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 RESPONSIBILITY REPORT

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

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

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

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

Original document signed	Original document signed
Chairperson	Secretary-Treasurer

October 7, 2014

MNP LLP

Independent Auditors' Report

To the Board of Trustees of Beautiful Plains School Division:

We have audited the accompanying consolidated financial statements of Beautiful Plains School Division, which comprise the consolidated statement of financial position as at June 30, 2014, and the consolidated statements of revenue, expenses and accumulated surplus, change in net debt and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

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

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

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Beautiful Plains School Division as at June 30, 2014 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.

Brandon, Manitoba
October 7, 2014

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.

Original document signed

Chairperson of the Board

Date

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2014	2013
	Financial Assets		
	Cash and Bank	-	-
	Due from - Provincial Government	1,775,561	929,118
	- Federal Government	51,028	58,143
9	- Municipal Government	2,989,318	2,963,368
	- Other School Divisions	-	-
	- First Nations	7,146	4,684
	Accounts Receivable	25,590	24,655
	Accrued Investment Income	-	-
	Portfolio Investments	-	-
		4,848,643	3,979,968
	Liabilities		
4	Overdraft	845,538	207,762
	Accounts Payable	538,969	106,963
	Accrued Liabilities	1,627,533	1,606,898
3	Employee Future Benefits	34,209	41,680
	Accrued Interest Payable	484,122	503,361
	Due to - Provincial Government	-	-
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
5	Deferred Revenue	46,361	791,075
7	Debenture Debt	18,458,268	18,604,035
	Other Borrowings	-	-
	School Generated Funds Liability	105,070	67,772
		22,140,070	21,929,546
	Net Debt	(17,291,427)	(17,949,578)
	Non-Financial Assets		
2e	Net Tangible Capital Assets (TCA Schedule)	21,069,523	21,347,956
	Inventories	-	-
	Prepaid Expenses	482,885	532,527
		21,552,408	21,880,483
8	**Accumulated Surplus**	4,260,981	3,930,905

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes			2014	2013
	Revenue			
	Provincial Government		13,213,010	12,553,075
	Federal Government		-	-
9	Municipal Government	- Property Tax	5,787,928	5,717,775
		- Other	-	-
	Other School Divisions		60,000	37,050
	First Nations		23,820	29,860
	Private Organizations and Individuals		33,965	33,775
	Other Sources		103,044	91,064
	School Generated Funds		337,764	302,233
	Other Special Purpose Funds		-	-
			19,559,531	18,764,832
	Expenses			
	Regular Instruction		10,296,596	9,477,850
	Student Support Services		2,203,747	2,182,734
	Adult Learning Centres		-	-
	Community Education and Services		22,633	19,037
	Divisional Administration		601,227	584,447
	Instructional and Other Support Services		363,407	328,152
	Transportation of Pupils		1,212,890	1,139,078
	Operations and Maintenance		1,759,627	1,691,533
10	Fiscal	- Interest	1,015,088	1,039,122
		- Other	271,580	258,098
	Amortization		1,153,780	1,099,119
	Other Capital Items		5,502	24,141
6	School Generated Funds		330,849	277,147
	Other Special Purpose Funds		-	-
			19,236,926	18,120,458
	Current Year Surplus (Deficit) before Non-vested Sick Leave		322,605	644,374
3	Less: Non-vested Sick Leave Expense (Recovery)		(7,471)	19,622
	Net Current Year Surplus (Deficit)		330,076	624,752
	Opening Accumulated Surplus		3,930,905	3,306,153
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	-
		Other than Tangible Cap. Assets	-	-
		Non-vested sick leave - prior years	-	-
	Opening Accumulated Surplus, as adjusted		3,930,905	3,306,153
	Closing Accumulated Surplus		4,260,981	3,930,905

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2014

	2014	2013
Current Year Surplus (Deficit)	322,605	644,374
Amortization of Tangible Capital Assets	1,153,780	1,099,119
Acquisition of Tangible Capital Assets	(876,529)	(1,857,950)
(Gain) / Loss on Disposal of Tangible Capital Assets	(818)	-
Proceeds on Disposal of Tangible Capital Assets	2,000	-
	278,433	(758,831)
Inventories (Increase)/Decrease	-	-
Prepaid Expenses (Increase)/Decrease	49,642	(503,795)
	49,642	(503,795)
(Increase)/Decrease in Net Debt	650,680	(618,252)
Net Debt at Beginning of Year	(17,949,578)	(17,311,704)
Adjustments Other than Tangible Cap. Assets	7,471	(19,622)
	(17,942,107)	(17,331,326)
Net Debt at End of Year	(17,291,427)	(17,949,578)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2014

