOTALS	TOTALS
Tangible Capital Asset Cost											
Opening Cost, as previously reported	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
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	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
Add: Additions during the year	1,967,796	-	180,186	24,000	303,259	-	-	-	914,412	3,389,653	1,289,935
Less: Disposals and write downs	-	-	55,899	-	28,068	-	-	-	-	83,967	58,667
Closing Cost	25,811,776	696,009	3,755,675	144,102	1,153,678	76,472	286,930	-	2,306,728	34,231,370	30,925,684
Accumulated Amortization											
Opening, as previously reported	10,519,317	689,765	2,361,612	95,353	287,202	36,607		-		13,989,856	13,012,573
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	10,519,317	689,765	2,361,612	95,353	287,202	36,607		-		13,989,856	13,012,573
Add: Current period Amortization	684,494	6,244	244,351	11,167	127,525	19,118		-		1,092,899	1,035,950
Less: Accumulated Amortization on Disposals and Writedowns	-	-	55,899	-	25,261	-		-		81,160	58,667
Closing Accumulated Amortization	11,203,811	696,009	2,550,064	106,520	389,466	55,725		-		15,001,595	13,989,856
Net Tangible Capital Asset	14,607,965	-	1,205,611	37,582	764,212	20,747	286,930	-	2,306,728	19,229,775	16,935,828
Proceeds from Disposal of Capital Assets	-	-	1,200	-	-	-				1,200	700

* Includes network infrastructure.

1. Nature of Organization and Economic Dependence

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

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

2. Significant Accounting Policies

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles established by PSAB of the Canadian Institute of Chartered 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 $6,500,000 by way of overdrafts and is repayable at prime less .75% interest paid monthly. Included in the overdraft are capital projects totaling approximately $1,105,828 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-11	Additions in the period	Revenue Recognized in the period	Balance as at 30-Jun-12
Healthy Schools		106		106
Green Team Grant		7,084		7,084
Manitoba Textbook Bureau	-	48,618	48,618	-
Study Manitoba	7,100	-	7,100	-
Special Levy + Tax Incentive Grant	346,552	351,353	346,552	351,353
	$ 353,652	$ 407,161	$ 402,270	$ 358,543

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 2013 to 2032. 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.% to 10.125%. Debenture interest expense payable as at June 30, 2012, 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
2013	889,955	852,527	1,742,482
2014	925,045	800,117	1,725,162
2015	978,961	746,201	1,725,162
2016	1,024,247	689,052	1,713,299
2017	1,083,641	629,658	1,713,299
	$4,901,849	$3,717,555	$8,619,404

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.

Principal and interest repayment of total other borrowings in the next two years are:

	Principal	Interest	Total
2013	85,598	6,526	92,124
2014	82,527	2,093	84,620
	$ 168,125	$ 8,619	$176,744

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	2012 Net Book Value
Owned-tangible capital assets	$ 34,231,370	$ 15,001,595	$ 19,229,775
Capital lease	-	-	-
	$ 34,231,370	$ 15,001,595	$ 19,229,775

9. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2012
Operating Fund	
Designated Surplus	-
Undesignated Surplus	342,032
	342,032
Capital Fund	
Reserve Accounts	58,541
Equity in Tangible Capital Assets	1,901,554
	1,960,095
Special Purpose Fund	
School Generated Funds	175,951
Other Special Purpose Funds	-
	175,951
Total Accumulated Surplus	$2,478,078

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.

	2012
Bus reserves	58,541
Other reserves	
Capital Reserve	$ 58,541

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

	2012
Foundation - Scholarship	-
Other – School Funds	175,951
Other Special Purpose Funds	$ 175,951

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 2011 tax year and 54% from 2012 tax year. Below are the related revenue and receivable amounts:

	2012	2011
Revenue-Municipal Government-Property Tax	$ 7,489,175	$ 6,726,002
Receivable-Due from Municipal-Property Tax	$ 4,027,969	$ 3,614,835

11. Interest Received and Paid

The Division received interest during the year of $539 (previous year $494); interest paid during the year was $949,552 (previous year $928,823).

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

	2012
Operating Fund	
Fiscal-short term loan, interest and bank charges	$ 112,393
Capital Fund	
Debenture debt interest	837,159
Other interest	
	$949,552

The accrual portion of debenture debt interest expense of $376,930 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 2012	Budget 2012	Actual 2011
Salaries	13,845,534	$13,707,614	13,425,610
Employees benefits & allowances	1,049,064	1,063,700	933,144
Services	2,040,207	2,046,262	2,054,756
Supplies, materials & minor equipment	1,649,044	1,896,198	1,689,395
Interest	949,552	86,000	928,823
Transfers	108,385	107,000	102,376
Payroll tax	303,282	260,000	281,706
Amortization	1,092,899	-	1,035,950
Other capital items	-	-	-
School generated funds	395,941	-	471,604
Other special purpose funds	-	-	-
	$21,433,908	$19,166,774	$20,923,364

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 $175,951.

pwc

October 17, 2012

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 statements of financial position as at June 30, 2012 and 2011 and the statements of revenue, expenses and accumulated surplus, change in net debt and cash flows for the years 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 audits. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of St. James-Assiniboia School Division as at June 30, 2012 and 2011 and the results of its operations, changes in its net debt and its cash flows for the years then ended in accordance with Canadian public sector accounting standards.

PricewaterhouseCoopers LLP

Chartered Accountants

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2012	2011
	Financial Assets		
	Cash and Bank	4,949,736	6,879,236
	Short Term Investments	-	-
	Due from - Provincial Government	3,144,316	3,031,307
	- Federal Government	79,117	60,717
	- Municipal Government	17,298,182	16,944,332
	- Other School Divisions	-	1,300
	- First Nations	13,298	40,762
	Accounts Receivable	53,246	136,891
	Accrued Investment Income	-	-
	Other Investments	-	-
		25,537,895	27,094,545
	Liabilities		
	Overdraft	-	-
	Accounts Payable	5,018,577	4,054,126
	Accrued Liabilities	4,967,784	5,648,428
*	Employee Future Benefits	1,572,284	1,439,652
	Accrued Interest Payable	213,364	224,198
	Due to - Provincial Government	-	-
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
*	Deferred Revenue	6,692,548	6,481,263
*	Debenture Debt	13,778,083	14,279,074
	Other Borrowings	-	-
	School Generated Funds Liability	183,088	240,545
		32,425,728	32,367,286
	Net Debt	(6,887,833)	(5,272,741)
	Non-Financial Assets		
*	Net Tangible Capital Assets (TCA Schedule)	39,836,854	38,189,588
	Inventories	-	-
	Prepaid Expenses	388,604	350,993
		40,225,458	38,540,581
*	**Accumulated Surplus**	33,337,625	33,267,840

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes			2012	2011
	Revenue			
	Provincial Government		58,632,813	56,283,392
	Federal Government		2,304	1,140
	Municipal Government	- Property Tax	31,823,265	32,401,396
		- Other	-	-
	Other School Divisions		782,004	705,092
	First Nations		113,405	102,966
	Private Organizations and Individuals		2,498,798	2,580,021
	Other Sources		980,392	2,705,764
	School Generated Funds		932,274	866,679
	Other Special Purpose Funds		-	-
			95,765,255	95,646,450
	Expenses			
	Regular Instruction		52,582,126	50,328,682
	Student Support Services		18,520,799	17,884,699
	Adult Learning Centres		-	-
	Community Education and Services		958,693	885,146
	Divisional Administration		3,061,560	3,177,786
	Instructional and Other Support Services		3,357,163	3,258,989
	Transportation of Pupils		1,692,564	1,532,053
	Operations and Maintenance		9,531,067	9,380,290
*	Fiscal	- Interest	820,414	852,613
		- Other	1,578,709	1,414,489
	Amortization		2,572,232	2,279,722
	Other Capital Items		-	12,262
	School Generated Funds		967,708	900,009
	Other Special Purpose Funds		-	-
			95,643,035	91,906,740
	Current Year Surplus (Deficit)		122,220	3,739,710
	Less: Non-vested sick leave		(52,435)	(73,047)
	Opening Accumulated Surplus		33,267,840	29,967,830
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	-
		Other than Tangible Cap. Assets	-	-
		Non-vested sick leave	-	(366,653)
	Opening Accumulated Surplus, as adjusted		33,267,840	29,601,177
	Closing Accumulated Surplus		33,337,625	33,267,840

See accompanying notes to the Financial Statements

* NOTE REQUIRED

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2012

	2012	2011
Current Year Surplus (Deficit)	122,220	3,739,710
Amortization of Tangible Capital Assets	2,572,232	2,279,722
Acquisition of Tangible Capital Assets	(4,219,498)	(3,866,384)
(Gain) / Loss on Disposal of Tangible Capital Assets	(7,385)	(1,687,231)
Proceeds on Disposal of Tangible Capital Assets	7,385	1,920,456
	(1,647,266)	(1,353,437)
Inventories (Increase)/Decrease	-	-
Prepaid Expenses (Increase)/Decrease	(37,611)	92,572
	(37,611)	92,572
(Increase)/Decrease in Net Debt	(1,562,657)	2,478,845
Net Debt at Beginning of Year	(5,272,741)	(7,311,886)
Adjustments Other than Tangible Cap. Assets	(52,435)	(439,700)
	(5,325,176)	(7,751,586)
Net Debt at End of Year	(6,887,833)	(5,272,741)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2012

	2012	2011
Operating Transactions		
Current Year Surplus/(Deficit)	122,220	3,739,710
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	2,572,232	2,279,722
(Gain)/Loss on Disposal of Tangible Capital Assets	(7,385)	(1,687,231)
Employee Future Benefits Increase/(Decrease)	132,632	403,426
Short Term Investments (Increase)/Decrease	-	-
Due from Other Organizations (Increase)/Decrease	(456,495)	(1,118,210)
Accounts Receivable & Accrued Income (Increase)/Decrease	83,645	113,056
Inventories and Prepaid Expenses - (Increase)/Decrease	(37,611)	92,572
Due to Other Organizations Increase/(Decrease)	-	-
Accounts Payable & Accrued Liabilities Increase/(Decrease)	272,973	447,317
Deferred Revenue Increase/(Decrease)	211,285	642,557
School Generated Funds Liability Increase/(Decrease)	(57,457)	43,267
Adjustments Other than Tangible Cap. Assets	(52,435)	(439,700)
Cash Provided by Operating Transactions	2,783,604	4,516,486
Capital Transactions		
Acquisition of Tangible Capital Assets	(4,219,498)	(3,866,384)
Proceeds on Disposal of Tangible Capital Assets	7,385	1,920,456
Cash (Applied to)/Provided by Capital Transactions	(4,212,113)	(1,945,928)
Investing Transactions		
Other Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
Financing Transactions		
Debenture Debt Increase/(Decrease)	(500,991)	(94,622)
Other Borrowings Increase/(Decrease)	-	-
Cash Provided by (Applied to) Financing Transactions	(500,991)	(94,622)
Cash and Bank / Overdraft (Increase)/Decrease	(1,929,500)	2,475,936
Cash and Bank (Overdraft) at Beginning of Year	6,879,236	4,403,300
Cash and Bank (Overdraft) at End of Year	4,949,736	6,879,236

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2012

	Buildings and Leasehold Improvements		School	Other	Furniture / Fixtures &	Computer Hardware &		Land	Assets Under	2012	2011
	School	Non-School	Buses	Vehicles	Equipment	Software *	Land	Improvements	Construction	TOTALS	TOTALS
Tangible Capital Asset Cost											
Opening Cost, as previously reported	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
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	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
Add:											
Additions during the year	1,300,147	202,726	88,522	68,263	244,851	222,027	-	1,268,641	824,321	4,219,498	3,866,384
Less:											
Disposals and write downs	-	-	-	-	36,469	121,908	-	-	-	158,377	1,709,419
Closing Cost	61,112,502	3,873,990	778,165	641,858	3,626,126	2,407,474	7,025,776	3,740,819	1,138,516	84,345,226	80,284,105
Accumulated Amortization											
Opening, as previously reported	34,840,754	2,569,308	350,768	404,195	2,309,314	565,757		1,054,421		42,094,517	41,290,989
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	34,840,754	2,569,308	350,768	404,195	2,309,314	565,757		1,054,421		42,094,517	41,290,989
Add:											
Current period Amortization	1,398,965	59,821	58,285	77,884	361,699	311,888		303,690		2,572,232	2,279,722
Less:											
Accumulated Amortization on Disposals and Writedowns	-	-	-	-	36,469	121,908		-		158,377	1,476,194
Closing Accumulated Amortization	36,239,719	2,629,129	409,053	482,079	2,634,544	755,737		1,358,111		44,508,372	42,094,517
Net Tangible Capital Asset	24,872,783	1,244,861	369,112	159,779	991,582	1,651,737	7,025,776	2,382,708	1,138,516	39,836,854	38,189,588
Proceeds from Disposal of Capital Assets	-	-	-	-	7,385	-				7,385	1,920,456

* Includes network infrastructure.

1 Nature of organization and economic dependence

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

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

2 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.

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	10,000	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.

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

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

Donated tangible capital assets are recorded at fair 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:

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.

iii) **Non-vested sick leave**

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

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.

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. As at June 30, 2012, no amounts were drawn on the line of credit.

4 Employee future benefits

Employee future benefits are benefits earned by employees, but will not be paid out until future years.

	2012 $	2011 $ (Restated note 16)
Employee future benefit liabilities		
Defined benefit pension plan - accrued benefit asset	-	-
Maternity leave earned	429,972	345,642
Vacation payable	650,177	654,310
Non-vested accumulated sick leave (note 16)	492,135	439,700
Total employee future benefit liability	1,572,284	1,439,652

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, 2012, there were 562 active members, 147 deferred benefit members and 239 pensioners receiving payments.

Non-vested accumulated sick leave benefits are measured using net present value techniques on the expected future utilization of excess of sick benefits used over earned per year, to maximum entitlement. The impact of the estimated non-vested sick leave benefit cost for 2012 is $52,435 (2011 - $73,047).

	2012 $	2011 $
Change in accrued benefit obligation		
Balance - beginning of year	37,635,260	35,198,245
Current service cost		
Division	1,126,392	1,004,638
Employees	1,084,533	967,303
Interest cost	2,272,696	2,121,364
Benefits paid	(1,617,703)	(1,558,050)
Non-investment expenses paid	(107,217)	(98,240)
Balance - end of year	40,393,961	37,635,260
Change in plan assets		
Market related value - beginning of year	37,991,381	35,285,278
Contributions		
Division	1,317,444	1,495,375
Employees	1,084,533	967,303
Expected return on plan assets	2,299,795	2,141,308
Experience loss	(1,850,030)	(241,593)
Benefits paid	(1,617,703)	(1,558,050)
Non-investment expenses paid	(107,217)	(98,240)
Market related value - end of year	39,118,203	37,991,381
Funded status		
Plan assets (less) greater than benefit obligation	(1,275,758)	356,121
Unamortized net actuarial loss	1,850,030	241,593
Valuation allowance	(574,272)	(597,714)
Accrued benefit asset	-	-
Net benefit plan cost		
Current service cost - Division	1,126,392	1,004,638
Interest cost	2,272,696	2,121,364
Expected return on plan assets	(2,299,795)	(2,141,308)
Amortization of actuarial gains/losses	(1,608,437)	(1,190,020)
Valuation allowance	1,826,588	1,700,701
Net benefit plan expense for the year	1,317,444	1,495,375

During the year, the Division contributed an additional $236,126 to the plan assets of the benefit plan. As at June 30, 2012, total additional contributions to the plan are $1,827,885 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)	67.30%	70.35%
Plan assets in fixed income	32.70%	29.65%

	2012 %	2011 %
Significant assumptions		
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)	13 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, 2011 $	Additions in the year $	Revenue recognized in the year $	Balance as at June 30, 2012 $
Donated capital assets	198,763	-	45,485	153,278
International student program fees	365,145	675,388	365,145	675,387
Community Led Emissions Reduction Program Grant	107,022	-	107,022	-
Province of MB Green Team Grant	5,521	17,810	5,521	17,810
Property tax	5,804,812	5,833,035	5,804,812	5,833,035
Lease revenue	-	12,038	-	12,038
Phoenix library donation	-	1,000	-	1,000
	6,481,263	6,539,271	6,327,985	6,692,548

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 $183,088.

	2012 $	2011 $
Parent council funds	-	3,997
Student funds (including travel)	175,699	225,142
Other	7,389	11,406
	183,088	240,545

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 2012 to 2032 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 3.875% to 9.250%.

Debenture interest expense payable as at June 30, 2012, 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 $
2012 - 2013	771,579	783,769	1,555,348
2013 - 2014	802,103	736,519	1,538,622
2014 - 2015	831,174	687,838	1,519,012
2015 - 2016	881,266	637,747	1,519,013
2016 - 2017	898,671	584,567	1,483,238

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:

	2012			2011
	Gross amount $	Accumulated amortization $	Net book value $	Net book value $
Tangible capital assets	84,345,226	44,508,372	39,836,854	38,189,588

9 Accumulated surplus

The accumulated surplus is comprised of the following:

	2012 $	2011 $ (Restated note 16)
Operating Fund		
Designated surplus	167,597	125,489
Undesignated surplus	3,168,999	3,251,813
Non-vested sick leave	(492,135)	(439,700)
	2,844,461	2,937,602
Capital Fund		
Reserve accounts	5,326,072	6,514,133
Equity in tangible capital assets	24,886,970	23,500,549
	30,213,042	30,014,682
Special Purpose Fund		
School generated funds	280,122	315,556
Total accumulated surplus	33,337,625	33,267,840

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.