	2014	2013
Operating Transactions		
Current Year Surplus/(Deficit)	322,605	644,374
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	1,153,780	1,099,119
(Gain)/Loss on Disposal of Tangible Capital Assets	(818)	-
Employee Future Benefits Increase/(Decrease)	(7,471)	19,622
Due from Other Organizations (Increase)/Decrease	(867,740)	(161,244)
Accounts Receivable & Accrued Income (Increase)/Decrease	(935)	24,901
Inventories and Prepaid Expenses - (Increase)/Decrease	49,642	(503,795)
Due to Other Organizations Increase/(Decrease)	-	-
Accounts Payable & Accrued Liabilities Increase/(Decrease)	433,402	20,544
Deferred Revenue Increase/(Decrease)	(744,714)	12,157
School Generated Funds Liability Increase/(Decrease)	37,298	3,885
Adjustments Other than Tangible Cap. Assets	7,471	(19,622)
Cash Provided by Operating Transactions	382,520	1,139,941
Capital Transactions		
Acquisition of Tangible Capital Assets	(876,529)	(1,857,950)
Proceeds on Disposal of Tangible Capital Assets	2,000	-
Cash (Applied to)/Provided by Capital Transactions	(874,529)	(1,857,950)
Investing Transactions		
Portfolio Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
Financing Transactions		
Debenture Debt Increase/(Decrease)	(145,767)	650,904
Other Borrowings Increase/(Decrease)	-	-
Cash Provided by (Applied to) Financing Transactions	(145,767)	650,904
Cash and Bank / Overdraft (Increase)/Decrease	(637,776)	(67,105)
Cash and Bank (Overdraft) at Beginning of Year	(207,762)	(140,657)
Cash and Bank (Overdraft) at End of Year	(845,538)	(207,762)

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2014

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	2014 TOTALS	2013 TOTALS
	School	Non-School									
Tangible Capital Asset Cost											
Opening Cost, as previously reported	31,891,544	841,511	2,375,586	79,676	363,033	322,920	221,168	-	31,775	36,127,213	34,269,263
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	31,891,544	841,511	2,375,586	79,676	363,033	322,920	221,168	-	31,775	36,127,213	34,269,263
Add: Additions during the year	726,626	-	92,984	-	46,468	-	-	-	10,451	876,529	1,857,950
Less: Disposals and write downs	-	-	100,083	-	19,255	-	-	-	-	119,338	-
Closing Cost	32,618,170	841,511	2,368,487	79,676	390,246	322,920	221,168	-	42,226	36,884,404	36,127,213
Accumulated Amortization											
Opening, as previously reported	12,075,013	308,980	1,907,260	67,424	309,131	111,449		-		14,779,257	13,680,138
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	12,075,013	308,980	1,907,260	67,424	309,131	111,449		-		14,779,257	13,680,138
Add: Current period Amortization	953,205	25,368	111,811	9,147	23,127	31,122		-		1,153,780	1,099,119
Less: Accumulated Amortization on Disposals and Writedowns	-	-	100,083	-	18,073	-		-		118,156	-
Closing Accumulated Amortization	13,028,218	334,348	1,918,988	76,571	314,185	142,571		-		15,814,881	14,779,257
Net Tangible Capital Asset	19,589,952	507,163	449,499	3,105	76,061	180,349	221,168	-	42,226	21,069,523	21,347,956
Proceeds from Disposal of Capital Assets	-	-	2,000	-	-	-				2,000	-

* Includes network infrastructure.

1. Nature of Organization and Economic Dependence

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

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

2. Significant Accounting Policies

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

a) Reporting Entity and Consolidation

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

b) Basis of Accounting

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

c) Fund Accounting

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

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

d) School Generated Funds

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

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

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

e) Tangible Capital Assets

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

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

Asset Description	**Capitalization Threshold ($)**	**Estimated Useful Life (years)**
Land Improvements	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 $552,933, other vehicles reserve in the amount of $35,000 and a R.J. Waugh School office, staffroom and security renovations reserve in the amount of $228,761 (completed in summer of 2014).

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. Employee Future Benefits

Non-vested accumulated sick leave benefits are measured using net present value techniques on the expected future utilization of excess of sick benefits used over earned per year, to a maximum entitlement. The liability for employee future benefits for accumulated non vested sick leave recorded at June 30, 2014 was decreased by $7,471. The total accrual at June 30, 2014 is $34,209.

4. Overdraft

The Division has an operating $3,700,000 line of credit with the Beautiful Plains Credit Union by way of overdraft. (By-Law #266) The Division does not receive any property taxation until November each year thus operates in overdraft for a portion of the year.

5. Deferred Revenue

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

	Balance as at June 30, 2013	Additions in the period	Revenue recognized in the period	Balance as at June 30, 2014
Education Property Tax Credits (Fall)	$ 739,628	$ -	$ 739,628	$ -
Charitable Scholarship Fund	48,932	16,902	22,013	43,821
Neepawa Collegiate Band Instruments	740	-	740	-
Prov. French Revitalization Grant	1,775	2,540	1,775	2,540
	$ 791,075	**$ 19,442**	**$ 764,156**	**$ 46,361**

6. School Generated Funds Liability & Revenue/Expense Presentation

School Generated Funds Liability includes the non-controlled portion of school generated funds consolidated in the cash and bank balances in the amount of $105,070.

School generated funds revenue and expenses reported in the Consolidated Statement of Revenue, Expenses and Accumulated Surplus as at June 30, 2014 covers a period of twelve months from April 1, 2013 to March 31, 2014.

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 2015 to 2033. 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 8.75%. Debenture interest expense payable as at June 30, 2014, 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
2014/15	$ 1,359,825	$ 990,216	$ 2,350,041
2015/16	1,442,142	907,899	2,350,041
2016/17	1,472,544	820,383	2,292,927
2017/18	1,284,358	732,179	2,016,537
2018/19	1,252,642	660,286	1,912,928
	$ 6,811,511	**$ 4,110,963**	**$ 10,922,474**

8. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

		2013/14
Operating Fund		
Designated Surplus	$	107,727
Undesignated Surplus		458,386
Non-vested Sick Leave Benefits		34,209
	$	**600,322**
Capital Fund		
Reserve Accounts	$	816,694
Equity in Tangible Capital Assets		2,590,039
	$	**3,406,733**
Special Purpose Fund		
School Generated Funds	$	253,926
Other Special Purpose Funds		-
		253,926
Total Accumulated Surplus	**$**	**4,260,981**

Unexpended school instructional budgets from the 2013/14 year totalling $63,727 have been carried forward to the 2014/15 school year. As well, the Board of Trustees has designated $44,000 of accumulated surplus to supplement the amount in reserve to complete the R.J. Waugh School office, staffroom and security renovations project.

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.

		2013/14
School Bus Reserve	$	552,933
Other Vehicle Reserve		35,000
R.J. Waugh Renovations		228,761
Neepawa Collegiate Shop Dust Collector		-
Total Capital Reserves	**$**	**816,694**

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

Education Property Tax or Special Levy is raised as the Division's contribution to the cost of providing public education for the students resident in the division. The Municipal Government Property Tax shown on the consolidated revenue and expense statement is raised over the two calendar (tax) years; 48% from 2013 tax year and 52% from the 2014 tax year. Below are the related revenue and receivable amounts:

	2013/14	2012/13
Revenue-Municipal Government-Property Tax	$ 5,787,928	$ 5,717,775
Receivable-Due from Municipal-Property Tax	$ 2,989,318	$ 2,963,368

10. Interest Received and Paid

The Division received interest during the year of $9,226 (previous year $6,879).
Interest expense is included in Fiscal and is comprised of the following:

	2013/14
Operating Fund	
Fiscal short term loan, interest and bank charges	$ 14,298
Capital Fund	
Debenture debt interest	1,000,790
Other interest	-
Total Interest Expense	**$ 1,015,088**

The accrual portion of debenture debt interest expense of $484,122 included under the Capital Fund-Debenture debt interest is offset by an accrual of the debt servicing grant from the Province of Manitoba.