	2012 $	2011 $
School budget carryovers by board policy	167,597	125,489
Designated surplus	167,597	125,489

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

	2012 $	2011 $
Undesignated	1,379,487	2,567,548
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	827,000
Other reserves - Sturgeon Heights Reserve	19,585	19,585
Lease reserve	500,000	500,000
Capital reserve	5,326,072	6,514,133

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 2011 tax year and 54.4% from 2012 tax year. Below are the related revenue and receivable amounts:

	2012 $	2011 $
Municipal Government revenue earned in the current tax year	26,136,480	25,749,667
Less: Education property tax credit received prior to year end	(6,958,708)	(6,925,038)
Less: Tax Incentive Grant received prior to year end	(1,879,590)	(1,880,297)
Receivable due from Municipal Government - property tax	17,298,182	16,944,332

11 Interest received and paid

The Division received interest during the year of $141,136 (2011 - $127,456); interest paid during the year was $820,414 (2011 - $852,613).

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

	2012 $	2011 $
Operating Fund		
Fiscal short-term loan, interest and bank charges	9,529	11,170
Capital Fund		
Debenture debt interest	810,885	841,443
	820,414	852,613

The accrual portion of debenture debt interest expense of $213,364 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 2012 $	Actual 2011 $
Salaries	69,334,600	66,689,543
Employees' benefits and allowances	5,495,896	5,500,876
Services	8,530,829	8,268,239
Supplies, materials and minor equipment	5,898,965	5,574,511
Interest and bank charges	9,529	11,170
Interest - debenture	810,885	841,443
Payroll tax	1,578,709	1,414,489
Transfers	443,682	414,476
Amortization	2,572,232	2,279,722
School generated funds	967,708	900,009
Other capital items	-	12,262
	95,643,035	91,906,740

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 $1,018,522 for 2012 - 2013. 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 $502,447 in Other sources relating to various unoccupied building space. Minimum payments under the lease terms over the next three years are as follows:

	$
2012 - 2013	230,329
2013 - 2014	93,169
2014 - 2015	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, 2012, the amount of this special levy was $332,093 (2011 - $339,204). These amounts are not included in the Division's financial statements.

16 Prior period adjustment

The prior year's employee future benefits liability has been increased by $439,700 to correct the omission of the estimated non-vested sick leave liability. Previously, these costs were only recognized and recorded in the period when an employee was sick. Canadian generally accepted accounting principles established by the PSAB require that a liability and an expense be recognized for post-employment benefits and compensated absences that vest or accumulate in the period in which employees render services to the Division in return for the benefits. This change in accounting policy has been applied retroactively. The resulting adjustment to Accumulated Surplus at June 30, 2011 was $439,700 with an offset to employee future benefit liabilities. An additional expense of $73,047 was recognized during the year ended June 30, 2011 and an adjustment for $366,653 was recognized in Accumulated Surplus as at July 1, 2010.

Sunrise School Division

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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.

Chairperson

Secretary-Treasurer

October 18, 2012

"Creating new learning opportunities each and every day!"

BDO

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Independent Auditor's Report

To the Chairperson and Board of Trustees of **Sunrise School Division**

We have audited the accompanying consolidated financial statements of **Sunrise School Division,** which comprise the consolidated statement of financial position as at June 30, 2012, and the consolidated statement of revenue, expenses and accumulated surplus, consolidated statement of change in net debt and consolidated statement of cash flow for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the **Sunrise School Division** as at June 30, 2012 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 18, 2012

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 18, 2012
Date

Chairperson

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2012	2011
	Financial Assets		
	Cash and Bank	-	-
*	Short Term Investments	2,888,578	2,266,814
	Due from - Provincial Government	4,420,455	4,570,001
	- Federal Government	191,813	195,761
	- Municipal Government	11,605,995	11,098,764
	- Other School Divisions	4,500	257
	- First Nations	185,374	85,429
	Accounts Receivable	99,586	139,549
	Accrued Investment Income	-	-
	Other Investments	-	-
		19,396,301	18,356,575
	Liabilities		
*	Overdraft	9,730,965	9,129,107
	Accounts Payable	2,068,419	2,490,768
	Accrued Liabilities	400,651	1,059,593
*	Employee Future Benefits	694,772	686,917
	Accrued Interest Payable	397,548	431,412
	Due to - Provincial Government	6,140	-
	- Federal Government	1,587	-
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
*	Deferred Revenue	1,692,704	1,480,569
*	Debenture Debt	18,215,575	19,301,428
	Other Borrowings	-	-
	School Generated Funds Liability	45,379	37,385
		33,253,740	34,617,179
	Net Debt	(13,857,439)	(16,260,604)
	Non-Financial Assets		
*	Net Tangible Capital Assets (TCA Schedule)	27,833,460	28,106,115
	Inventories	257,045	243,842
	Prepaid Expenses	329,065	372,560
		28,419,570	28,722,517
*	**Accumulated Surplus**	14,562,131	12,461,913

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes			2012	2011
	Revenue			
	Provincial Government		39,563,100	38,193,473
	Federal Government		3,428	20,243
	Municipal Government	- Property Tax	20,407,546	19,705,641
		- Other	-	-
	Other School Divisions		297,708	99,270
	First Nations		463,572	407,260
	Private Organizations and Individuals		83,100	113,983
	Other Sources		319,187	(1,091,806)
	School Generated Funds		1,015,293	1,107,339
	Other Special Purpose Funds		12,721	15,676
			62,165,655	58,571,079
	Expenses			
	Regular Instruction		29,682,968	29,275,741
	Student Support Services		10,917,692	10,284,285
	Adult Learning Centres		964,216	982,957
	Community Education and Services		274,051	217,047
	Divisional Administration		2,005,114	1,972,436
	Instructional and Other Support Services		1,447,052	1,597,876
	Transportation of Pupils		4,458,717	4,229,555
	Operations and Maintenance		5,142,558	5,253,192
*	Fiscal	- Interest	1,199,525	1,205,778
		- Other	921,414	864,294
	Amortization		2,078,756	1,956,938
	Other Capital Items		-	48,293
	School Generated Funds		962,243	1,054,795
	Other Special Purpose Funds		1	500
			60,054,307	58,943,687
	Current Year Surplus (Deficit)		2,111,348	(372,608)
	Less: Non-vested sick leave		(11,130)	30,443
	Opening Accumulated Surplus		12,461,913	13,078,312
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	-
		Other than Tangible Cap. Assets	-	-
		Non-vested sick leave	-	(274,234)
	Opening Accumulated Surplus, as adjusted		12,461,913	12,804,078
	Closing Accumulated Surplus		14,562,131	12,461,913

See accompanying notes to the Financial Statements

* NOTE REQUIRED

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2012

	2012	2011
Current Year Surplus (Deficit)	2,111,348	(372,608)
Amortization of Tangible Capital Assets	2,078,756	1,956,938
Acquisition of Tangible Capital Assets	(1,806,101)	(4,743,184)
(Gain) / Loss on Disposal of Tangible Capital Assets	-	1,630,929
Proceeds on Disposal of Tangible Capital Assets	-	-
	272,655	(1,155,317)
Inventories (Increase)/Decrease	(13,203)	53,355
Prepaid Expenses (Increase)/Decrease	43,495	(230,766)
	30,292	(177,411)
(Increase)/Decrease in Net Debt	2,414,295	(1,705,336)
Net Debt at Beginning of Year	(16,260,604)	(14,311,477)
Adjustments Other than Tangible Cap. Assets	(11,130)	(243,791)
	(16,271,734)	(14,555,268)
Net Debt at End of Year	(13,857,439)	(16,260,604)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2012

	2012	2011
Operating Transactions		
Current Year Surplus/(Deficit)	2,111,348	(372,608)
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	2,078,756	1,956,938
(Gain)/Loss on Disposal of Tangible Capital Assets	-	1,630,929
Employee Future Benefits Increase/(Decrease)	7,855	398,963
Short Term Investments (Increase)/Decrease	(621,764)	(505,099)
Due from Other Organizations (Increase)/Decrease	(457,925)	(531,217)
Accounts Receivable & Accrued Income (Increase)/Decrease	39,963	35,458
Inventories and Prepaid Expenses - (Increase)/Decrease	30,292	(177,411)
Due to Other Organizations Increase/(Decrease)	7,727	-
Accounts Payable & Accrued Liabilities Increase/(Decrease)	(1,115,155)	1,345,286
Deferred Revenue Increase/(Decrease)	212,135	133,075
School Generated Funds Liability Increase/(Decrease)	7,994	(2,141)
Adjustments Other than Tangible Cap. Assets	(11,130)	(243,791)
Cash Provided by Operating Transactions	2,290,096	3,668,382
Capital Transactions		
Acquisition of Tangible Capital Assets	(1,806,101)	(4,743,184)
Proceeds on Disposal of Tangible Capital Assets	-	-
Cash (Applied to)/Provided by Capital Transactions	(1,806,101)	(4,743,184)
Investing Transactions		
Other Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
Financing Transactions		
Debenture Debt Increase/(Decrease)	(1,085,853)	1,969,767
Other Borrowings Increase/(Decrease)	-	-
Cash Provided by (Applied to) Financing Transactions	(1,085,853)	1,969,767
Cash and Bank / Overdraft (Increase)/Decrease	(601,858)	894,965
Cash and Bank (Overdraft) at Beginning of Year	(9,129,107)	(10,024,072)
Cash and Bank (Overdraft) at End of Year	(9,730,965)	(9,129,107)

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2012

	Buildings and Leasehold Improvements		School	Other	Furniture / Fixtures &	Computer Hardware &		Land	Assets Under	2012	2011
	School	Non-School	Buses	Vehicles	Equipment	Software *	Land	Improvements	Construction	TOTALS	TOTALS
Tangible Capital Asset Cost											
Opening Cost, as previously reported	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
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	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
Add: Additions during the year	191,101	-	389,592	55,736	98,662	1,163,621	-	199,524	(292,135)	1,806,101	4,743,184
Less: Disposals and write downs	-	-	-	-	-	-	-	-	-	-	1,881,264
Closing Cost	47,450,713	1,988,706	9,023,244	241,759	970,571	2,941,925	236,182	302,802	251,545	63,407,447	61,601,346
Accumulated Amortization											
Opening, as previously reported	25,450,675	1,472,892	5,315,921	186,023	269,803	752,077		47,840		33,495,231	31,788,628
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	25,450,675	1,472,892	5,315,921	186,023	269,803	752,077		47,840		33,495,231	31,788,628
Add: Current period Amortization	1,036,161	49,654	587,102	5,574	104,807	275,154		20,304		2,078,756	1,956,938
Less: Accumulated Amortization on Disposals and Writedowns	-	-	-	-	-	-		-		-	250,335
Closing Accumulated Amortization	26,486,836	1,522,546	5,903,023	191,597	374,610	1,027,231		68,144		35,573,987	33,495,231
Net Tangible Capital Asset	20,963,877	466,160	3,120,221	50,162	595,961	1,914,694	236,182	234,658	251,545	27,833,460	28,106,115
Proceeds from Disposal of Capital Assets	-	-	-	-	-	-				-	-

* Includes network infrastructure.

1. Nature of Organization and Economic Dependence

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

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

2. Significant Accounting Policies

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

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

Tangible Capital Assets

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

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

Asset Description	Capitalization Threshold ($)	Estimated Useful Life
Land Improvements	25,000	10 years
Buildings – bricks, mortar, steel	25,000	40 years
Buildings – wood frame	25,000	25 years
School buses	20,000	10 years
Vehicles	10,000	5 years
Equipment	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

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

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

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

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

Capital Reserve

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

Use of Estimates

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

Financial Instruments

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

3. Change in Accounting Policy Relating to Sick Leave Benefits

Previously, the School Division did not recognize a liability for sick leave benefits that accumulate but do not vest. The benefit costs were recognized and recorded in the period when an employee was sick. PSAB standards require that a liability and an expense be recognized for sick leave benefits that accumulate but do not vest in the period in which employees render services to the Division in return for the benefits.

The Division has changed its accounting policy in the current year to be consistent with PSAB standards. As a consequence, a prior period adjustment has been recorded to recognize a liability and an expense and retroactively restate opening accumulated surplus. The resulting changes on figures previously reported as at and for the year ended June 30, 2011 are as follows:

	As previously reported	Restatement	As restated
Consolidated Statement of Financial Position			
Liabilities			
Employee Future Benefits	$ 443,126	243,791	686,917
Consolidated Statement of Revenue, Expenses and Accumulated Surplus			
Non-vested sick leave recovery (expense)	$ -	30,443	30,443
Opening Accumulated Surplus	$ 13,078,312	(274,234)	12,804,078
Closing Accumulated Surplus	$ 12,705,704	(243,791)	12,461,913

4. Bank Overdraft

As of June 30, 2012, 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, 2012); interest is paid monthly. Overdrafts are secured by a borrowing by-law. As at June 30, 2012, the Division's operating line of credit was being utilized.

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 $690,595 ($579,838 in 2011).

Non-vested accumulating sick leave benefits are measured using net present value techniques on the expected future utilization of excess of sick leave benefits used over earned per year, to maximum entitlement. The non-vested sick leave expense for the year is $11,130 ($30,443 recovery in 2011).

Employee future benefits of $694,772 recorded as a liability consists of maternity/parental benefits of $212,233, vacation accrual of $227,619, and sick leave liability of $254,920 as of June 30, 2012.

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, 2011	Additions in the period	Revenue recognized in the period	Balance as at June 30, 2012
Education Property Tax Credit	$ 1,390,330	$ 6,527,898	$ 6,331,836	$ 1,586,392
English Language Support	-	-	-	-
Grants from outside sources	30,187	83,229	72,198	41,218
Other	60,052	65,094	60,052	65,094
	$ 1,480,569	$ 6,676,221	$ 6,464,086	$ 1,692,704

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 2012 to 2032. 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 4.125% to 10.75%. Debenture interest expense payable as at June 30, 2012, 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:

2013	$ 2,362,528
2014	2,179,636
2015	2,161,712
2016	2,082,801
2017	2,082,801
	$10,869,478

8. School Generated Funds Liability

School Generated Funds Liability represents the non-controlled portion of school generated funds. At June 30, 2012, an amount equal to the liability or $45,379 ($37,385 at June 30, 2011) is included in overdraft on the Consolidated Statement of Financial Position.

9. Net Tangible Capital Assets

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

10. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2012	2011
Operating Fund		
Designated Surplus	$ 250,000	$ -
Undesignated Surplus	2,502,777	1,840,954
Non-vested Sick Leave	(254,921)	(243,791)
	2,497,856	1,597,163
Capital Fund		
Reserve Accounts	2,930,973	2,298,095
Equity in Tangible Capital Assets	8,755,697	8,159,156
	11,686,670	10,457,251
Special Purpose Fund		
School Generated Funds	354,632	385,156
Other	22,973	22,343
	377,605	407,499
Total Accumulated Surplus	$14,562,131	$12,461,913

Designated Surplus under the Operating Fund represents internally restricted amounts appropriated by the Board of Trustees or, in the case of school budget carryovers, by Board policy. The Designated Surplus in the current year is related to amounts appropriated by the Board of Trustees.

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

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

Education property tax or Special Levy is raised as the Division's contribution to the cost of providing public education for the student's resident in the division. The Municipal Government-Property Tax shown on the consolidated revenue and expense is raised over the two calendar (tax) years; 42.5% from 2011 tax year and 42.5% from 2012 tax year. Below are the related revenue and receivable amounts:

	2012	2011
Revenue – Municipal Government – Property Tax	$ 20,407,546	$ 19,705,641
Receivable – Due from Municipal – Property Tax	$ 11,605,995	$ 11,098,764

12. Interest Received and Paid

The Division received interest during the year of $54,448 (previous year $29,330); interest paid during the year was $1,199,525 ($1,205,778 in 2011).

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

	2012	2011
Operating Fund		
Fiscal-short term loan, interest and bank charges	$ 74,047	$ 101,441
Capital Fund		
Debenture interest	1,119,404	1,101,072
Other interest	6,074	3,265
	$ 1,199,525	$ 1,205,778

The accrual portion of debenture debt interest expense of $397,548 ($431,412 in 2011) is included under the Capital Fund-Debenture debt interest, and netted with an accrual of the debt servicing grant from the Province of Manitoba.

13. Expenses by Object

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

	Actual 2012	Budget 2012	Actual 2011
Salaries	$ 42,020,839	$ 42,989,394	$ 41,102,845
Employees benefits and allowances	3,132,860	3,146,627	2,830,010
Services	5,484,540	4,693,774	5,541,423
Supplies, materials and minor equipment	3,582,685	4,171,710	3,730,823
Interest	1,199,525	85,000	1,205,778
Bad debts	6,002	-	3,152
Payroll tax	915,412	870,000	861,142
Amortization	2,078,756	-	1,956,938
Transfers	671,444	613,903	607,988
Other capital items	-	-	48,293
School generated funds	962,243	-	1,054,795
Other special purpose funds	1	-	500
	$ 60,054,307	$ 56,570,408	$ 58,943,687

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 $$250,000 at June 30, 2012 (nil at June 30, 2011). The details of the Designated Surplus are disclosed in Note 10 and Page 5 of the audited financial statements.

The Division has equipment lease agreements. Future annual minimum operating lease commitments as at June 30, 2012 are as follows:

2013	$ 149,133
2014	149,133
2015	149,133
2016	89,432
2017	84,005

15. Contingent Liabilities

A legal action has 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. Eight additional claims have been initiated against the Division by the contractor's sub-contractors related to the same legal action above. 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.

Chairperson Secretary-Treasurer

October 22, 2012

PACAK KOWAL HARDIE & COMPANY
CHARTERED ACCOUNTANTS

BEV A. LEADBEATER, CMA (ASSOCIATE)

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INDEPENDENT AUDITOR'S REPORT

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

SWAN VALLEY SCHOOL DIVISION

To the Board of Trustees of Swan Valley School Division:

We have audited the accompanying financial statements of Swan Valley School Division, which comprise of the consolidated statement of financial position as at June 30, 2012 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, 2012 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting auditing 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.

Pacak Kowal Hardie & Company

Swan River, Manitoba
October 22, 2012

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.