11. High Speed Connectivity Agreement

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

12. 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 2013/14	Budget 2013/14	Actual 2012/13
Salaries	$ 12,700,398	$ 12,762,155	$ 11,969,533
Employees benefits & allowances	913,100	901,925	845,594
Services	1,544,410	1,601,371	1,425,557
Supplies, materials & minor equipment	1,217,291	1,207,980	1,135,177
Interest	1,015,088	1,013,790	1,039,122
Transfers (Other than Capital)	84,928	47,500	46,970
Payroll tax	271,580	270,000	258,098
Amortization	1,153,780	-	1,099,119
Other capital items	5,502	-	24,141
School generated funds	330,849	-	277,147
Total	**$ 19,236,926**	**$ 17,804,721**	**$ 18,120,458**

BORDER LAND SCHOOL DIVISION

MANAGEMENT REPORT

Management's Responsibility for the Consolidated Financial Statements

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

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

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

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

Original document signed

Secretary-Treasurer

February 25, 2015

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

BDO

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

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

Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of Border Land School Division ("Division"), which comprise the consolidated statement of financial position as at June 30, 2014, 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, 2014, 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
February 25, 2015

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

Original document signed

Chairperson

Date

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2014	2013
	Financial Assets		
	Cash and Bank	188,768	2,453,723
	Due from - Provincial Government	3,704,393	2,364,730
	- Federal Government	316,016	226,001
11	- Municipal Government	5,402,061	4,985,573
	- Other School Divisions	491,885	487,024
	- First Nations	243,427	213,476
	Accounts Receivable	124,552	140,788
	Accrued Investment Income	-	-
	Portfolio Investments	-	-
		10,471,102	10,871,315
	Liabilities		
	Overdraft	-	-
	Accounts Payable	685,594	922,707
	Accrued Liabilities	801,236	814,955
	Employee Future Benefits	-	-
	Accrued Interest Payable	215,577	230,903
	Due to - Provincial Government	99,365	95,764
	- Federal Government	1,087,202	1,088,181
	- Municipal Government	68,895	68,686
	- Other School Divisions	250,355	243,182
	- First Nations	-	-
5	Deferred Revenue	416,410	1,232,338
6	Debenture Debt	9,122,862	9,484,074
7	Other Borrowings	11,200	16,800
8	School Generated Funds Liability	-	-
		12,758,696	14,197,590
	Net Debt	(2,287,594)	(3,326,275)
	Non-Financial Assets		
9	Net Tangible Capital Assets (TCA Schedule)	13,987,480	13,153,624
	Inventories	165,014	129,488
	Prepaid Expenses	47,616	47,952
		14,200,110	13,331,064
10	**Accumulated Surplus**	11,912,516	10,004,789

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes			2014	2013
	Revenue			
	Provincial Government		22,715,116	22,286,337
	Federal Government		776,989	515,820
11	Municipal Government	- Property Tax	8,922,421	8,216,109
		- Other	3,118	3,172
	Other School Divisions		521,317	524,256
	First Nations		494,219	401,080
	Private Organizations and Individuals		268,654	215,382
	Other Sources		301,914	271,385
	School Generated Funds		288,551	477,831
	Other Special Purpose Funds		-	-
			34,292,299	32,911,372
13	**Expenses**			
	Regular Instruction		17,420,127	17,424,423
	Student Support Services		4,587,860	4,444,757
	Adult Learning Centres		492,630	510,435
	Community Education and Services		48,038	58,379
	Divisional Administration		898,006	929,639
	Instructional and Other Support Services		690,184	690,069
	Transportation of Pupils		2,220,430	2,243,479
	Operations and Maintenance		3,276,294	3,121,152
12	Fiscal	- Interest	522,390	541,375
		- Other	475,443	463,966
	Amortization		1,458,693	1,401,646
	Other Capital Items		18,475	22,998
	School Generated Funds		276,002	470,198
	Other Special Purpose Funds		-	-
			32,384,572	32,322,516
	Current Year Surplus (Deficit) before Non-vested Sick Leave		1,907,727	588,856
	Less: Non-vested Sick Leave Expense (Recovery)		0	0
	Net Current Year Surplus (Deficit)		1,907,727	588,856
	Opening Accumulated Surplus		10,004,789	9,415,933
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	-
		Other than Tangible Cap. Assets	-	-
		Non-vested sick leave - prior years	-	-
	Opening Accumulated Surplus, as adjusted		10,004,789	9,415,933
10	**Closing Accumulated Surplus**		11,912,516	10,004,789

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2014

	2014	2013
Current Year Surplus (Deficit)	1,907,727	588,856
Amortization of Tangible Capital Assets	1,458,693	1,401,646
Acquisition of Tangible Capital Assets	(2,308,349)	(1,323,726)
(Gain) / Loss on Disposal of Tangible Capital Assets	(6,100)	973
Proceeds on Disposal of Tangible Capital Assets	21,900	15,750
	(833,856)	94,643
Inventories (Increase)/Decrease	(35,526)	(12,058)
Prepaid Expenses (Increase)/Decrease	336	(6,362)
	(35,190)	(18,420)
(Increase)/Decrease in Net Debt	1,038,681	665,079
Net Debt at Beginning of Year	(3,326,275)	(3,991,354)
Adjustments Other than Tangible Cap. Assets	-	-
	(3,326,275)	(3,991,354)
Net Debt at End of Year	(2,287,594)	(3,326,275)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2014

	2014	2013
Operating Transactions		
Current Year Surplus/(Deficit)	1,907,727	588,856
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	1,458,693	1,401,646
(Gain)/Loss on Disposal of Tangible Capital Assets	(6,100)	973
Employee Future Benefits Increase/(Decrease)	-	-
Due from Other Organizations (Increase)/Decrease	(1,880,978)	(365,066)
Accounts Receivable & Accrued Income (Increase)/Decrease	16,236	28,476
Inventories and Prepaid Expenses - (Increase)/Decrease	(35,190)	(18,420)
Due to Other Organizations Increase/(Decrease)	10,004	27,092
Accounts Payable & Accrued Liabilities Increase/(Decrease)	(266,158)	155,502
Deferred Revenue Increase/(Decrease)	(815,928)	15,854
School Generated Funds Liability Increase/(Decrease)	-	-
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by Operating Transactions	388,306	1,834,913
Capital Transactions		
Acquisition of Tangible Capital Assets	(2,308,349)	(1,323,726)
Proceeds on Disposal of Tangible Capital Assets	21,900	15,750
Cash (Applied to)/Provided by Capital Transactions	(2,286,449)	(1,307,976)
Investing Transactions		
Portfolio Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
Financing Transactions		
Debenture Debt Increase/(Decrease)	(361,212)	(101,639)
Other Borrowings Increase/(Decrease)	(5,600)	(5,600)
Cash Provided by (Applied to) Financing Transactions	(366,812)	(107,239)
Cash and Bank / Overdraft (Increase)/Decrease	(2,264,955)	419,698
Cash and Bank (Overdraft) at Beginning of Year	2,453,723	2,034,025
Cash and Bank (Overdraft) at End of Year	188,768	2,453,723

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2014

	Buildings and Leasehold Improvements		School	Other	Furniture / Fixtures &	Computer Hardware &		Land	Assets Under	2014	2013
	School	Non-School	Buses	Vehicles	Equipment	Software *	Land	Improvements	Construction	TOTALS	TOTALS
Tangible Capital Asset Cost											
Opening Cost, as previously reported	23,285,727	651,882	4,034,930	151,743	2,340,493	496,719	207,919	326,405	144,954	31,640,772	30,433,241
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	23,285,727	651,882	4,034,930	151,743	2,340,493	496,719	207,919	326,405	144,954	31,640,772	30,433,241
Add: Additions during the year	80,950	-	756,076	-	187,339	1,162,162	-	-	121,822	2,308,349	1,323,726
Less: Disposals and write downs		-	524,059	24,435		-	-		-	548,494	116,195
Closing Cost	23,366,677	651,882	4,266,947	127,308	2,527,832	1,658,881	207,919	326,405	266,776	33,400,627	31,640,772
Accumulated Amortization											
Opening, as previously reported	13,597,558	346,125	2,536,621	75,124	1,588,541	301,096		42,083		18,487,148	17,184,974
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	13,597,558	346,125	2,536,621	75,124	1,588,541	301,096		42,083		18,487,148	17,184,974
Add: Current period Amortization	747,068	25,847	322,276	25,462	198,268	107,132		32,640		1,458,693	1,401,646
Less: Accumulated Amortization on Disposals and Writedowns	-	-	510,703	21,991		-		-		532,694	99,472
Closing Accumulated Amortization	14,344,626	371,972	2,348,194	78,595	1,786,809	408,228		74,723		19,413,147	18,487,148
Net Tangible Capital Asset	9,022,051	279,910	1,918,753	48,713	741,023	1,250,653	207,919	251,682	266,776	13,987,480	13,153,624
Proceeds from Disposal of Capital Assets	-	-	8,900	13,000	-	-				21,900	15,750

* 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 public sector accounting standards established by the Public Sector Accounting Board (PSAB) of Chartered Professional Accountants Canada (CPA Canada).