10/22/12
Date

Chairperson

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2012	2011
	Financial Assets		
	Cash and Bank	1,455,847	2,030,235
	Short Term Investments	-	-
	Due from - Provincial Government	1,014,626	1,023,490
	- Federal Government	50,733	52,936
	- Municipal Government	2,636,170	2,377,633
	- Other School Divisions	5,487	5,890
	- First Nations	56,241	58,000
	Accounts Receivable	34,719	51,388
	Accrued Investment Income	-	-
4	Other Investments	452	452
		5,254,275	5,600,024
	Liabilities		
	Overdraft	-	-
	Accounts Payable	127,573	115,217
	Accrued Liabilities	1,848,883	2,067,718
6	Employee Future Benefits	172,751	172,550
	Accrued Interest Payable	189,509	186,136
	Due to - Provincial Government	26,413	102,383
	- Federal Government	1,692	500
	- Municipal Government	6,846	7,356
	- Other School Divisions	-	-
	- First Nations	-	-
7	Deferred Revenue	1,096,136	913,578
9	Debenture Debt	5,824,203	5,518,530
	Other Borrowings	-	-
	School Generated Funds Liability	2,627	1,113
		9,296,633	9,085,081
	Net Debt	(4,042,358)	(3,485,057)
	Non-Financial Assets		
10	Net Tangible Capital Assets (TCA Schedule)	8,546,719	7,735,583
	Inventories	20,199	20,921
	Prepaid Expenses	84,420	89,664
		8,651,338	7,846,168
11	**Accumulated Surplus**	4,608,980	4,361,111

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes			2012	2011
	Revenue			
	Provincial Government		15,307,578	14,733,435
	Federal Government		-	71
	Municipal Government	- Property Tax	4,793,519	4,555,272
		- Other	-	-
	Other School Divisions		28,736	34,885
	First Nations		178,403	217,025
	Private Organizations and Individuals		220,075	256,437
	Other Sources		213,036	170,486
	School Generated Funds		424,014	406,149
	Other Special Purpose Funds		20,340	15,514
			21,185,701	20,389,274
	Expenses			
	Regular Instruction		10,918,172	10,548,434
	Student Support Services		3,322,304	3,237,602
	Adult Learning Centres		-	-
	Community Education and Services		73,095	74,062
	Divisional Administration		787,385	738,521
	Instructional and Other Support Services		413,159	381,181
	Transportation of Pupils		1,467,945	1,384,002
	Operations and Maintenance		1,916,400	1,926,024
13	Fiscal	- Interest	323,601	315,368
		- Other	305,362	294,755
	Amortization		928,435	870,047
	Other Capital Items		3,502	-
	School Generated Funds		441,874	427,389
	Other Special Purpose Funds		20,340	15,514
			20,921,574	20,212,899
	Current Year Surplus (Deficit)		264,127	176,375
	Less: Non-vested sick leave		(16,258)	(22,113)
	Opening Accumulated Surplus		4,361,111	4,303,332
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	-
		Other than Tangible Cap. Assets	-	-
		Non-vested sick leave	-	(96,483)
	Opening Accumulated Surplus, as adjusted		4,361,111	4,206,849
	Closing Accumulated Surplus		4,608,980	4,361,111

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2012

	2012	2011
Current Year Surplus (Deficit)	264,127	176,375
Amortization of Tangible Capital Assets	928,435	870,047
Acquisition of Tangible Capital Assets	(1,739,571)	(1,371,099)
(Gain) / Loss on Disposal of Tangible Capital Assets	(9,993)	(4,000)
Proceeds on Disposal of Tangible Capital Assets	9,993	4,000
	(811,136)	(501,052)
Inventories (Increase)/Decrease	722	(1,364)
Prepaid Expenses (Increase)/Decrease	5,244	20,532
	5,966	19,168
(Increase)/Decrease in Net Debt	(541,043)	(305,509)
Net Debt at Beginning of Year	(3,485,057)	(3,060,952)
Adjustments Other than Tangible Cap. Assets	(16,258)	(118,596)
	(3,501,315)	(3,179,548)
Net Debt at End of Year	(4,042,358)	(3,485,057)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2012

	2012	2011
Operating Transactions		
Current Year Surplus/(Deficit)	264,127	176,375
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	928,435	870,047
(Gain)/Loss on Disposal of Tangible Capital Assets	(9,993)	(4,000)
Employee Future Benefits Increase/(Decrease)	201	159,354
Short Term Investments (Increase)/Decrease	-	-
Due from Other Organizations (Increase)/Decrease	(245,308)	(164,277)
Accounts Receivable & Accrued Income (Increase)/Decrease	16,669	8,819
Inventories and Prepaid Expenses - (Increase)/Decrease	5,966	19,168
Due to Other Organizations Increase/(Decrease)	(75,288)	74,334
Accounts Payable & Accrued Liabilities Increase/(Decrease)	(203,106)	402,852
Deferred Revenue Increase/(Decrease)	182,558	27,541
School Generated Funds Liability Increase/(Decrease)	1,514	(81)
Adjustments Other than Tangible Cap. Assets	(16,258)	(118,596)
Cash Provided by Operating Transactions	849,517	1,451,536
Capital Transactions		
Acquisition of Tangible Capital Assets	(1,739,571)	(1,371,099)
Proceeds on Disposal of Tangible Capital Assets	9,993	4,000
Cash (Applied to)/Provided by Capital Transactions	(1,729,578)	(1,367,099)
Investing Transactions		
Other Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
Financing Transactions		
Debenture Debt Increase/(Decrease)	305,673	473,668
Other Borrowings Increase/(Decrease)	-	-
Cash Provided by (Applied to) Financing Transactions	305,673	473,668
Cash and Bank / Overdraft (Increase)/Decrease	(574,388)	558,105
Cash and Bank (Overdraft) at Beginning of Year	2,030,235	1,472,130
Cash and Bank (Overdraft) at End of Year	1,455,847	2,030,235

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2012

	Buildings and Leasehold Improvements		School	Other	Furniture / Fixtures &	Computer Hardware &		Land	Assets Under	2012	2011
	School	Non-School	Buses	Vehicles	Equipment	Software *	Land	Improvements	Construction	TOTALS	TOTALS
Tangible Capital Asset Cost											
Opening Cost, as previously reported	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
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	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
Add: Additions during the year	2,018,343	36,696	268,914	-	225,266	109,392	-	288,426	(1,207,466)	1,739,571	1,371,099
Less: Disposals and write downs	-	-	59,913	14,882	60,015	32,082	-	-	-	166,892	108,094
Closing Cost	16,076,674	507,261	3,230,217	293,356	1,405,295	1,087,699	280,490	288,426	227,160	23,396,578	21,823,899
Accumulated Amortization											
Opening, as previously reported	10,248,270	442,734	1,794,707	225,994	894,968	481,643		-		14,088,316	13,326,363
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	10,248,270	442,734	1,794,707	225,994	894,968	481,643		-		14,088,316	13,326,363
Add: Current period Amortization	380,220	3,952	239,441	25,759	129,368	135,274		14,421		928,435	870,047
Less: Accumulated Amortization on Disposals and Writedowns	-	-	59,913	14,882	60,015	32,082		-		166,892	108,094
Closing Accumulated Amortization	10,628,490	446,686	1,974,235	236,871	964,321	584,835		14,421		14,849,859	14,088,316
Net Tangible Capital Asset	5,448,184	60,575	1,255,982	56,485	440,974	502,864	280,490	274,005	227,160	8,546,719	7,735,583
Proceeds from Disposal of Capital Assets	-	-	2,500	350	7,143	-				9,993	4,000

* Includes network infrastructure.

1. Nature of Organization and Economic Dependence

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

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

2. Significant Accounting Policies

The consolidated financial statements have been prepared by management in accordance with Canadian 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. Change in Accounting Policy PS 2120

Previously, the School Division did not recognize an accrued benefit obligation related to sick leave benefits as the benefits do not vest. The benefit costs were only recognized and recorded in the period when an employee was sick. Public Sector Accounting standards require that a liability and an expense be recognized for post-employment benefits and compensated absences that vest or accumulate in the period in which employees render services to the School Division in return for the benefits. An adjustment was made to recognize a liability and an expense related to accumulated sick leave entitlement. The resulting adjustment to the liability for Employee Future Benefits at July 01, 2011 was $96,483. An additional expense of $22,113 was recognized in the 2010-11 fiscal year. The liability for employee future benefits recorded at June 30, 2012 was increased by $16,258 related to the accrual for accumulated sick leave entitlement, determined using net present value techniques.

4. Other Investments

	2012	2011
Swan Valley Credit Union Patronage Shares	$452	$452

5. 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.

6. 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 $37,897 for event driven sick leave benefits and $134,854 estimated non-vested sick leave benefits ($53,954 maternity/parental and $0.00 sick leave benefits for 2011) is reflected in the financial statements.

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, 2011	Additions in the period	Revenue recognized in the period	Balance as at June 30, 2011
Healthy Child Manitoba Grant	$ 19,634	$ 42,979	$ 37,764	$ 24,849
Education Property Tax Credit	667,428	1,571,982	1,532,018	707,392
Other Province of Manitoba Grants	5,069	-	-	5,069
Grants from outside sources	3,186	4,975	3,200	4,961
Capital Fund	160,356	204,517	61,577	303,296
Charitable Scholarship and Other Fund	40,711	20,481	20,340	40,852
School Generated Funds	17,194	9,718	17,194	9,718
	$ 913,578	$ 1,854,652	$ 1,672,093	$ 1,096,137

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 $2,627 for 2012, $1,113 in 2011.

School generated funds revenue and expenses reported in the Consolidated Statement of Revenue, Expenses and Accumulated Surplus as at June 30, 2012 covers a period of twelve months from July 1, 2011 to June 30, 2012.

9. Debenture Debt

The debenture debt of the Division is in the form of twenty-year debentures payable, principal and interest, in twenty equal yearly installments and maturing at various dates from 2012 to 2032. Payment of principal and interest is funded entirely by grants from the Province of Manitoba. The debentures carry interest rates that range from 4.000% to 9.625%. Debenture interest expense payable as at June 30, 2012, 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
2013	$ 350,921	$ 325,289	$ 676,210
2014	373,011	303,198	676,209
2015	381,376	279,647	661,023
2016	390,673	255,959	646,632
2017	407,600	232,082	639,682
	$ 1,903,581	$ 1,396,175	$ 3,299,756

10. Net Tangible Capital Assets

The Schedule of Tangible Capital Assets (TCA), page 23 of the audited financial statements, provides a breakdown of cost, accumulated amortization and net book value by class. The amount of interest capitalized in the period included in Assets under Construction is nil (previous year $1,630).

11. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2012	2011
Operating Fund		
Designated Surplus	-	31,614
Undesignated Surplus	656,540	625,819
Non-vested Sick Leave	(134,854)	(118,596)
	521,686	538,837
Capital Fund		
Reserve Accounts	1,777,962	1,670,145
Equity in Tangible Capital Assets	2,174,136	1,999,073
	3,952,098	3,669,218
Special Purpose Fund		
School Generated Funds	135,196	153,056
Other Special Purpose Funds	-	-
	135,196	153,056
Total Accumulated Surplus	$ 4,608,980	$ 4,361,111

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.

	2012	2011
Board approved appropriation by motion	-	-
School budget carryovers by Board policy	-	31,614
Designated surplus	$ -	$ 31,614

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.

	2012	2011
Bus reserves	588,950	661,296
Other reserves	1,189,012	1,008,849
Capital Reserve	$ 1,777,962	$ 1,670,145

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

Education property tax or Special Levy is raised as the Division's contribution to the cost of providing public education for the student'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 2011 tax year and 55% from 2012 tax year. Below are the related revenue and receivable amounts:

	2012	2011
Revenue-Municipal Government-Property Tax	$ 4,793,519	$ 4,555,272
Receivable-Due from Municipal-Property Tax	$ 2,636,170	$ 2,377,633

13. Interest Received and Paid

The Division received interest during the year of $43,000 (previous year $30,148); interest paid during the year was $1,834 (previous year $1,630).

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

	2012
Operating Fund	
Fiscal-short term loan, interest and bank charges	$ -
Capital Fund	
Debenture debt interest	323,601
Other interest	1,834
	$ 325,435

The accrual portion of debenture debt interest expense of $189,805 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 2012	Budget 2012	Actual 2011
Salaries	$ 14,243,196	$ 14,453,919	$ 13,753,132
Employees benefits & allowances	1,319,213	1,455,837	1,275,904
Services	1,403,828	1,632,404	1,514,127
Supplies, materials & minor equipment	1,919,223	1,829,245	1,733,663
Interest	323,601	2,000	315,362
Bad debts	-	-	-
Payroll tax	305,362	309,390	294,755
Transfers	13,000	1,300	13,000
Amortization	928,435	-	870,047
Other capital items	-	-	-
School generated funds	441,873	-	427,389
Other special purpose funds	20,340	-	15,514
	$ 20,918,071	$ 19,684,095	$ 20,212,893

15. Commitment

As a result of a resolution approved at the 14 May 2012 school trustees meeting the Division is committed to purchase three new school buses in the amount of approximately $ 272,210 during 2012/2013 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.

Chairperson

Secretary-Treasurer

October 24, 2012

MNP LLP

Independent Auditors' Report

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

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, 2012, 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. 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 the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Turtle Mountain School Division as at June 30, 2012 and the consolidated results of its operations, consolidated changes in net debt and its consolidated cash flow for the year then ended in accordance with Canadian generally accepted accounting principles established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

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

Brandon, Manitoba
October 24, 2012

MNP LLP
Chartered Accountants

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

Chairperson of the Board

Oct 24, 2012
Date

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2012	2011
	Financial Assets		
	Cash and Bank	-	-
	Short Term Investments	-	-
	Due from - Provincial Government	199,922	218,511
	- Federal Government	31,485	56,485
	- Municipal Government	2,388,024	2,301,745
	- Other School Divisions	-	-
	- First Nations	-	-
	Accounts Receivable	49,861	65,052
	Accrued Investment Income	-	-
	Other Investments	-	-
		2,669,292	2,641,793
	Liabilities		
(4)	Overdraft	75,395	199,857
	Accounts Payable	1,083,617	1,057,668
	Accrued Liabilities	25,387	28,332
(5)	Employee Future Benefits	201,420	373,874
	Accrued Interest Payable	60,248	68,403
	Due to - Provincial Government	-	-
	- Federal Government	-	-
	- Municipal Government	30,862	31,944
	- Other School Divisions	2,124	13,845
	- First Nations	-	-
(6)	Deferred Revenue	468,434	448,538
(7)	Debenture Debt	3,221,012	3,507,377
	Other Borrowings	-	-
	School Generated Funds Liability	105,324	117,044
		5,273,823	5,846,882
	Net Debt	(2,604,531)	(3,205,089)
	Non-Financial Assets		
(9)	Net Tangible Capital Assets (TCA Schedule)	4,311,409	4,536,973
	Inventories	61,155	52,017
	Prepaid Expenses	50,862	95,602
		4,423,426	4,684,592
(12)	**Accumulated Surplus**	1,818,895	1,479,503

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes			2012	2011
	Revenue			
	Provincial Government		8,060,491	7,887,162
	Federal Government		173	175
(10)	Municipal Government	- Property Tax	4,092,314	3,955,088
		- Other	-	-
	Other School Divisions		35,750	33,800
	First Nations		3,629	9,040
	Private Organizations and Individuals		32,792	101,650
	Other Sources		47,184	46,021
	School Generated Funds		319,607	314,444
	Other Special Purpose Funds		-	-
			12,591,940	12,347,380
	Expenses			
	Regular Instruction		6,023,077	5,886,220
	Student Support Services		2,029,742	1,968,429
	Adult Learning Centres		241,517	228,573
	Community Education and Services		13,350	12,978
	Divisional Administration		549,351	608,054
	Instructional and Other Support Services		392,274	383,700
	Transportation of Pupils		983,110	905,133
	Operations and Maintenance		888,728	902,647
(13)	Fiscal	- Interest	230,801	223,780
		- Other	193,650	178,420
	Amortization		423,233	431,356
	Other Capital Items		-	-
	School Generated Funds		283,715	297,485
	Other Special Purpose Funds		-	-
			12,252,548	12,026,775
	Current Year Surplus (Deficit)		339,392	320,605
	Less: Non-vested sick leave		0	0
	Opening Accumulated Surplus		1,479,503	1,158,898
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	-
		Other than Tangible Cap. Assets	-	-
		Non-vested sick leave	-	-
	Opening Accumulated Surplus, as adjusted		1,479,503	1,158,898
	Closing Accumulated Surplus		1,818,895	1,479,503

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2012

	2012	2011
Current Year Surplus (Deficit)	339,392	320,605
Amortization of Tangible Capital Assets	423,233	431,356
Acquisition of Tangible Capital Assets	(207,908)	(1,120,124)
(Gain) / Loss on Disposal of Tangible Capital Assets	(1,490)	-
Proceeds on Disposal of Tangible Capital Assets	11,729	-
	225,564	(688,768)
Inventories (Increase)/Decrease	(9,138)	8,700
Prepaid Expenses (Increase)/Decrease	44,740	18,434
	35,602	27,134
(Increase)/Decrease in Net Debt	600,558	(341,029)
Net Debt at Beginning of Year	(3,205,089)	(2,864,060)
Adjustments Other than Tangible Cap. Assets	-	-
	(3,205,089)	(2,864,060)
Net Debt at End of Year	(2,604,531)	(3,205,089)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2012

	2012	2011
Operating Transactions		
Current Year Surplus/(Deficit)	339,392	320,605
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	423,233	431,356
(Gain)/Loss on Disposal of Tangible Capital Assets	(1,490)	-
Employee Future Benefits Increase/(Decrease)	(172,454)	171,518
Short Term Investments (Increase)/Decrease	-	-
Due from Other Organizations (Increase)/Decrease	(42,690)	(151,098)
Accounts Receivable & Accrued Income (Increase)/Decrease	15,191	(13,400)
Inventories and Prepaid Expenses - (Increase)/Decrease	35,602	27,134
Due to Other Organizations Increase/(Decrease)	(12,803)	(55)
Accounts Payable & Accrued Liabilities Increase/(Decrease)	14,849	(158,327)
Deferred Revenue Increase/(Decrease)	19,896	19,912
School Generated Funds Liability Increase/(Decrease)	(11,720)	28,252
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by Operating Transactions	607,006	675,897
Capital Transactions		
Acquisition of Tangible Capital Assets	(207,908)	(1,120,124)
Proceeds on Disposal of Tangible Capital Assets	11,729	-
Cash (Applied to)/Provided by Capital Transactions	(196,179)	(1,120,124)
Investing Transactions		
Other Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
Financing Transactions		
Debenture Debt Increase/(Decrease)	(286,365)	280,183
Other Borrowings Increase/(Decrease)	-	-
Cash Provided by (Applied to) Financing Transactions	(286,365)	280,183
Cash and Bank / Overdraft (Increase)/Decrease	124,462	(164,044)
Cash and Bank (Overdraft) at Beginning of Year	(199,857)	(35,813)
Cash and Bank (Overdraft) at End of Year	(75,395)	(199,857)

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2012

	Buildings and Leasehold Improvements		School	Other	Furniture / Fixtures &	Computer Hardware &		Land	Assets Under	2012	2011
	School	Non-School	Buses	Vehicles	Equipment	Software *	Land	Improvements	Construction	TOTALS	TOTALS
Tangible Capital Asset Cost											
Opening Cost, as previously reported	7,884,251	580,476	2,250,512	60,339	138,764	53,724	45,451	320,207	-	11,333,724	10,213,600
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	7,884,251	580,476	2,250,512	60,339	138,764	53,724	45,451	320,207	-	11,333,724	10,213,600
Add: Additions during the year	93,555	-	87,134	20,260	6,959	-	-	-	-	207,908	1,120,124
Less: Disposals and write downs	-	-	121,269	20,478	-	-	-	-	-	141,747	-
Closing Cost	7,977,806	580,476	2,216,377	60,121	145,723	53,724	45,451	320,207	-	11,399,885	11,333,724
Accumulated Amortization											
Opening, as previously reported	4,588,281	400,595	1,400,708	30,214	56,846	19,572		300,535		6,796,751	6,365,395
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	4,588,281	400,595	1,400,708	30,214	56,846	19,572		300,535		6,796,751	6,365,395
Add: Current period Amortization	199,474	9,225	166,281	9,998	17,940	5,885		14,430		423,233	431,356
Less: Accumulated Amortization on Disposals and Writedowns	-	-	121,269	10,239	-	-		-		131,508	-
Closing Accumulated Amortization	4,787,755	409,820	1,445,720	29,973	74,786	25,457		314,965		7,088,476	6,796,751
Net Tangible Capital Asset	3,190,051	170,656	770,657	30,148	70,937	28,267	45,451	5,242	-	4,311,409	4,536,973
Proceeds from Disposal of Capital Assets	-	-	2,050	9,679	-	-				11,729	-

* Includes network infrastructure.

TURTLE MOUNTAIN SCHOOL DIVISION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2012

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, 2012
Provincial Education Property Tax Credit Advance	$468,434

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 2013 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 8.125 %. Debenture interest expense payable as at June 30, 2012, 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 $105,324.

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 2012 tax year and 40.4% from 2011 tax year. Below are the related revenue and receivable amounts:

Description	2012	2011
Revenue-Municipal Government-Property Tax	$4,092,314	$3,955,088
Receivable-Due from Municipal-Property Tax	$2,388,024	$2,301,745

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 $237,783 for 2011-2012.

12. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2012
Operating Fund	
Designated Surplus	471,896
Undesignated Surplus(Deficit)	316,480
	788,376
Capital Fund	
Reserve Account	283,539
Equity in Tangible Capital Assets	626,891
	910,430
Special Purpose Fund	
School Generated Funds	120,089
Other Special Purpose Funds	0
Total Accumulated Surplus	$1,818,895

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.

	2012
Board approved appropriation by motion	329,620
School/Maintenance Budget carryovers by board policy	142,276
Designated surplus	$471,896

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.

	2012
Bus reserves	138,849
Other reserves	144,690
Capital Reserve	$283,539

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

	2012
School generated funds	120,089
Other	0
Other Special Purpose Funds	$120,089

13. Interest Received and Paid

The Division received interest during the year of $3,529 (previous year $4,016); interest paid during the year was $230,801 (previous year $223,780).

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

	2012
Operating Fund	
Fiscal-short term loan, interest and bank charges	$16,695
Capital Fund	
Debenture debt interest	214,106
Other interest	0

$230,801

The accrual portion of debenture debt interest expense of $60,248 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 2012	Budget 2012	Actual 2011
Salaries	$8,519,687	$8,470,316	$8,362,999
Employee benefits and allowances	663,326	630,003	594,907
Services	1,104,763	1,143,556	1,050,329
Supplies, materials & minor equip.	811,923	1,101,342	862,149
Interest	230,801	26,000	223,780
Payroll tax / Transfers/Bad Dept Exp	215,100	181,000	203,770
Amortization	423,233	0	431,356
School generated funds	283,715	0	297,485
Total	$12,252,548	$11,552,217	$12,026,775

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.

Chairperson   Secretary-Treasurer

October 23, 2012

MNP LLP

Independent Auditors' Report

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

To the Board of Trustees of Turtle River School Division:

We have audited the accompanying consolidated financial statements of Turtle River School Division, which comprise the consolidated statement of financial position as at June 30, 2012, 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. 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 the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Turtle River School Division as at June 30, 2012 and the consolidated results of its operations, consolidated changes in net debt and its consolidated cash flow for the year then ended in accordance with Canadian generally accepted accounting principles established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

Other Matters

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

Brandon, Manitoba
October 23, 2012

MNP LLP
Chartered Accountants

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

Chairperson of the Board

Oct 23, 2012
Date

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2012	2011
	Financial Assets		
	Cash and Bank	986,229	1,433,757
	Short Term Investments	-	-
	Due from - Provincial Government	559,718	433,551
	- Federal Government	85,390	54,809
	- Municipal Government	1,111,603	923,495
	- Other School Divisions	11,700	41,267
	- First Nations	-	25,710
	Accounts Receivable	6,824	5,815
	Accrued Investment Income	-	-
	Other Investments	-	-
		2,761,464	2,918,404
	Liabilities		
	Overdraft	-	-
	Accounts Payable	512,565	282,086
	Accrued Liabilities	662,475	707,292
	Employee Future Benefits	-	-
	Accrued Interest Payable	87,004	96,877
	Due to - Provincial Government	140	140
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	-	5,177
	- First Nations	-	-
6	Deferred Revenue	328,560	326,889
7	Debenture Debt	2,659,467	2,953,997
	Other Borrowings	-	-
	School Generated Funds Liability	-	-
		4,250,211	4,372,458
	Net Debt	(1,488,747)	(1,454,054)
	Non-Financial Assets		
3	Net Tangible Capital Assets (TCA Schedule)	3,995,869	3,663,657
	Inventories	109,479	82,283
	Prepaid Expenses	47,466	61,454
		4,152,814	3,807,394
9	**Accumulated Surplus**	2,664,067	2,353,340

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes			2012	2011
	Revenue			
	Provincial Government		8,440,862	8,126,474
	Federal Government		-	-
	Municipal Government	- Property Tax	2,224,220	1,983,665
		- Other	-	-
	Other School Divisions		11,700	10,400
	First Nations		-	-
	Private Organizations and Individuals		11,774	16,028
	Other Sources		27,105	12,622
	School Generated Funds		351,562	368,015
	Other Special Purpose Funds		-	-
			11,067,223	10,517,204
	Expenses			
	Regular Instruction		5,444,164	5,262,763
	Student Support Services		1,469,738	1,398,182
	Adult Learning Centres		-	-
	Community Education and Services		10,550	5,991
	Divisional Administration		392,713	327,715
	Instructional and Other Support Services		223,934	235,680
	Transportation of Pupils		936,463	872,065
	Operations and Maintenance		1,138,561	895,948
11	Fiscal	- Interest	177,351	197,382
		- Other	148,264	141,468
	Amortization		441,057	430,038
	Other Capital Items		-	-
	School Generated Funds		373,701	340,352
	Other Special Purpose Funds		-	-
			10,756,496	10,107,584
	Current Year Surplus (Deficit)		310,727	409,620
	Non-vested sick leave		0	0
	Opening Accumulated Surplus		2,353,340	1,943,720
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	-
		Other than Tangible Cap. Assets	-	-
		Non-vested sick leave	-	-
	Opening Accumulated Surplus, as adjusted		2,353,340	1,943,720
	Closing Accumulated Surplus		2,664,067	2,353,340

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2012

	2012	2011
Current Year Surplus (Deficit)	310,727	409,620
Amortization of Tangible Capital Assets	441,057	430,038
Acquisition of Tangible Capital Assets	(773,269)	(92,921)
(Gain) / Loss on Disposal of Tangible Capital Assets	-	-
Proceeds on Disposal of Tangible Capital Assets	-	-
	(332,212)	337,117
Inventories (Increase)/Decrease	(27,196)	(6,447)
Prepaid Expenses (Increase)/Decrease	13,988	3,049
	(13,208)	(3,398)
(Increase)/Decrease in Net Debt	(34,693)	743,339
Net Debt at Beginning of Year	(1,454,054)	(2,197,393)
Adjustments Other than Tangible Cap. Assets	-	-
	(1,454,054)	(2,197,393)
Net Debt at End of Year	(1,488,747)	(1,454,054)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2012

	2012	2011
Operating Transactions		
Current Year Surplus/(Deficit)	310,727	409,620
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	441,057	430,038
(Gain)/Loss on Disposal of Tangible Capital Assets	-	-
Employee Future Benefits Increase/(Decrease)	-	-
Short Term Investments (Increase)/Decrease	-	-
Due from Other Organizations (Increase)/Decrease	(289,579)	1,151,658
Accounts Receivable & Accrued Income (Increase)/Decrease	(1,009)	(209)
Inventories and Prepaid Expenses - (Increase)/Decrease	(13,208)	(3,398)
Due to Other Organizations Increase/(Decrease)	(5,177)	5,177
Accounts Payable & Accrued Liabilities Increase/(Decrease)	175,789	50,341
Deferred Revenue Increase/(Decrease)	1,671	(1,046,159)
School Generated Funds Liability Increase/(Decrease)	-	-
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by Operating Transactions	620,271	997,068
Capital Transactions		
Acquisition of Tangible Capital Assets	(773,269)	(92,921)
Proceeds on Disposal of Tangible Capital Assets	-	-
Cash (Applied to)/Provided by Capital Transactions	(773,269)	(92,921)
Investing Transactions		
Other Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
Financing Transactions		
Debenture Debt Increase/(Decrease)	(294,530)	(59,074)
Other Borrowings Increase/(Decrease)	-	-
Cash Provided by (Applied to) Financing Transactions	(294,530)	(59,074)
Cash and Bank / Overdraft (Increase)/Decrease	(447,528)	845,073
Cash and Bank (Overdraft) at Beginning of Year	1,433,757	588,684
Cash and Bank (Overdraft) at End of Year	986,229	1,433,757

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2012

	Buildings and Leasehold Improvements		School	Other	Furniture / Fixtures &	Computer Hardware &		Land	Assets Under	2012	2011
	School	Non-School	Buses	Vehicles	Equipment	Software *	Land	Improvements	Construction	TOTALS	TOTALS
Tangible Capital Asset Cost											
Opening Cost, as previously reported	8,961,100	411,192	2,046,812	95,968	117,251	134,991	36,325	-	31,746	11,835,385	11,742,464
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	8,961,100	411,192	2,046,812	95,968	117,251	134,991	36,325	-	31,746	11,835,385	11,742,464
Add: Additions during the year	431,499	-	263,508	49,176	22,242	29,517	-	-	(22,673)	773,269	92,921
Less: Disposals and write downs	-	-	-	-	-	-	-	-	-	-	-
Closing Cost	9,392,599	411,192	2,310,320	145,144	139,493	164,508	36,325	-	9,073	12,608,654	11,835,385
Accumulated Amortization											
Opening, as previously reported	6,051,124	411,192	1,445,833	92,336	65,285	105,958		-		8,171,728	7,741,690
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	6,051,124	411,192	1,445,833	92,336	65,285	105,958		-		8,171,728	7,741,690
Add: Current period Amortization	248,641	-	150,755	8,550	17,447	15,664		-		441,057	430,038
Less: Accumulated Amortization on Disposals and Writedowns	-	-	-	-	-	-		-		-	-
Closing Accumulated Amortization	6,299,765	411,192	1,596,588	100,886	82,732	121,622		-		8,612,785	8,171,728
Net Tangible Capital Asset	3,092,834	-	713,732	44,258	56,761	42,886	36,325	-	9,073	3,995,869	3,663,657
Proceeds from Disposal of Capital Assets	-	-	-	-	-	-				-	-

* Includes network infrastructure.

TURTLE RIVER SCHOOL DIVISION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2012

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	N/A	N/A
Land Improvements (1)	25,000	10
Buildings - bricks, mortar and steel	25,000	40
Buildings - wood frame	25,000	25
School buses	20,000	10
Vehicles (2)	10,000	5
Equipment (3)	10,000	5
Network Infrastructure (4)	25,000	10
Computer Hardware, Servers & Peripherals (5)	5,000	4
Computer Software (6)	10,000	4
Furniture & Fixtures	5,000	10
Leasehold Improvements	25,000	Over term of lease

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

With the exception of land, 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 $721,850, 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 upgrade playgrounds in the amount of $58,070 and a reserve for a project to upgrade school canteens in the amount of $28,505.

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 2012 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, 2011	Additions in the period	Revenue recognized in the period	Balance as at June 30, 2012
Municipal Revenue	$0			$0
Education Property Tax Credit	324,889	326,537	324,889	$326,537
Hydro Grant - Grass River	2,000		2,000	$0
Hydro Grant - Alonsa		1,800		$1,800
Manitoba Finance - Enviromental Grant -Grass River		112		$112
Manitoba Finance - Enviromental Grant -Parkview		112		$112
	$ 326,889	$ 328,560	$ 326,889	$ 328,560

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, 2012 covers a period of twelve months from July 1, 2011 to June 30, 2012.

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 4.75% to 10.5%. Debenture interest expense payable as at June 30, 2012, 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
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
2017	167,727	66,884	234,611
	$ 992,545	$ 448,881	$ 1,441,426

9. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2012
Operating Fund	
Designated Surplus	5,214
Undesignated Surplus	377,253
	382,467
Capital Fund	
Reserve Accounts	878,425
Equity in Tangible Capital Assets	1,314,674
	2,193,099
Special Purpose Fund	
School Generated Funds	88,501
Other Special Purpose Funds	-
	88,501
Total Accumulated Surplus	$ 2,664,067

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.

	2012
School budget carryovers by board policy	5,214
Designated surplus	$ 5,214

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.

	2012
Bus reserves	721,850
Other reserves	156,575
Capital Reserve	$ 878,425

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 2011 tax year and 50% from 2012 tax year. Below are the related revenue and receivable amounts:

	2012	2011
Revenue-Municipal Government-Property Tax	$ 2,224,220	$ 1,983,665
Receivable-Due from Municipal-Property Tax	$ 1,111,603	$ 923,495

11. Interest Received and Paid

The Division received interest during the year of $9,608. (previous year $8,122).