Reporting Entity and Consolidation

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

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

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, 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, 2014); interest is paid monthly. Overdrafts are secured by a line of credit agreement and a borrowing by-law.

4. Employee Future Benefits

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

The employee future benefit expense is a part of the Employee Benefits and Allowances expense account. The total pension expense for the 2014 year was $370,010 ($367,097 in 2013).

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, 2013	Additions in the period	Revenue recognized in the period	Balance as at June 30, 2014
Education Property Tax Credit (EPTC)	$ 867,686	$ -	$ 867,686	$ -
Professional Development	92,603	108,239	58,439	142,403
First Nations Grant	63,600	85,000	88,242	60,358
Special Levy (DSFM)	46,675	43,446	46,675	43,446
Transportation Services	26,550	-	26,550	-
Manitoba Textbook Bureau	29,046	83,621	77,583	35,084
Donations & Special Purpose Funds	77,927	47,031	18,220	106,738
Rhineland Child Care	28,251	12,224	12,094	28,381
	$ 1,232,338	$ 379,561	$ 1,195,489	$ 416,410

6. Debenture Debt

The debenture debt of the Division is in the form of twenty-year debentures payable, principal and interest, in twenty equal yearly instalments and maturing at various dates from fiscal years ending June 30, 2014 to 2033. 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 3.50% to 9.75%. Debenture interest expense payable as at June 30, 2014, is accrued and recorded in Accrued Interest Payable, and a grant in an amount equal to the interest accrued on provincially funded debentures is recorded in Due from the Provincial Government. The debenture principal and interest repayments in the next five fiscal years ending June 30 are:

2015	$ 1,166,730
2016	1,152,759
2017	1,152,759
2018	1,127,328
2019	1,112,839

7. Other Borrowings

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

	2014	2013
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.	$ 11,200	$ 16,800

Repayments of total Other Borrowings in the next two fiscal years ending June 30 are:

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, 2014, an amount equal to the liability of $nil ($nil in 2013) is included in cash and bank on the Consolidated Statement of Financial Position.

9. Net Tangible Capital Assets

The Schedule of Tangible Capital Assets (TCA), page 23 of the consolidated financial statements, provides a breakdown of cost, accumulated amortization and net book value by class. The amount of interest capitalized in the period included in Assets under Construction was $nil ($nil in 2013).

10. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2014	2013
Operating Fund		
Designated Surplus	$ 1,290,653	$ 865,263
Undesignated Surplus	1,522,610	(37,693)
	2,813,263	827,570
Capital Fund		
Reserve Accounts	4,088,389	5,510,541
Equity in Tangible Capital Assets	4,718,852	3,387,215
	8,807,241	8,897,756
Special Purpose Fund		
School Generated Funds	292,012	279,463
Other	-	-
	292,012	279,463
Total Accumulated Surplus	$11,912,516	$ 10,004,789

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:

	2014	2013
School budget carryovers by board policy	$ 603,709	$ 545,207
Applied to Budget and Special Levy	128,869	49,450
Projects and allowances	558,075	270,606
Designated surplus	$ 1,290,653	$ 865,263

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

	2014	2013
Building Additions or Renovations	$ 2,055,970	$ 2,198,816
Software Conversion Projects	155,117	155,117
Wide Area Network	1,015,285	2,061,571
Equipment and Vehicles	204,741	204,741
Bus Reserve	657,276	890,296
Capital Reserve	$ 4,088,389	$ 5,510,541

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 2013 tax year and 60% from 2014 tax year. Below are the related revenue and receivable amounts:

	2014	2013
Revenue – Municipal Government – Property Tax	$ 8,922,421	$ 8,216,109
Receivable – Due from Municipal – Property Tax	$ 5,402,061	$ 4,985,573

12. Interest Received and Paid

The Division received interest during the year of $78,161 ($72,444 in 2013); interest paid during the year was $522,390 ($541,375 in 2013).