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

		2012
Operating Fund		
Fiscal-short term loan, interest and bank charges	$	960
Capital Fund		
Debenture debt interest		176,391
Other interest		-
	$	177,351

The accrual portion of debenture debt interest expense of $87,004 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 2012		Budget 2012		Actual 2011
Salaries		6,835,331	$	7,017,218	$	6,620,074
Employees benefits & allowances		552,084		567,488		498,742
Services		1,044,757		1,036,974		845,267
Supplies, materials & minor equipment		1,097,441		1,133,069		920,932
Interest		177,351		148,244		197,382
Transfers		86,510		115,900		113,329
Payroll tax		148,264		154,795		141,468
Amortization		441,057		-		430,038
Other capital items				-		
School generated funds		373,701		-		340,352
Other special purpose funds				-		-
	$	10,756,496	$	10,173,688	$	10,107,584

WESTERN
School Division
Morden, Manitoba

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Committed to Learning"*

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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 22, 2012

gtp Gislason Targownik Peters
Certified General Accountants
720 Norquay Drive • Box 2430 • Winkler • Manitoba R6W 4C1 • Tel: (204) 325-7579 • Fax (204) 325-7318

INDEPENDENT AUDITORS' REPORT

To the board of trustees of
Western School Division

We have audited the accompanying consolidated financial statements of Western School Division, which comprise the consolidated statement of financial position as at June 30, 2012, and the consolidated statement of revenue, expenses and accumulated surplus, statement of change in net debt and statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

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 financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Western School Division as at June 30, 2012, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Partners *Dale R. Gislason, FCGA** *Robert J. Friesen, B. Comm. (Hons.), CGA**
*Saul Targownik, CMA, CGA** *Darren Funk, CGA**
*Retired Partner Ernest Peters, FCGA**
*Professional Corporation

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

Gislason Targownik Peters

CERTIFIED GENERAL ACCOUNTANTS

Winkler, Manitoba
October 22, 2012

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 22, 2012
Date

Chairperson

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2012	2011
	Financial Assets		
	Cash and Bank	-	-
	Short Term Investments	-	-
	Due from - Provincial Government	327,175	362,609
	- Federal Government	76,405	28,057
	- Municipal Government	2,771,774	2,382,204
	- Other School Divisions	107,698	125,529
	- First Nations	-	-
	Accounts Receivable	4,848	60,396
	Accrued Investment Income	-	-
	Other Investments	-	-
		3,287,900	2,958,795
	Liabilities		
3	Overdraft	3,273,071	2,108,797
	Accounts Payable	466,038	786,434
	Accrued Liabilities	347,601	571,032
4	Employee Future Benefits	-	-
	Accrued Interest Payable	85,193	99,379
	Due to - Provincial Government	7,204	5,637
	- Federal Government	40	12,128
	- Municipal Government	-	-
	- Other School Divisions	206,291	204,574
	- First Nations	-	-
5	Deferred Revenue	895,006	814,767
6	Debenture Debt	4,469,817	4,919,125
7	Other Borrowings	494,267	550,684
	School Generated Funds Liability	98,038	93,874
		10,342,566	10,166,431
	Net Debt	(7,054,666)	(7,207,636)
	Non-Financial Assets		
9	Net Tangible Capital Assets (TCA Schedule)	11,100,224	11,100,134
	Inventories	-	-
	Prepaid Expenses	93,271	72,335
		11,193,495	11,172,469
10	**Accumulated Surplus**	4,138,829	3,964,833

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes			2012	2011
	Revenue			
	Provincial Government		11,670,817	11,379,172
	Federal Government		25,052	10,661
11	Municipal Government	- Property Tax	4,780,674	4,300,088
		- Other	3,200	3,200
	Other School Divisions		42,900	45,500
	First Nations		-	-
	Private Organizations and Individuals		311,472	238,434
	Other Sources		29,509	56,077
	School Generated Funds		80,353	41,836
	Other Special Purpose Funds		7,865	-
			16,951,842	16,074,968
	Expenses			
	Regular Instruction		9,302,226	8,798,877
	Student Support Services		2,476,581	2,411,644
	Adult Learning Centres		372,790	360,000
	Community Education and Services		36,041	27,474
	Divisional Administration		539,885	546,631
	Instructional and Other Support Services		491,551	474,968
	Transportation of Pupils		642,849	598,300
	Operations and Maintenance		1,503,675	1,489,855
12	Fiscal	- Interest	375,939	413,601
		- Other	265,500	243,013
	Amortization		690,120	669,284
	Other Capital Items		-	-
	School Generated Funds		80,689	43,481
	Other Special Purpose Funds		-	-
			16,777,846	16,077,128
	Current Year Surplus (Deficit)		173,996	(2,160)
	Less: Non-vested sick leave		0	0
	Opening Accumulated Surplus		3,964,833	3,966,993
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	-
		Other than Tangible Cap. Assets	-	-
		Non-vested sick leave	-	-
	Opening Accumulated Surplus, as adjusted		3,964,833	3,966,993
	Closing Accumulated Surplus		4,138,829	3,964,833

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2012

	2012	2011
Current Year Surplus (Deficit)	173,996	(2,160)
Amortization of Tangible Capital Assets	690,120	669,284
Acquisition of Tangible Capital Assets	(690,210)	(559,134)
(Gain) / Loss on Disposal of Tangible Capital Assets	(4,775)	2,412
Proceeds on Disposal of Tangible Capital Assets	4,775	-
	(90)	112,562
Inventories (Increase)/Decrease	-	-
Prepaid Expenses (Increase)/Decrease	(20,936)	23,813
	(20,936)	23,813
(Increase)/Decrease in Net Debt	152,970	134,215
Net Debt at Beginning of Year	(7,207,636)	(7,341,851)
Adjustments Other than Tangible Cap. Assets	-	-
	(7,207,636)	(7,341,851)
Net Debt at End of Year	(7,054,666)	(7,207,636)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2012

	2012	2011
Operating Transactions		
Current Year Surplus/(Deficit)	173,996	(2,160)
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	690,120	669,284
(Gain)/Loss on Disposal of Tangible Capital Assets	(4,775)	2,412
Employee Future Benefits Increase/(Decrease)	-	-
Short Term Investments (Increase)/Decrease	-	-
Due from Other Organizations (Increase)/Decrease	(384,653)	84,524
Accounts Receivable & Accrued Income (Increase)/Decrease	55,548	(1,560)
Inventories and Prepaid Expenses - (Increase)/Decrease	(20,936)	23,813
Due to Other Organizations Increase/(Decrease)	(8,804)	(23,593)
Accounts Payable & Accrued Liabilities Increase/(Decrease)	(558,013)	178,615
Deferred Revenue Increase/(Decrease)	80,239	89,430
School Generated Funds Liability Increase/(Decrease)	4,164	2,589
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by Operating Transactions	26,886	1,023,354
Capital Transactions		
Acquisition of Tangible Capital Assets	(690,210)	(559,134)
Proceeds on Disposal of Tangible Capital Assets	4,775	-
Cash (Applied to)/Provided by Capital Transactions	(685,435)	(559,134)
Investing Transactions		
Other Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
Financing Transactions		
Debenture Debt Increase/(Decrease)	(449,308)	248,863
Other Borrowings Increase/(Decrease)	(56,417)	(55,130)
Cash Provided by (Applied to) Financing Transactions	(505,725)	193,733
Cash and Bank / Overdraft (Increase)/Decrease	(1,164,274)	657,953
Cash and Bank (Overdraft) at Beginning of Year	(2,108,797)	(2,766,750)
Cash and Bank (Overdraft) at End of Year	(3,273,071)	(2,108,797)

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2012

	Buildings and Leasehold Improvements		School	Other	Furniture / Fixtures &	Computer Hardware &		Land	Assets Under	2012	2011
	School	Non-School	Buses	Vehicles	Equipment	Software *	Land	Improvements	Construction	TOTALS	TOTALS
Tangible Capital Asset Cost											
Opening Cost, as previously reported	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
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	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
Add: Additions during the year	85,727	-	191,269	16,724	-	-	-	-	396,490	690,210	559,134
Less: Disposals and write downs	-	-	63,580	-	-	-	-	-	-	63,580	24,114
Closing Cost	16,002,217	1,276,112	1,648,978	96,112	396,174	281,238	629,054	124,180	403,382	20,857,447	20,230,817
Accumulated Amortization											
Opening, as previously reported	7,483,045	219,441	1,060,800	44,111	128,327	169,555		25,404		9,130,683	8,483,101
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	7,483,045	219,441	1,060,800	44,111	128,327	169,555		25,404		9,130,683	8,483,101
Add: Current period Amortization	453,824	51,044	85,480	11,752	49,452	26,150		12,418		690,120	669,284
Less: Accumulated Amortization on Disposals and Writedowns	-	-	63,580	-	-	-		-		63,580	21,702
Closing Accumulated Amortization	7,936,869	270,485	1,082,700	55,863	177,779	195,705		37,822		9,757,223	9,130,683
Net Tangible Capital Asset	8,065,348	1,005,627	566,278	40,249	218,395	85,533	629,054	86,358	403,382	11,100,224	11,100,134
Proceeds from Disposal of Capital Assets	-	-	4,775	-	-	-				4,775	-

* Includes network infrastructure.

WESTERN SCHOOL DIVISION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2012

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 ($)	Estimate Useful Life (years)
Land Improvements	25,000	10
Buildings – bricks, mortar and steel	25,000	40
Buildings – wood frame	25,000	25
School buses	20,000	10
Vehicles	10,000	5
Equipment	10,000	5
Network infrastructure	25,000	10
Computer hardware, servers & peripherals	5,000	4
Computer software	10,000	4
Furniture & fixtures	5,000	10
Leasehold improvements	25,000	Over term of lease

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

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

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

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

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

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

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

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

f) Employee Future Benefits

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

However, the Division provides retirement and other future benefits to its non-teaching employees. These benefits include defined contribution pension, and sick leave. The Division adopted the following policy with respect to accounting for these employee future benefits:

Defined Contribution Pension Plan

The Division pays the employer portion of a defined contribution plan administered by Sun Life Financial for non-teaching employees. Under this plan, mandatory amounts based on employee earnings are calculated and forwarded to the pension administrator. The Division matches these contributions equally. No responsibility is assumed by the Division to make any further contribution.

Non-vested Accumulated Sick Leave

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

g) Capital Reserve

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

h) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. These estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

i) Financial instruments

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

3. Bank Overdraft

The Division has an authorized line of credit with Access Credit Union Limited of $5,550,000 by way of overdrafts and is repayable on demand at prime less 0.5%.

4. Employee Future Benefits

The Division sponsors a defined contribution pension plan, administered by Sun Life Financial. Non-teaching employees enrolled in the plan contribute 5.75% of gross earnings. The Division contributions equal the employee contributions to the plan. No pension liability is included in the financial statements. The employee future benefit expense is part of the Employee Benefits and Allowances expense account.

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, 2011	Additions in the period	Revenue recognized in the period	Balance as at June 30, 2012
Manitoba Textbook Bureau	$ 38,758	$ 48,129	$ 38,468	$ 48,419
Education & Property Tax Credit	726,104	737,156	726,104	737,156
Other	49,905	205,436	145,911	109,430
	$ 814,767	$ 990,721	$ 910,483	$ 895,005

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 2013 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 5.000% to 11.875%. Debenture interest expense payable as at June 30, 2012, 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
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
2017	188,881	149,505	338,386
	$1,951,922	$1,080,331	$3,032,253

7. Other Borrowings

Other borrowings are debts other than overdrafts or debentures. This includes a loan to purchase property.

	2012	2011
Division Office Loan	$494,267	$550,684

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
2013	$ 57,862	$ 11,700	$ 69,562
2014	59,325	10,237	69,562
2015	60,825	8,737	69,562
2016	62,344	7,218	69,562
2017	63,940	5,622	69,562
	$304,296	$ 43,515	$347,811

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 $110,348.

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	2012 Net Book Value
Owned-tangible capital assets	$ 20,857,448	$ 9,757,222	$ 11,100,226

10. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2012	2011
Operating Fund		
Designated Surplus	$ -	$ -
Undesignated Surplus	330,523	228,399
	330,523	228,399
Capital Fund		
Reserve Accounts	89,355	160,623
Equity in Tangible Capital Assets	3,706,641	3,571,029
	3,795,996	3,731,652
Special Purpose Fund		
School Generated Funds	12,310	4,781
Other Special Purpose Funds	-	-
	-	4,781
	$4,138,829	$3,964,833

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.

		2012		2011
Bus reserves	$	89,355	$	160,623

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

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

Education property tax or Special Levy is raised as the Division's contribution to the cost of providing public education for the students resident in the division. The Municipal Government-Property Tax shown on the consolidated revenue and expense is raised over the two calendar (tax) years; 40% from 2011 tax year and 60% from 2012 tax year. Below are the related revenue and receivable amounts:

		2012		2011
Revenue-Municipal Government-Property Tax	$	4,780,674	$	4,300,088
Receivable-Due from Municipal-Property Tax	$	2,771,774	$	2,382,204

12. Interest Received and Paid

The Division received interest during the year of $2,352 (2011 - $156); interest paid during the year was $375,939 (2011 - $413,601).

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

		2012		2011
Operating Fund				
Fiscal-short term loan, interest and bank charges	$	17,780	$	19,673
Capital Fund				
Debenture debt interest		311,560		328,712
Other interest		46,599		65,216
	$	375,939	$	413,601

The accrual portion of debenture debt interest expense of $85,193 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 2012	Budget 2012	Actual 2011
Salaries	$12,063,120	$11,844,442	$11,531,269
Employees benefits & allowances	906,341	889,917	833,304
Services	1,334,836	1,339,026	1,250,678
Supplies, materials & minor equipment	934,108	993,439	984,203
Interest	375,939	23,000	413,601
Payroll Tax	265,500	254,656	243,013
Amortization	690,120	-	669,284
Other capital items	-	-	-
School generated funds	80,689	-	43,481
Transfers	127,193	-	108,295
	$16,777,846	$15,344,534	$16,077,128

14. 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 year are as follows:

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.

Chairperson

Secretary-Treasurer

October 22, 2012

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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, 2012, 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.

KPMG

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of The Winnipeg School Division as at June 30, 2012, and its consolidated results of operations, its consolidated change in net debt and its consolidated cash flows for the year then ended in accordance with Canadian 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 22, 2012
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.

OCT 22 2012

Chairperson of the Board — Date

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2012	2011
	Financial Assets		
	Cash and Bank	-	-
(4)	Short Term Investments	2,349,571	2,441,880
	Due from - Provincial Government	15,117,694	15,570,579
	- Federal Government	616,744	485,886
	- Municipal Government	66,792,240	62,378,155
	- Other School Divisions	80,165	57,079
	- First Nations	666,410	1,059,930
	Accounts Receivable	1,797,875	2,448,119
	Accrued Investment Income	3,023	2,423
	Other Investments	3,099,583	3,154,017
		90,523,305	87,598,068
	Liabilities		
(3)	Overdraft	15,930,956	12,105,313
	Accounts Payable	9,992,361	9,266,316
	Accrued Liabilities	38,831,917	40,881,261
(5)	Employee Future Benefits	6,174,875	5,900,440
	Accrued Interest Payable	2,025,913	2,091,780
	Due to - Provincial Government	1,174,225	1,166,302
	- Federal Government	5,380,226	5,059,633
	- Municipal Government	-	-
	- Other School Divisions	809,334	764,372
	- First Nations	-	-
(6)	Deferred Revenue	14,039,693	14,323,647
(8)	Debenture Debt	82,155,110	79,909,620
	Other Borrowings	-	-
(7)	School Generated Funds Liability	1,978,917	2,246,583
		178,493,527	173,715,267
	Net Debt	(87,970,222)	(86,117,199)
	Non-Financial Assets		
	Net Tangible Capital Assets (TCA Schedule)	139,018,742	130,533,412
	Inventories	874,364	1,000,730
	Prepaid Expenses	4,994,266	5,381,480
		144,887,372	136,915,622
	Accumulated Surplus	56,917,150	50,798,423

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes			2012	2011
	Revenue			
	Provincial Government		243,158,448	235,020,660
	Federal Government		-	-
	Municipal Government	- Property Tax	105,905,075	102,222,595
		- Other	320,897	510,364
	Other School Divisions		2,265,761	2,180,654
	First Nations		2,377,495	2,127,925
	Private Organizations and Individuals		796,414	906,850
	Other Sources		1,862,071	911,371
	School Generated Funds		911,676	333,943
	Other Special Purpose Funds		168,094	(55,624)
			357,765,931	344,158,738
	Expenses			
	Regular Instruction		177,872,412	171,645,670
	Student Support Services		80,343,177	78,876,026
	Adult Learning Centres		752,018	723,536
	Community Education and Services		7,811,855	8,372,961
	Divisional Administration		9,402,670	8,596,258
	Instructional and Other Support Services		9,896,072	10,136,498
	Transportation of Pupils		4,858,926	5,159,217
	Operations and Maintenance		40,728,710	40,510,114
	Fiscal	- Interest	5,148,693	5,131,339
		- Other	6,324,704	5,588,114
	Amortization		7,086,804	6,667,686
	Other Capital Items		118,851	86,619
	School Generated Funds		899,099	289,267
	Other Special Purpose Funds		339,115	256,630
			351,583,106	342,039,935
	Current Year Surplus (Deficit)		6,182,825	2,118,803
	Less: Non-vested sick leave		(64,098)	(132,137)
	Opening Accumulated Surplus		50,798,423	50,850,277
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	-
		Other than Tangible Cap. Assets	-	-
		Non-vested sick leave	-	(2,038,520)
	Opening Accumulated Surplus, as adjusted		50,798,423	48,811,757
	Closing Accumulated Surplus		56,917,150	50,798,423

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2012

	2012	2011
Current Year Surplus (Deficit)	6,182,825	2,118,803
Amortization of Tangible Capital Assets	7,086,804	6,667,686
Acquisition of Tangible Capital Assets	(15,601,893)	(12,644,412)
(Gain) / Loss on Disposal of Tangible Capital Assets	(394,701)	(12,459)
Proceeds on Disposal of Tangible Capital Assets	424,460	12,459
	(8,485,330)	(5,976,726)
Inventories (Increase)/Decrease	126,366	(57,497)
Prepaid Expenses (Increase)/Decrease	387,214	(416,234)
	513,580	(473,731)
(Increase)/Decrease in Net Debt	(1,788,925)	(4,331,654)
Net Debt at Beginning of Year	(86,117,199)	(79,614,888)
Adjustments Other than Tangible Cap. Assets	(64,098)	(2,170,657)
	(86,181,297)	(81,785,545)
Net Debt at End of Year	(87,970,222)	(86,117,199)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2012

	2012	2011
Operating Transactions		
Current Year Surplus/(Deficit)	6,182,825	2,118,803
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	7,086,804	6,667,686
(Gain)/Loss on Disposal of Tangible Capital Assets	(394,701)	(12,459)
Employee Future Benefits Increase/(Decrease)	274,435	1,887,784
Short Term Investments (Increase)/Decrease	92,309	(47,730)
Due from Other Organizations (Increase)/Decrease	(3,721,624)	(1,964,889)
Accounts Receivable & Accrued Income (Increase)/Decrease	649,644	(1,121,028)
Inventories and Prepaid Expenses - (Increase)/Decrease	513,580	(473,731)
Due to Other Organizations Increase/(Decrease)	373,478	(8,990,709)
Accounts Payable & Accrued Liabilities Increase/(Decrease)	(1,389,166)	26,852,159
Deferred Revenue Increase/(Decrease)	(283,954)	1,855,964
School Generated Funds Liability Increase/(Decrease)	(267,666)	137,113
Adjustments Other than Tangible Cap. Assets	(64,098)	(2,170,657)
Cash Provided by Operating Transactions	9,051,866	24,738,306
Capital Transactions		
Acquisition of Tangible Capital Assets	(15,601,893)	(12,644,412)
Proceeds on Disposal of Tangible Capital Assets	424,460	12,459
Cash (Applied to)/Provided by Capital Transactions	(15,177,433)	(12,631,953)
Investing Transactions		
Other Investments (Increase)/Decrease	54,434	407,716
Cash Provided by (Applied to) Investing Transactions	54,434	407,716
Financing Transactions		
Debenture Debt Increase/(Decrease)	2,245,490	1,059,392
Other Borrowings Increase/(Decrease)	-	-
Cash Provided by (Applied to) Financing Transactions	2,245,490	1,059,392
Cash and Bank / Overdraft (Increase)/Decrease	(3,825,643)	13,573,461
Cash and Bank (Overdraft) at Beginning of Year	(12,105,313)	(25,678,774)
Cash and Bank (Overdraft) at End of Year	(15,930,956)	(12,105,313)

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2012

	Buildings and Leasehold Improvements		School	Other	Furniture /	Computer		Land	Assets	2012	2011
	School	Non-School	Buses	Vehicles	Fixtures & Equipment	Hardware & Software *	Land	Improvements	Under Construction	TOTALS	TOTALS
Tangible Capital Asset Cost											
Opening Cost, as previously reported	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
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	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
Add: Additions during the year	11,944,082	658,048	-	95,074	482,804	191,818	141,476	134,676	1,953,915	15,601,893	12,644,412
Less: Disposals and write downs	247,995	-	455,947	-	-	-	-	-	-	703,942	125,984
Closing Cost	207,400,289	5,064,471	7,005,845	772,107	6,274,355	2,493,486	21,923,647	1,460,093	11,991,622	264,385,915	249,487,964
Accumulated Amortization											
Opening, as previously reported	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
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	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
Add: Current period Amortization	5,253,495	94,318	446,661	85,111	691,229	376,714		139,276		7,086,804	6,667,686
Less: Accumulated Amortization on Disposals and Writedowns	218,236	-	455,947	-	-	-		-		674,183	125,984
Closing Accumulated Amortization	110,779,591	3,184,008	4,370,346	536,365	4,312,551	1,697,377		486,935		125,367,173	118,954,552
Net Tangible Capital Asset	96,620,698	1,880,463	2,635,499	235,742	1,961,804	796,109	21,923,647	973,158	11,991,622	139,018,742	130,533,412
Proceeds from Disposal of Capital Assets	418,860	-	5,600	-	-	-				424,460	12,459

* Includes network infrastructure.

1. **Nature of organization and economic dependence:**

The Winnipeg School Division (Division) is a public education system that provides educational services for students in nursery to grade 12 residing primarily within its designated boundaries.

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

The Division is exempt from income tax under the *Income Tax Act.*

2. **Significant accounting policies.**

The significant accounting policies of the Division include:

(a) Reporting entity and consolidation:

The Division's reporting entities are comprised of the Division, school generated funds and The Children's Heritage Fund.

The consolidated financial statements reflect the assets, liabilities, revenues and expenditures of the Operating Fund, Capital Fund, and Special Purpose Fund of the Division.

(b) Trust funds:

The Division administers various trust funds. Trust funds and their related operations are not included in the consolidated financial statements as they are not owned or controlled by the Division.

Margaret Crawford Fund:

The Division administers the Margaret H. Crawford Trust Fund, a bequest fund that was established in 1954 which awards bursaries to students in vocational programming. Total funds under administration as at December 31, 2011 were $595,445 (2010 - $619,790).

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, 2012 funds on hand in these schools for this purpose totaled $19,853 (2011 - $17,821).

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 $1,871,699 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.

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	10,000	5
Computer hardware, services and peripherals	10,000	4
Furniture and fixtures	10,000	10

With the exception of buildings, all tangible capital assets are recorded at historical cost.

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

Tangible capital assets are amortized on a straight-line basis over their estimated useful lives as prescribed by FRAME. Land is not amortized.

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

2. Significant accounting principles (continued).

(g) Employee future benefits:

The Division provides a contributory defined benefit pension plan and Disability Income Plan (benefit plans) and other negotiated future benefits to employees. The costs of the Division's benefit plans are recognized over the period in which the related employees render their service. The Division adopted the following PSAB reporting standards with respect to accounting for these employee future benefits:

(i) Benefit plans:

A discount rate is used to measure benefit obligations. The expected return on pension plan assets is calculated on the fair value of the assets as of the year end date.

These costs are actuarially determined using the accrued benefit actuarial cost method with salary projection and management's best estimate of expected plan investment performance, salary escalation and retirement ages of employees.

Current service costs and interest costs on the benefit obligation are charged to income as they accrue. Actuarial gains and losses are amortized to the liability or asset and the related expenditure over the expected average remaining service life of active plan members.

The cost of the benefit plan amendments related to prior period employee services is accounted for in the period of the plan amendment.

(ii) Non-vesting accumulating sick days:

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

(iii) Other future benefits:

Other future benefits are currently under-written on an experience-rated non-refundable basis. Should the rates established be inadequate or excessive, any deficit or surplus which develops in the account is absorbed by the insurer.

2. Significant accounting principles (continued).

(h) Capital reserve:

Certain amounts approved by the Board of Trustees and the Public Schools Finance Board have been set aside in reserve accounts for future capital purposes. These capital reserve accounts are internally restricted funds that form part of the accumulated surplus presented in the consolidated statement of financial position.

(i) Government transfers:

Government transfers, including legislative grants, are recognized in the consolidated financial statements in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met and reasonable estimates of the amount can be made.

(j) Investment income:

Investment income is reported as revenue in the period earned.

(k) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenditures and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements during the reporting period. Actual subsequent results could differ from these estimates.

(l) Change in accounting policy

Previously, the Division did not recognize an accrued benefit obligation related to sick leave entitlements as the benefits do not vest. The benefit costs were previously only recognized and recorded in the period when an employee was sick. PSAB standards require that a liability and an expense be recognized for post-employment benefits and compensated absences that vest or accumulate in the period in which employees render services to the Division in return for benefits. A retrospective adjustment was made to recognize a liability related to accumulated sick leave entitlement at July 1, 2010 in the amount of $2,038,519. The impact of the estimated non-vested sick leave benefit cost for the year ended June 30, 2012 is $64,098 (2011 – $132,137).

3. Overdraft:

The Division has an authorized overdraft limit with a chartered bank of $49,000,000. As at June 30, 2012, $10,000,000 of the authorized overdraft has been utilized in the form of fixed rate promissory notes, bearing interest at 2.10 percent. This promissory notes was repaid on July 31, 2012.

Included in the overdraft are funding of capital projects totaling approximately $3,752,333 which has been submitted to PSFB for debenture funding (note 8), funds held on behalf of the Winnipeg Teachers Association's dental plan totaling $1,461,982 (2011 - $1,517,745) and funds held on behalf of the Winnipeg Teachers Association and the Winnipeg Association of Non Teaching employees extended health care plan totaling $1,459,817 (2011 - $1,402,063).

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, 2012, the market value of short-term investments was $2,530,775 (2011 - $2,569,534); gain (loss) on short-term investments during the year was ($92,309) (2011 – $47,730.

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
2007	6.00%	7.40%
2008	6.50%	7.80%
2009	7.00%	8.20%
2010	7.00%	8.20%
2011	7.00%	8.20%

The Division is required to contribute an amount each year equal to 127.4 percent of employees' required pension contributions.

5. Employee future benefits (continued):

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	$ 282,735,033
Expected return	16,487,858
Actuarial investment gain/(loss)	(13,336,521)
Employer contributions	5,319,377
Employee contributions	4,873,510
Benefits paid	(13,498,970)
Fair value, end of year	$ 282,580,287
Accrued benefit plan obligations:	
Balance, beginning of year	$ 266,796,942
Current service costs	10,192,887
Interest costs	16,201,226
Benefits paid	(13,498,970)
Actuarial gain/loss	(301,725)
Actuarial assumption change	–
Balance, end of year	$ 279,390,360

Surplus of plan assets versus plan obligations	$ 3,189,927

Unamortized net actuarial gain (loss)	$ –
Benefit plan surplus	3,189,927
Less: valuation allowance	(3,189,927)
Net accrued benefits plan asset	$ –

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.

5. Employee future benefits (continued):

The total net cost for the Division's benefit plans is as follows:

Net defined benefit plans cost:	
Current service cost less employee contributions	$ 5,319,377
Interest on plan obligations	16,201,226
Expected return on plan assets	(16,487,858)
Amortization of actuarial (gains) and losses	–
Valuation allowance increase (decrease)	286,632
Net defined benefit plans cost	$ 5,319,377

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 benefit plan assets are held in trust and are invested as follows:

Equities	51%
Bonds	43%
Cash and cash equivalents	6%

(ii) Non-vested accumulated sick leave benefits:

Non-vested accumulated sick leave benefits are measured using net present value techniques on the expected future utilization of excess of sick benefits used over earned per year, to maximum entitlement. The impact of the estimated non-vested sick leave benefit cost for the year ended June 30, 2012 is $64,098 (2011 – $132,137). At June 30, 2012, the Division has recorded an estimated liability of $2,234,755 (2011 - $2,170,657) in respect of these benefits.

(iii) 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, 2012, the Division has recorded an estimated liability of $3,796,602 (2011 - $3,729,783) in respect of these benefits.

6. Deferred revenue:

	Balance as at June 30, 2011	Additions in the period	Revenue recognized in the period	Balance as at June 30, 2012
Educational property tax credit	$ 11,709,663	$ 11,878,749	$ 11,709,663	$ 11,878,749
Manitoba Textbook Bureau	885,195	877,839	1,466,311	296,723
Other special purpose funds	1,728,789	1,516,323	1,380,891	1,864,221
	$ 14,323,647	$ 14,272,911	$ 14,556,865	$ 14,039,693

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, 2012, school funds held totaled $2,091,025 (2011 - $2,346,114).

The school generated funds liability of $1,978,917 (2011 - $2,246,583) comprises the portion of school generated funds that are not controlled and included in the cash and bank balances noted above.

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 fiscal 2013 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 3.875 percent to 12.125 percent. The debenture principal and interest repayments in the next five years and thereafter are:

	Principal	Interest	Total
2013	$ 6,420,788	$ 4,757,469	$ 11,178,257
2014	6,022,340	4,312,068	10,334,408
2015	5,608,314	3,913,111	9,521,425
2016	5,583,360	3,555,790	9,139,150
2017	5,598,062	3,211,734	8,809,796
Thereafter	52,922,246	16,893,517	69,815,763
	$ 82,155,110	$ 36,643,689	$ 118,798,799

As June 30, 2012, the Division has submitted claims for capital projects to the Public Schools Finance Board totaling $3,752,333.

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	$ 264,385,915	$ 125,367,173	$ 139,018,742

10. Expenditures by type:

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

11. Contractual obligations:

The Division is committed to payments under operating leases for equipment and building rentals through 2017 in the amount of $3,561,708. Annual payments are: 2013 - $1,394,493; 2014 - $1,179,859; 2015 - $467,319; 2016 - $337,971; 2017 - $182,066.

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, 2012, the amount of this special levy was $1,232,872 (2011- $1,166,872). 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 Winnipeg Technical College are the responsibility of the College 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. College 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 College met with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

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

Chairperson

Secretary-Treasurer

Grant Thornton

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, 2012, 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, 2012, 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

Grant Thornton LLP

November 14, 2012

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.

Nov 14, 2012

Chairperson of the Governing Board

Date

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2012	2011
	Financial Assets		
	Cash and Bank	1,565,470	308,225
*	Short Term Investments	2,453,845	2,397,208
	Due from - Provincial Government	891,385	872,320
	- Federal Government	57,430	29,527
	- Municipal Government	-	-
	- Other School Divisions	119,163	804
	- First Nations	-	-
	Accounts Receivable	303,810	107,207
	Accrued Investment Income	-	-
	Other Investments	-	-
		5,391,103	3,715,291
	Liabilities		
	Overdraft	-	-
	Accounts Payable	303,613	305,569
	Accrued Liabilities	432,525	247,202
*	Employee Future Benefits	643,646	635,817
	Accrued Interest Payable	43,712	40,905
	Due to - Provincial Government	-	-
	- Federal Government	4,927	2,533
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
*	Deferred Revenue	740,633	428,597
*	Debenture Debt	4,666,125	2,295,981
*	Other Borrowings	16,437	38,218
	School Generated Funds Liability	-	-
		6,851,618	3,994,822
	Net Debt	(1,460,515)	(279,531)
	Non-Financial Assets		
*	Net Tangible Capital Assets (TCA Schedule)	7,891,787	6,696,585
	Inventories	-	-
	Prepaid Expenses	220,824	87,964
		8,112,611	6,784,549
*	**Accumulated Surplus**	6,652,096	6,505,018

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes			2012	2011
	Revenue			
	Provincial Government		11,117,475	10,624,530
	Federal Government		-	-
	Municipal Government	- Property Tax	-	-
		- Other	-	-
	Other School Divisions		1,501,899	1,690,016
	First Nations		-	-
	Private Organizations and Individuals		3,917,671	3,213,047
	Other Sources		152,108	143,860
	School Generated Funds		-	-
	Other Special Purpose Funds		4,304	2,000
			16,693,457	15,673,453
	Expenses			
	Regular Instruction		5,259,147	5,295,207
	Student Support Services		834,143	783,956
	Adult Learning Centres		2,635,308	2,573,556
	Community Education and Services		4,269,983	3,575,875
	Divisional Administration		1,455,202	1,053,290
	Instructional and Other Support Services		314,052	416,983
	Transportation of Pupils		-	-
	Operations and Maintenance		1,145,352	1,030,405
*	Fiscal	- Interest	149,053	154,203
		- Other	116,416	106,987
	Amortization		367,723	355,081
	Other Capital Items		-	-
	School Generated Funds		-	-
	Other Special Purpose Funds		-	-
			16,546,379	15,345,543
	Current Year Surplus (Deficit)		147,078	327,910
	Less: Non-vested sick leave		0	0
	Opening Accumulated Surplus		6,505,018	6,177,108
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	-
		Other than Tangible Cap. Assets	-	-
		Non-vested sick leave	-	-
	Opening Accumulated Surplus, as adjusted		6,505,018	6,177,108
	Closing Accumulated Surplus		6,652,096	6,505,018

See accompanying notes to the Financial Statements

* NOTE REQUIRED

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2012

	2012	2011
Current Year Surplus (Deficit)	147,078	327,910
Amortization of Tangible Capital Assets	367,723	355,081
Acquisition of Tangible Capital Assets	(1,562,925)	(142,855)
(Gain) / Loss on Disposal of Tangible Capital Assets	-	-
Proceeds on Disposal of Tangible Capital Assets	-	-
	(1,195,202)	212,226
Inventories (Increase)/Decrease	-	-
Prepaid Expenses (Increase)/Decrease	(132,860)	(1,497)
	(132,860)	(1,497)
(Increase)/Decrease in Net Debt	(1,180,984)	538,639
Net Debt at Beginning of Year	(279,531)	(818,170)
Adjustments Other than Tangible Cap. Assets	-	-
	(279,531)	(818,170)
Net Debt at End of Year	(1,460,515)	(279,531)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2012

	2012	2011
Operating Transactions		
Current Year Surplus/(Deficit)	147,078	327,910
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	367,723	355,081
(Gain)/Loss on Disposal of Tangible Capital Assets	-	-
Employee Future Benefits Increase/(Decrease)	7,829	52,126
Short Term Investments (Increase)/Decrease	(56,637)	57,762
Due from Other Organizations (Increase)/Decrease	(165,327)	(146,633)
Accounts Receivable & Accrued Income (Increase)/Decrease	(196,603)	(72,194)
Inventories and Prepaid Expenses - (Increase)/Decrease	(132,860)	(1,497)
Due to Other Organizations Increase/(Decrease)	2,394	(3,910)
Accounts Payable & Accrued Liabilities Increase/(Decrease)	186,174	46,878
Deferred Revenue Increase/(Decrease)	312,036	47,333
School Generated Funds Liability Increase/(Decrease)	-	-
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by Operating Transactions	471,807	662,856
Capital Transactions		
Acquisition of Tangible Capital Assets	(1,562,925)	(142,855)
Proceeds on Disposal of Tangible Capital Assets	-	-
Cash (Applied to)/Provided by Capital Transactions	(1,562,925)	(142,855)
Investing Transactions		
Other Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
Financing Transactions		
Debenture Debt Increase/(Decrease)	2,370,144	(122,875)
Other Borrowings Increase/(Decrease)	(21,781)	25,416
Cash Provided by (Applied to) Financing Transactions	2,348,363	(97,459)
Cash and Bank / Overdraft (Increase)/Decrease	1,257,245	422,542
Cash and Bank (Overdraft) at Beginning of Year	308,225	(114,317)
Cash and Bank (Overdraft) at End of Year	1,565,470	308,225

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2012

	Buildings and Leasehold Improvements		School	Other	Furniture / Fixtures &	Computer Hardware &		Land	Assets Under	2012	2011
	School	Non-School	Buses	Vehicles	Equipment	Software *	Land	Improvements	Construction	TOTALS	TOTALS
Tangible Capital Asset Cost											
Opening Cost, as previously reported	10,872,467	-	-	-	358,903	122,058	899,310	-	-	12,252,738	12,109,883
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	10,872,467	-	-	-	358,903	122,058	899,310	-	-	12,252,738	12,109,883
Add: Additions during the year	-	-	-	16,356	51,897	79,795	-	-	1,414,877	1,562,925	142,855
Less: Disposals and write downs	-	-	-	-	-	-	-	-	-	-	-
Closing Cost	10,872,467	-	-	16,356	410,800	201,853	899,310	-	1,414,877	13,815,663	12,252,738
Accumulated Amortization											
Opening, as previously reported	5,252,054	-	-	-	243,981	60,118		-		5,556,153	5,201,072
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	5,252,054	-	-	-	243,981	60,118		-		5,556,153	5,201,072
Add: Current period Amortization	295,632	-	-	2,726	48,774	20,591		-		367,723	355,081
Less: Accumulated Amortization on Disposals and Writedowns	-	-	-	-	-	-		-		-	-
Closing Accumulated Amortization	5,547,686	-	-	2,726	292,755	80,709		-		5,923,876	5,556,153
Net Tangible Capital Asset	5,324,781	-	-	13,630	118,045	121,144	899,310	-	1,414,877	7,891,787	6,696,585
Proceeds from Disposal of Capital Assets	-	-	-	-	-	-				-	-

* Includes network infrastructure.

23

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 $915,749 (previous year $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.

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 College. The College reporting entity includes funds associated with the WTC Scholarship/ Trust Fund controlled by the College.

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 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.

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.