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

	2014	2013
Operating Fund		
Fiscal-short term loan, interest and bank charges	$ 62	$ 261
Capital Fund		
Debenture interest	522,328	541,114
	$ 522,390	$ 541,375

The accrual portion of debenture debt interest expense of $215,577 ($230,903 in 2013) 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 OObject

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:

	2014	2013
Salaries	$ 22,103,319	$ 21,551,536
Employees benefits and allowances	1,773,889	1,753,663
Services	3,048,070	2,948,249
Supplies, materials & minor equipment	2,374,085	2,811,998
Interest	522,390	541,375
Bad debts	-	-
Payroll tax	475,443	463,966
Amortization	1,458,693	1,401,646
Transfers	334,206	356,887
Other capital items	18,475	22,998
School generated funds	276,002	470,198
Other special purpose funds	-	-
	$ 32,384,572	$ 32,322,516

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, 2014, the amount of this special levy was $107,796 ($95,925 in 2013). 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 $1,290,653 at June 30, 2014 ($865,263 at June 30, 2013). The details of the Designated Surplus are disclosed at Note 10 and page 5 of the consolidated financial statements.

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

16. Trust Funds

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

Management's Responsibility for Financial Reporting

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

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

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

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

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

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

Original document signed

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, 2014 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 unqualified 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, 2014 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Emphasis of Matters

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

BDO Canada LLP

Chartered Accountants

Brandon, Manitoba
October 14, 2014

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

Original document signed

Date

Chairperson

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2014	2013
	Financial Assets		
	Cash and Bank	-	-
	Due from - Provincial Government	2,209,205	2,270,301
	- Federal Government	120,117	101,025
	- Municipal Government	18,560,053	16,327,685
	- Other School Divisions	72,270	132,310
	- First Nations	57,113	74,607
	Accounts Receivable	97,031	28,635
	Accrued Investment Income	-	-
	Portfolio Investments	-	-
		21,115,789	18,934,563
	Liabilities		
*	Overdraft	4,663,544	2,964,971
	Accounts Payable	12,076,877	9,518,113
	Accrued Liabilities	10,555	8,444
*	Employee Future Benefits	1,608,493	1,552,038
	Accrued Interest Payable	320,936	306,190
	Due to - Provincial Government	1,627	-
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
*	Deferred Revenue	3,166,395	3,421,579
*	Debenture Debt	15,060,824	14,763,839
	Other Borrowings	-	-
	School Generated Funds Liability	268,182	296,177
		37,177,433	32,831,351
	Net Debt	(16,061,644)	(13,896,788)
	Non-Financial Assets		
*	Net Tangible Capital Assets (TCA Schedule)	31,112,366	26,344,710
	Inventories	56,097	74,374
	Prepaid Expenses	243,893	199,004
		31,412,356	26,618,088
*	**Accumulated Surplus**	15,350,712	12,721,300

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes			2014	2013
	Revenue			
	Provincial Government		55,671,171	51,697,493
	Federal Government		24,918	129,504
	Municipal Government	- Property Tax	32,108,074	28,302,015
		- Other	-	-
	Other School Divisions		315,072	353,285
	First Nations		173,220	227,955
	Private Organizations and Individuals		751,327	781,230
	Other Sources		68,048	57,432
	School Generated Funds		2,533,167	2,584,626
	Other Special Purpose Funds		317,960	173,827
			91,962,957	84,307,367
	Expenses			
	Regular Instruction		50,237,368	47,675,685
	Student Support Services		18,010,847	17,781,477
	Adult Learning Centres		-	-
	Community Education and Services		245,769	281,821
	Divisional Administration		2,431,661	2,358,821
	Instructional and Other Support Services		2,526,743	2,404,475
	Transportation of Pupils		2,041,728	1,972,082
	Operations and Maintenance		7,030,834	6,665,537
*	Fiscal	- Interest	820,473	731,640
		- Other	1,439,690	1,401,350
	Amortization		1,979,188	1,835,238
	Other Capital Items		8,260	8,963
	School Generated Funds		2,401,010	2,621,478
	Other Special Purpose Funds		168,640	252,786
			89,342,211	85,991,353
	Current Year Surplus (Deficit) before Non-vested Sick Leave		2,620,746	(1,683,986)
	Less: Non-vested Sick Leave Expense (Recovery)		(8,666)	76,758
	Net Current Year Surplus (Deficit)		2,629,412	(1,760,744)
	Opening Accumulated Surplus		12,721,300	14,482,044
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	-
		Other than Tangible Cap. Assets	-	-
		0	-	-
	Opening Accumulated Surplus, as adjusted		12,721,300	14,482,044
	Closing Accumulated Surplus		15,350,712	12,721,300