2. Significant accounting policies (continued)

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.

Asset Description	Capitalization Threshold	Estimated Useful Life
Land improvements	$ 25,000	10 years
Buildings – bricks, mortar and steel	25,000	40 years
Buildings – wood frame	25,000	25 years
School buses	20,000	10 years
Vehicles	10,000	5 years
Equipment	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.

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.

2. Significant accounting policies (continued)

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 year end.

Permanent certified personnel do not earn vacation entitlement, however they are paid over 12 months for services performed over ten months. The amount to be paid in July and August for the prior service year is set up as a liability at year end.

(iii) Accumulated Sick Days

The College offers sick leave to its employees which do not vest, but accumulate for use by the employee beyond the current period. For non-vesting accumulating sick days, the benefit costs are recognized, if deemed material, based on a projection of expected future utilization of sick time, discounted using net present value techniques. The College has concluded that the liability for accumulated sick days would not be material, therefore a liability has not been recorded for this benefit.

Use of estimates

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

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.

Change in accounting policy

Previously the College did not recognize an accrued benefit obligation related to sick leave benefits as the benefits do not vest. The benefit costs were only recognized and recorded in the period when an employee was sick. PSA standards require that a liability and expense to be recognized for post-employment benefits and compensated absences that vest or accumulate in the period in which employees render services to the College in return for the benefits. As a result of this change, a liability in the amount of $4,278 for employee future benefits was determined using net present value techniques which include adjustments for prior periods. As the liability is not material to the financial statements it has not been recorded.

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).

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.

Non-vested accumulated sick leave benefits are measured using net present value techniques on the expected future utilization of excess of sick benefits used over earned per year, to maximum entitlement. The impact of the estimated non-vested sick leave benefit cost for 2011-2012 is $1,622 which is not material to the financial statements and has not been recorded.

5. Debenture debt

The debenture debt of the College is in the form of twenty-year debentures payable, principal and interest, in twenty equal yearly instalments and maturing at various dates from 2018 to 2029. Payment of principal and interest is funded entirely by grants from the Province of Manitoba, except for debenture debt on three self-funded capital projects which mature in 2018 and 2032. The debentures carry interest rates that range from 4.0 % to 6.125 %. Debenture interest expense payable as at June 30, 2012, 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
2013	$ 221,187	$ 221,620	$ 442,807
2014	232,343	210,464	442,807
2015	244,078	198,729	442,807
2016	256,423	186,384	442,807
2017	269,411	173,396	442,807
	$1,223,442	$ 990,593	$2,214,035

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.

	Gross Amount	Accumulated Amortization	2011 Net Book Value
Owned-tangible capital assets	$ 13,770,478	$ 5,883,323	$ 7,887,155
Capital lease	45,185	40,553	4,632
	$ 13,815,663	$ 5,923,876	$ 7,891,787

7. Accumulated surplus

The consolidated accumulated surplus is comprised of the following:

	2012	2011
Operating fund		
Designated surplus	$ 1,759,890	$ 903,620
Non-vested sick leave	-	
Undesignated surplus	-	1,023,900
	1,759,890	1,927,520
Capital fund		
Reserve accounts	-	-
Equity in tangible capital assets	4,885,319	4,574,915
	4,885,319	4,574,915
Special purpose fund		
School generated funds	-	-
Other special purpose funds	6,887	2,583
	6,887	2,583
Total accumulated surplus	$ 6,652,096	$ 6,505,018

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.

	2012
Board approved appropriation by motion	$ 1,759,890
School budget carryovers by board policy	-
Designated surplus	$ 1,759,890

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

	2012
Foundation-Scholarship	$ 6,887
Other – specify	-
Other special purpose funds	$ 6,887

8. Interest received and paid

The College received interest during the year of $66,658 (previous year $76,875); interest paid during the year was $149,053 (previous year $154,203).

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

	2012	2011
Operating Fund		
Fiscal-short term loan, interest and bank charges	$ 12,198	$ 17,513
Capital Fund		
Debenture debt interest	133,262	134,711
Other interest	3,593	1,919
	$ 149,053	$ 154,143

The accrual portion of debenture debt interest expense of $24,635 (previous year $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.

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 2012	Budget 2012	Actual 2011
Salaries	$10,217,481	$ 9,718,076	$ 9,254,107
Employees benefits and allowances	1,039,743	1,083,556	890,229
Services	2,387,714	2,805,086	2,350,395
Supplies, materials and minor equipment	1,604,914	1,884,671	1,474,429
Interest	12,198	18,000	17,513
Bad debts			
Payroll tax	116,416	116,383	106,987
Amortization	367,723		355,081
Other capital items	136,855		136,690
School generated funds			
Other special purpose funds			
	$15,883,044	$ 15,625,772	$14,585,431

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:

- 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 2011-2012 school year, the College provided access to 33 (previous year 54.5) full time equivalent students from the Louis Riel School Division for a fee for these services of $430,400 (previous year $605,640).

11. Comparative figures

Certain of the prior year's figures have been reclassified to conform with the current year's presentation.

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.

Chairperson

Secretary-Treasurer

December 10, 2012

Independent Auditors' Report

To the Board of Trustees of the School District of Whiteshell:

We have audited the accompanying consolidated financial statements of the School District of Whiteshell, which comprise the consolidated statement of financial position as at June 30, 2012, 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, 2012 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
Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements. The supplemental information presented in the attached schedules is presented for the purpose of additional analysis and is not a required part of the consolidated financial statements. Such supplemental information has been subjected only to auditing procedures applied in the audit of the consolidated financial statements, taken as a whole.

Winnipeg, Manitoba

December 10, 2012

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 School District of Whiteshell:

2012-DEC-10
DATE

~~CHAIRPERSON~~

2500 - 201 Portage Ave., Winnipeg, Manitoba, R3B 3K6, Phone: (204) 775-4531, 1 (877) 500-0795

MNP

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2012	2011
	Financial Assets		
	Cash and Bank	386,885	671,099
	Short Term Investments	-	-
	Due from - Provincial Government	159,558	150,840
	- Federal Government	34,351	19,850
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
	Accounts Receivable	-	-
	Accrued Investment Income	-	-
	Other Investments	-	-
		580,794	841,789
	Liabilities		
	Overdraft	-	-
	Accounts Payable	56,603	135,674
	Accrued Liabilities	210,534	259,950
	Employee Future Benefits	-	-
	Accrued Interest Payable	5,838	-
	Due to - Provincial Government	-	-
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
*	Deferred Revenue	165,696	163,535
	Debenture Debt	-	-
*	Other Borrowings	163,288	200,000
	School Generated Funds Liability	-	-
		601,959	759,159
	Net Debt	(21,165)	82,630
	Non-Financial Assets		
*	Net Tangible Capital Assets (TCA Schedule)	1,411,046	1,517,949
	Inventories	-	-
	Prepaid Expenses	711	711
		1,411,757	1,518,660
*	**Accumulated Surplus**	1,390,592	1,601,290

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes			2012	2011
	Revenue			
	Provincial Government		1,382,041	1,327,248
	Federal Government		-	-
	Municipal Government	- Property Tax	1,726,445	1,762,989
		- Other	-	-
	Other School Divisions		28,600	40,459
	First Nations		-	-
	Private Organizations and Individuals		-	-
	Other Sources		4,357	8,320
	School Generated Funds		74,078	58,894
	Other Special Purpose Funds		-	-
			3,215,521	3,197,910
	Expenses			
	Regular Instruction		1,976,838	1,753,563
	Student Support Services		413,185	365,330
	Adult Learning Centres		-	-
	Community Education and Services		9,120	11,000
	Divisional Administration		209,365	298,743
	Instructional and Other Support Services		49,574	61,165
	Transportation of Pupils		36,997	28,063
	Operations and Maintenance		483,867	459,810
*	Fiscal	- Interest	15,800	6,455
		- Other	51,589	36,609
	Amortization		106,903	86,654
	Other Capital Items		-	-
	School Generated Funds		72,981	57,737
	Other Special Purpose Funds		-	-
			3,426,219	3,165,129
	Current Year Surplus (Deficit)		(210,698)	32,781
	Less: Non-vested sick leave		0	0
	Opening Accumulated Surplus		1,601,290	1,568,509
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	-
		Other than Tangible Cap. Assets	-	-
		Non-vested sick leave	-	-
	Opening Accumulated Surplus, as adjusted		1,601,290	1,568,509
	Closing Accumulated Surplus		1,390,592	1,601,290

See accompanying notes to the Financial Statements

* NOTE REQUIRED

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2012

	2012	2011
Current Year Surplus (Deficit)	(210,698)	32,781
Amortization of Tangible Capital Assets	106,903	86,654
Acquisition of Tangible Capital Assets	-	(472,830)
(Gain) / Loss on Disposal of Tangible Capital Assets	-	-
Proceeds on Disposal of Tangible Capital Assets	-	-
	106,903	(386,176)
Inventories (Increase)/Decrease	-	-
Prepaid Expenses (Increase)/Decrease	-	(711)
	-	(711)
(Increase)/Decrease in Net Debt	(103,795)	(354,106)
Net Debt at Beginning of Year	82,630	436,736
Adjustments Other than Tangible Cap. Assets	-	-
	82,630	436,736
Net Debt at End of Year	(21,165)	82,630

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2012

	2012	2011
Operating Transactions		
Current Year Surplus/(Deficit)	(210,698)	32,781
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	106,903	86,654
(Gain)/Loss on Disposal of Tangible Capital Assets	-	-
Employee Future Benefits Increase/(Decrease)	-	-
Short Term Investments (Increase)/Decrease	-	-
Due from Other Organizations (Increase)/Decrease	(23,219)	187,476
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)	(122,649)	117,004
Deferred Revenue Increase/(Decrease)	2,161	16,131
School Generated Funds Liability Increase/(Decrease)	-	-
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by Operating Transactions	(247,502)	439,335
Capital Transactions		
Acquisition of Tangible Capital Assets	-	(472,830)
Proceeds on Disposal of Tangible Capital Assets	-	-
Cash (Applied to)/Provided by Capital Transactions	-	(472,830)
Investing Transactions		
Other Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
Financing Transactions		
Debenture Debt Increase/(Decrease)	-	(65,613)
Other Borrowings Increase/(Decrease)	(36,712)	200,000
Cash Provided by (Applied to) Financing Transactions	(36,712)	134,387
Cash and Bank / Overdraft (Increase)/Decrease	(284,214)	100,892
Cash and Bank (Overdraft) at Beginning of Year	671,099	570,207
Cash and Bank (Overdraft) at End of Year	386,885	671,099

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2012

	Buildings and Leasehold Improvements		School	Other	Furniture / Fixtures &	Computer Hardware &		Land	Assets Under	2012	2011
	School	Non-School	Buses	Vehicles	Equipment	Software *	Land	Improvements	Construction	TOTALS	TOTALS
Tangible Capital Asset Cost											
Opening Cost, as previously reported	3,446,054	-	-	-	-	83,007	15,400	-	-	3,544,461	3,071,631
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	3,446,054	-	-	-	-	83,007	15,400	-	-	3,544,461	3,071,631
Add: Additions during the year	-	-	-	-	-	-	-	-	-	-	472,830
Less: Disposals and write downs	-	-	-	-	-	-	-	-	-	-	-
Closing Cost	3,446,054	-	-	-	-	83,007	15,400	-	-	3,544,461	3,544,461
Accumulated Amortization											
Opening, as previously reported	1,996,362	-	-	-	-	30,150		-		2,026,512	1,939,858
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	1,996,362	-	-	-	-	30,150		-		2,026,512	1,939,858
Add: Current period Amortization	86,151	-	-	-	-	20,752		-		106,903	86,654
Less: Accumulated Amortization on Disposals and Writedowns	-	-	-	-	-	-		-		-	-
Closing Accumulated Amortization	2,082,513	-	-	-	-	50,902		-		2,133,415	2,026,512
Net Tangible Capital Asset	1,363,541	-	-	-	-	32,105	15,400	-	-	1,411,046	1,517,949
Proceeds from Disposal of Capital Assets	-	-	-	-	-	-				-	-

* 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 statue. The trustee merely administers the terms and conditions embodied in the agreement, and it has no unilateral authority to change the conditions set our in the trust indenture.

b) Basis of Accounting

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

c) Fund Accounting

The fund method of accounting is employed by the 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. Theses 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.

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful lives of property and equipment.

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
Accrued interest payable	Other financial liabilities
Other borrowings	Other financial liabilities

Held for trading:

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

Loans and receivables:

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

Other financial liabilities:

Other liabilities are recorded at amortized cost using the effective interest method and include all financial liabilities. Given the short-term nature of accounts payable and accrued liabilities and accrued interest payable, their carrying value approximates fair value. The carrying value of the other borrowings also approximates its fair value as there have been no significant changes to the underlying credit risk of the District.

Interest, currency and credit risk:

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

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. Other Borrowings

Other borrowings consist 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 four years are estimated to be as follows:

	Principal	Interest	Total
2013	38,287	7,005	45,292
2014	39,930	5,362	45,292
2015	41,642	3,650	45,292
2016	43,429	1,863	45,292

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, 2011	Additions in period	Revenue recognized in period	Balance as at June 30, 2012
Education Property Tax Credit (EPTC)	$ 163,535	$ 165,696	$ 163,535	$ 165,696

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.

	Gross Amount	Accumulated Amortization	2012 Net Book Value	2011 Net Book Value
Owned-tangible capital assets	$ 3,731,899	$ 2,320,853	$ 1,411,046	$ 1,517,949

7. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2012	2011
Operating Fund		
Undesignated Surplus	$ 132,090	$ 267,856
Capital Fund		
Equity in Tangible Capital Assets	1,242,350	1,318,379
Special Purpose Fund		
School Generated Funds	16,152	15,055
Total Accumulated Surplus	$ 1,390,592	$ 1,601,290

School Generated 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 District's contribution to the cost of providing public education for the students resident in the district. The Municipal Government-Property Tax shown on the consolidated revenue and expense is raised over the two calendar (tax) years; 56% from 2011 tax year and 44% from 2012 tax year. Below is the related revenue amount:

	2012	2011
Revenue-Municipal Government-Property Tax	$ 1,726,445	$ 1,762,989
Receivable-Municipal Government-Property Tax	$ -	$ -

9. Interest Received and Paid

The District received interest during the year of $2,574 (2011; $4,054); interest paid during the year was $15,800 (2011; $6,455).

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

	2012	2011
Operating Fund		
Fiscal-short term loan, interest and bank charges	$ -	$ -
Capital Fund		
Debenture debt interest	-	-
Other Interest	15,800	6,455
	$ 15,800	$ 6,455

10. Expenses by Object

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

	Actual 2012	Budget 2012	Actual 2011
Salaries	$ 2,279,340	$ 2,164,166	$ 2,126,259
Employees benefits and allowances	180,024	159,898	133,075
Services	563,837	659,061	594,199
Supplies, materials and minor equipment	155,745	106,014	122,141
Interest	15,800	5,000	6,455
Payroll tax	51,589	20,000	38,609
Amortization	106,903	-	86,654
School generated funds	72,981	-	57,737
	$ 3,426,219	$ 3,114,139	$ 3,165,129

11. Budget Figures and Non Financial Information

The 2012 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 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 $1,390,592 (2011 - $1,601,290). 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.

PUBLIC SCHOOLS FINANCE BOARD

MANAGEMENT REPORT

The accompanying financial statements are the responsibility of management and have been prepared in accordance with the accounting policies stated in the financial statements. These accounting policies have been applied on a basis consistent with the prior year. In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgement regarding all necessary estimates and all other data available up to December 3, 2012. The financial information presented elsewhere in the Annual Report is consistent with that in the financial statements.

Management maintains internal controls to provide reasonable assurance of the reliability and accuracy of the financial information. These internal controls also provide for the safeguarding of the Board's assets.

The responsibility of the Auditor General and her staff is to express an independent, professional opinion on whether the financial statements are fairly stated in accordance with the accounting policies stated in the financial statements. The Auditor's Report outlines the scope of the audit examination and provides the audit opinion.

The Board has reviewed and approved these financial statements and the Annual Report in advance of its release and has approved its content and authorized its release.

On Behalf of Management

Lynne Mavins

OFFICE OF THE
AUDITOR GENERAL
MANITOBA

INDEPENDENT AUDITOR'S REPORT

To the Legislative Assembly of Manitoba
To the Board of Directors

We have audited the accompanying financial statements of the Public Schools Finance Board, which comprise the statement of financial position as at June 30, 2012, and the statements of operations and accumulated surplus and net assets, and cash flows 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, 2012, 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

Office of the Auditor General
December 3, 2012
Winnipeg, Manitoba

500 - 330 Portage Avenue Winnipeg, Manitoba R3C 0C4 office: (204) 945-3790 fax: (204) 945-2169
www.oag.mb.ca

THE PUBLIC SCHOOLS FINANCE BOARD

Statement of Financial Position
As at June 30, 2012

	2012	2011
	(in thousands of dollars)	
Financial Assets		
Cash	$ 3,809	$ 1,233
Funds on deposit with the Province of Manitoba (Note 5)	424	288
Due from:		
Municipal corporations - Education Support Levy	86,395	84,516
Other	3,513	1,792
	94,141	**87,829**
Liabilities		
Accrued interest	$ 413	$ 381
Other payables	768	480
Due to:		
Support payable to school divisions (Note 6)	3,552	3,212
Province of Manitoba	3,332	606
Notes payable - Province of Manitoba (Note 7)	79,297	77,812
	87,362	**82,491**
Accumulated Surplus and Net Assets	**$ 6,779**	**$ 5,338**

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, 2012

	Budget 2012	Actual 2012	Actual 2011
	(in thousands of dollars)		
Revenue			
Province of Manitoba - Funding of Schools Program	$ 941,488	$ 940,445	$ 868,236
Municipal corporations - Education Support Levy	142,622	142,677	141,691
	1,084,110	**1,083,122**	**1,009,927**
Expenses			
Operational support program (Note 8)	973,673	970,651	944,639
Capital support program (Note 9)	109,248	108,224	61,252
Administrative and other expenses (Note 10)	3,189	2,806	2,898
	1,086,110	**1,081,681**	**1,008,789**
Current Year Surplus / (Deficit)	**(2,000)**	**1,441**	**1,138**
Accumulated Surplus and Net Assets, Beginning of Year	5,338	5,338	4,200
Accumulated Surplus and Net Assets, End of Year	**$ 3,338**	**$ 6,779**	**$ 5,338**

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, 2012

		2012		2011
		(in thousands of dollars)		
Operating Activities				
Current Year Surplus	$	1,441	$	1,138
Changes in Non Cash Items:				
Due from:				
Municipal Corporations - Education Support Levy		(1,879)		1,374
Other		(1,721)		139
Accrued Interest		32		57
Other Payables		288		(189)
Due to:				
Support payable to school divisions		340		(372)
Province of Manitoba		2,726		(2,417)
		1,227		(270)
Financing Activities				
Notes payable - Province of Manitoba		1,485		(8,531)
Increase (decrease) in Cash and Funds on Deposit with the Province		2,712		(8,801)
Cash and Funds on Deposit with the Province, Beginning of year		1,521		10,322
Cash and Funds on Deposit with the Province, End of year	**$**	**4,233**	**$**	**1,521**
Consists of:				
Cash		3,809		1,233
Funds on Deposit with Province of Manitoba		424		288
		4,233		1,521

The accompanying notes are an integral part of these statements.

THE PUBLIC SCHOOLS FINANCE BOARD

Notes to the Financial Statements
As at June 30, 2012

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 for the Public Sector 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 Progam 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 at cost in the financial statements when there is an appropriate basis of measurement and a reasonable estimate can be made of the amount involved.

(e) Net Assets:

Net assets are equivalent to accumulated surplus as there are no non-financial assets.

THE PUBLIC SCHOOLS FINANCE BOARD

Notes to the Financial Statements
As at June 30, 2012

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 and Net Assets (Schedule 10: Administrative and other expenses - Staff salaries and benefits).

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, 2012

8. Operational support program

	Actual 2012	Actual 2011
	(in thousands of dollars)	
Instructional Support	$ 318,485	$ 318,550
Sparsity Support	11,084	11,134
Curricular Materials	9,928	9,929
Information Technology	7,446	7,447
Library Services	15,224	15,224
Student Services Grant	61,345	61,675
Additional Instructional Support for Small Schools	816	877
Counselling and Guidance	13,569	13,570
Professional Development	6,891	6,883
Occupancy	85,194	85,223
Physical Education	3,793	3,687
Transportation	42,801	43,182
Board and Room	461	437
Special Needs	95,600	95,897
Senior Years Technology Education	9,362	9,331
English as an Additional Language	11,176	10,095
Aboriginal Academic Achievement	7,526	7,526
Heritage Language	218	202
French Language Programs / Instruction	6,518	6,337
Small Schools	3,001	2,974
Enrolment Change Support	6,908	6,370
Northern Allowance	4,374	4,348
Early Childhood Development Initiative	2,055	1,751
Early Literacy Intervention	6,281	6,278
Early Numeracy	828	826
Experiential Learning	510	514
Education for Sustainable Development	477	479
Equalization Support	203,228	193,542
Formula Guarantee	33,017	17,581
Amalgamated School Division Guarantee	0	46
Vocational Equipment Replacement	2,200	2,200
Vocational Equipment Upgrade	615	715
Adjustment of previous years' support to school divisions from estimated to actual	(280)	(191)
	$ 970,651	**$ 944,639**

THE PUBLIC SCHOOLS FINANCE BOARD

Notes to the Financial Statements
As at June 30, 2012

9. Capital support program

		Actual 2012		Actual 2011
		(in thousands of dollars)		
Capital grants:				
Major school construction	$	101,869	$	54,947
Minor capital projects		355		95
School buildings "D" support		6,000		6,210
Total capital support program	**$**	**108,224**	**$**	**61,252**

10. Administrative and other expenses

		Actual 2012		Actual 2011
		(in thousands of dollars)		
Board administration:				
Staff salaries and benefits	$	1,480	$	1,428
Service agreement		173		173
Professional services		39		42
Meetings and travel		46		46
Relocation costs		0		4
Desktop management		89		81
Rent		140		140
Printing, stationery, postage and supplies		26		28
Telephone and fax		17		16
Professional development		27		26
Computers, software and minor equipment		27		55
Total board administration expenses		**2,064**		**2,039**
Interest charges on notes payable to the Province of Manitoba		**742**		**859**
	$	**2,806**	**$**	**2,898**

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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, 2012, 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 Red River College as at June 30, 2012 and its results of operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Other Matter

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 24, 2012

Winnipeg, Canada

RED RIVER COLLEGE

Statement of Financial Position
(In thousands of dollars)

June 30, 2012, with comparative figures for 2011

		2012		2011
Assets				
Current assets:				
Cash and short-term investments - trust and endowment (note 3)	$	1,483	$	1,254
Cash and short-term investments (note 3)		7,075		19,114
Accounts receivable (note 4)		4,159		4,511
Note receivable - RRC Students' Association [note 21(a)]		–		25
Inventories (note 5)		954		936
Prepaid expenses (note 6)		1,882		2,769
		15,553		28,609
Long term investments - trust and endowment (note 7)		18,019		16,731
Due from Province of Manitoba (note 8)		9,253		9,253
Capital assets (note 9)		122,552		104,358
Intangible asset		3		5
	$	165,380	$	158,956
Liabilities, Deferred Contributions and Net Assets				
Current liabilities:				
Accounts payable and accrued liabilities (note 11)	$	28,873	$	29,545
Current portion of obligations under capital leases (note 12)		1,782		1,855
Deferred revenue		7,284		7,772
		37,939		39,172
Obligations under capital leases (note 12)		1,461		1,360
Deferred contributions (note 13)		13,020		11,048
Deferred capital campaign contributions (note 14)		2,774		2,938
Deferred contributions related to capital assets (note 15)		83,315		80,208
Net assets:				
Invested in capital and intangible assets (note 16)		33,223		18,002
Restricted for endowments (note 17)		15,458		14,279
Internally restricted (note 17)		6,695		5,176
Unrestricted net assets		(28,505)		(13,227)
		26,871		24,230
Commitments (note 20)				
	$	165,380	$	158,956

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, 2012, with comparative figures for 2011

	Budget (Unaudited)	2012	2011
Revenue:			
Academic training fees	$ 34,581	$ 39,180	$ 37,018
Grants and reimbursements	89,951	88,736	86,186
International education	2,346	2,619	1,920
Continuing education	9,696	9,682	8,812
Sundry and other revenue	15,816	14,783	14,291
Amortization of deferred contributions	5,921	6,756	6,458
	158,311	161,756	154,685
Expenses:			
Instruction	87,202	94,985	91,713
Library	2,146	2,135	2,129
Administration and general	34,244	27,068	26,090
Physical plant	18,081	17,687	17,327
Student services	5,228	6,243	5,869
Amortization of capital and intangible assets	9,861	9,826	9,959
Loss on disposal of capital assets	–	23	9
	156,762	157,967	153,096
Excess of revenue over expenses before the undernoted	1,549	3,789	1,589
Other:			
Net increase in accrued vacation and severance liability	1,549	2,327	1,009
Excess of revenue over expenses	$ –	$ 1,462	$ 580

See accompanying notes to financial statements.

RED RIVER COLLEGE

Statement of Changes in Net Assets
(In thousands of dollars)

Year ended June 30, 2012, with comparative figures for 2011

	Invested in capital and intangible assets	Restricted for endow-ments	Internally restricted	Unrestricted	2012 Total	2011 Total
Balance, beginning of year	$ 18,002	$ 14,279	$ 5,176	$ (13,227)	$ 24,230	$ 22,695
Endowment gifts	–	1,121	–	–	1,121	775
Amounts restricted for endowments	–	58	–	–	58	180
Transfer to internally restricted	–	–	1,519	(1,519)	–	–
Excess (deficiency) of revenue over expenses	(3,906)	–	–	5,368	1,462	580
Investment in capital assets	19,127	–	–	(19,127)	–	–
Balance, end of year	$ 33,223	$ 15,458	$ 6,695	$ (28,505)	$ 26,871	$ 24,230

See accompanying notes to financial statements.

RED RIVER COLLEGE

Statement of Cash Flows
(In thousands of dollars)

Year ended June 30, 2012, with comparative figures for 2011

	2012	2011
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	$ 1,462	$ 580
Adjustments for:		
Amortization of intangible assets	2	1
Amortization of capital assets	9,824	9,958
Amortization of deferred capital contributions	(5,943)	(5,657)
Other deferred contributions recognized as revenue	(1,087)	(946)
Loss on disposal of capital assets	23	9
Changes in fair value of investments	(203)	(660)
Changes in non-cash working capital balances (note 18)	61	3,173
	4,139	6,458
Investing activities:		
Purchase of capital assets	(25,285)	(20,333)
Long-term investment for trust and endowment	(1,140)	(2,500)
Proceeds on disposal of capital assets	64	78
Proceeds on disposal of long-term investments for trust and endowment	55	1,026
Note principal repayments by RRC Students' Association	25	105
	(26,281)	(21,624)
Financing activities:		
Endowment gifts received	1,121	775
Contributions received for capital purposes	8,117	12,117
Capital campaign contributions	123	(103)
Repayment of obligations under capital leases	(2,689)	(2,502)
Other deferred contributions received	3,660	6,054
	10,332	16,341
Increase (decrease) in cash and short-term investments	(11,810)	1,175
Cash and short-term investments, beginning of year	20,368	19,193
Cash and short-term investments, end of year	$ 8,558	$ 20,368
Comprised of:		
Cash and short-term investments - trust and endowment	$ 1,483	$ 1,254
Cash and short-term investments	7,075	19,114
	$ 8,558	$ 20,368
Supplementary cash flow information:		
Interest paid	$ 397	$ 228
Interest received	1,118	1,090

The following have been excluded from the investing and 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 $2,717 (2011 - $1,546).

See accompanying notes to financial statements.

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

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.

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 or available-for-sale 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.

(In thousands of dollars)

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 range between 0.86 percent and 0.97 percent. Short-term investments mature between July 2012 and September 2012.

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:

	2012	2011
Trust and endowment receivables	$ 193	$ 155
Other accounts receivable	3,966	4,356
	$ 4,159	$ 4,511

(In thousands of dollars)

5. Inventories:

Inventories consist primarily of books purchased for resale. During the year ended June 30, 2012, inventories totaling $4,340 were expensed (2011 - $4,368).

6. Prepaid expenses:

		2012		2011
Prepaid property taxes	$	876	$	1,032
Other prepaid expenses		1,006		1,312
Deferred salary & benefits		–		425
	$	1,882	$	2,769

7. Long-term investments:

	2012				2011			
		Fair value		Cost		Fair value		Cost
Cash and fixed term instruments	$	13,325	$	11,859	$	12,706	$	11,859
Equity investments		4,315		4,199		3,591		2,963
Debentures		379		379		434		434
	$	18,019	$	16,437	$	16,731	$	15,256

Fair value as represented above was derived from the quoted market value of investments.

The fixed term investments and debentures mature between 2013 and 2037 and bear interest at rates between 1.75 percent and 5.7 percent.

8. Due from Province of Manitoba:

The balance due from the Province is non-interest bearing, unsecured and has no fixed terms of repayment. 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.

(In thousands of dollars)

9. Capital assets:

	Cost	Accumulated amortization	2012 Net book value	2011 Net book value
Equipment and furniture	$ 45,511	$ 32,846	$ 12,665	$ 13,591
Computer equipment and software	19,609	18,330	1,279	1,643
Major renovations	6,720	3,414	3,306	3,344
Buildings	68,059	11,358	56,701	55,634
Vehicles	384	273	111	86
Aircraft	2,078	807	1,271	1,330
Leasehold improvements	8,719	6,193	2,526	1,895
Construction in progress	39,643	–	39,643	21,996
Assets under capital leases	16,797	12,970	3,827	3,616
Library holdings	1,223	–	1,223	1,223
	$ 208,743	$ 86,191	$ 122,552	$ 104,358

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 $2,419 (2011 - $2,596).

The increase in net book value of capital assets is due to the following:

	2012	2011
Balance, beginning of year	$ 104,358	$ 92,338
Purchase of capital assets:		
Funded by deferred capital contributions	4,015	3,121
Funded by deferred capital campaign contributions	123	47
Funded by deferred capital revenue (construction in progress)	4,645	9,850
Internally funded	19,127	9,739
Financed through capital lease, net of obligation paid	28	(956)
Donations of capital assets	103	186
Loss on disposal of capital assets	(23)	(9)
Amortization of capital assets	(9,824)	(9,958)
Balance, end of year	$ 122,552	$ 104,358

(In thousands of dollars)

10. Operating line of credit:

The College has a $5,000 operating line of credit with the Province, bearing interest at prime. At June 30, 2012, there had been no withdrawals on this operating line.

11. Accounts payable and accrued liabilities:

	2012	2011
Trade payables	$ 4,388	$ 7,742
Trust and endowment payables	–	13
Accrued salaries and benefits	2,270	1,902
Accrued retirement severance pay	9,449	8,629
Accrued vacation pay	12,766	11,259
	$ 28,873	$ 29,545

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 (2012 - 9 years). Significant actuarial assumptions used in the severance obligations at June 30, 2012 and 2011 are as follows:

	2012	2011
Interest rate on obligations	6.50%	6.50%
Employer current service cost as a percentage of salary	0.89%	0.89%

(In thousands of dollars)

12. Obligations under capital leases:

The following is a schedule of future minimum lease payments under capital leases expiring between September 2012 and March 2016 together with the balances of the obligations under capital leases:

2013	$ 1,906
2014	1,015
2015	310
2016	204
Total minimum lease payments	3,435
Less amount representing interest (ranging from 3.95% to 16.06%)	(192)
Balance of obligations	3,243
Current portion	1,782
	$ 1,461

Interest expense on the lease obligations amounted to $201 (2011 - $224).

13. Deferred contributions:

Deferred contributions represent contributions received from the Province 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.

	2012	2011
Deferred provincial contributions:		
Balance, beginning of year	$ 7,201	$ 3,999
Amount recognized as revenue during the year	(274)	(145)
Amount transferred to deferred contributions related to capital assets	(543)	(1,004)
Amount received related to the following year	2,398	4,351
Balance, end of year	8,782	7,201
Deferred other contributions:		
Balance, beginning of year	3,847	3,125
Amount recognized as revenue during the year	(813)	(801)
Amount restricted for endowment	(58)	(180)
Amount received related to following year	1,262	1,703
Balance, end of year	4,238	3,847
	$ 13,020	$ 11,048

(In thousands of dollars)

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:

	2012	2011
Balance, beginning of year	$ 2,938	$ 3,331
Less amortization of deferred capital campaign contributions during the year	(287)	(290)
Add donations received during the year	123	47
Less donations transferred to deferred capital contributions	–	(150)
Balance, end of year	$ 2,774	$ 2,938

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:

	2012	2011
Balance, beginning of year	$ 80,208	$ 72,268
Less amortization of deferred contributions	(5,656)	(5,367)
Add:		
Contributions received for capital purposes	8,117	11,967
Transferred from deferred capital campaign contributions	–	150
Transferred from deferred provincial contributions	543	1,004
Donations-in-kind	103	186
Balance, end of year	$ 83,315	$ 80,208

Unamortized capital contributions of $83,315 (2011 - $80,208) 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.

(In thousands of dollars)

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:

	2012	2011
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	\$ 10,608	\$ 10,961
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	18,460	19,054
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	7,718	7,961
Heavy Equipment Transportation Centre of Excellence:		
5.5% interest, maturing January 31, 2048, repayable in monthly instalments of \$60 including principal and interest	11,298	11,398
	\$ 48,084	\$ 49,374

16. Investment in capital and intangible assets:

The investment in capital and intangible assets consists of the following:

	2012	2011
Capital assets, net book value	\$ 122,552	\$ 104,358
Intangible asset, net book value	3	5
Less:		
Amounts financed by deferred capital campaign contributions	(2,774)	(2,938)
Deferred capital contributions	(83,315)	(80,208)
Amounts financed by capital lease	(3,243)	(3,215)
	\$ 33,223	\$ 18,002

(In thousands of dollars)

16. Investment in capital and intangible assets (continued):

The change in investment in capital and intangible assets is calculated as follows:

	2012	2011
Purchase of capital assets internally financed	$ 19,127	$ 9,739
Amortization of:		
Capital and intangible assets	(9,826)	(9,959)
Deferred capital contributions	5,656	5,367
Deferred capital campaign contributions	287	290
Loss on disposal of capital assets	(23)	(9)
Increase in investment in capital and intangible assets	$ 15,221	$ 5,428

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:

	2012	2011
Princess Street campus structural reserve	$ 799	$ 693
Notre Dame campus structural reserve	600	400
Contract training net proceeds	4,296	3,438
Campus renovation reserve	1,000	645
	$ 6,695	$ 5,176

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.

(In thousands of dollars)

18. Change in non-cash working capital balances:

	2012	2011
Accounts receivable	$ 352	$ 3,124
Inventories	(18)	(128)
Prepaid expenses	887	(576)
Accounts payable and accrued liabilities	(672)	(227)
Deferred revenue	(488)	980
Changes in non-cash working capital	$ 61	$ 3,173

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 $4,397 (2011 - $4,380). 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:

2013	$ 2,848
2014	1,754
2015	1,584
2016	1,582
2017	995
	$ 8,763

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.

(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, 2012, net assets of Crecomm amount to a deficit of $198 and there is a net receivable owing to the College of $192, which the College has fully provided against. Subsequent to year end, Crecomm ceased operations and the organization was wound-up effective July 31, 2012.

The net assets and results from operations of Crecomm are not included in the financial statements of the College.

(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, 2012, net resources of the Blood Bank amount to $193.

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 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.

(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, 2012, 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.