See accompanying notes to the Financial Statements

* NOTE REQUIRED

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2014

	2014	2013
Current Year Surplus (Deficit)	2,620,746	(1,683,986)
Amortization of Tangible Capital Assets	1,979,188	1,835,238
Acquisition of Tangible Capital Assets	(6,746,844)	(5,945,300)
(Gain) / Loss on Disposal of Tangible Capital Assets	-	(2,419)
Proceeds on Disposal of Tangible Capital Assets	-	2,419
	(4,767,656)	(4,110,062)
Inventories (Increase)/Decrease	18,277	(7,415)
Prepaid Expenses (Increase)/Decrease	(44,889)	(87,311)
	(26,612)	(94,726)
(Increase)/Decrease in Net Debt	(2,173,522)	(5,888,774)
Net Debt at Beginning of Year	(13,896,788)	(7,931,256)
Adjustments Other than Tangible Cap. Assets	8,666	(76,758)
	(13,888,122)	(8,008,014)
Net Debt at End of Year	(16,061,644)	(13,896,788)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2014

	2014	2013
Operating Transactions		
Current Year Surplus/(Deficit)	2,620,746	(1,683,986)
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	1,979,188	1,835,238
(Gain)/Loss on Disposal of Tangible Capital Assets	-	(2,419)
Employee Future Benefits Increase/(Decrease)	56,455	394,958
Due from Other Organizations (Increase)/Decrease	(2,112,830)	(1,898,271)
Accounts Receivable & Accrued Income (Increase)/Decrease	(68,396)	26,982
Inventories and Prepaid Expenses - (Increase)/Decrease	(26,612)	(94,726)
Due to Other Organizations Increase/(Decrease)	1,627	-
Accounts Payable & Accrued Liabilities Increase/(Decrease)	2,575,621	1,603,077
Deferred Revenue Increase/(Decrease)	(255,184)	63,852
School Generated Funds Liability Increase/(Decrease)	(27,995)	44,772
Adjustments Other than Tangible Cap. Assets	8,666	(76,758)
Cash Provided by Operating Transactions	4,751,286	212,719
Capital Transactions		
Acquisition of Tangible Capital Assets	(6,746,844)	(5,945,300)
Proceeds on Disposal of Tangible Capital Assets	-	2,419
Cash (Applied to)/Provided by Capital Transactions	(6,746,844)	(5,942,881)
Investing Transactions		
Portfolio Investments (Increase)/Decrease	-	11,629
Cash Provided by (Applied to) Investing Transactions	-	11,629
Financing Transactions		
Debenture Debt Increase/(Decrease)	296,985	3,524,047
Other Borrowings Increase/(Decrease)	-	-
Cash Provided by (Applied to) Financing Transactions	296,985	3,524,047
Cash and Bank / Overdraft (Increase)/Decrease	(1,698,573)	(2,194,486)
Cash and Bank (Overdraft) at Beginning of Year	(2,964,971)	(770,485)
Cash and Bank (Overdraft) at End of Year	(4,663,544)	(2,964,971)

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2014

	Buildings and Leasehold Improvements		School	Other	Furniture /	Computer		Land	Assets Under	2014	2013
	School	Non-School	Buses	Vehicles	Fixtures & Equipment	Hardware & Software *	Land	Improvements	Construction	TOTALS	TOTALS
Tangible Capital Asset Cost											
Opening Cost, as previously reported	58,620,058	1,937,773	3,873,226	237,668	2,283,281	1,332,269	1,079,084	298,062	1,056,717	70,718,138	64,793,916
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	58,620,058	1,937,773	3,873,226	237,668	2,283,281	1,332,269	1,079,084	298,062	1,056,717	70,718,138	64,793,916
Add:											
Additions during the year	1,861,397	-	216,783	68,139	189,557	-	-	-	4,410,968	6,746,844	5,945,300
Less:											
Disposals and write downs	-	-	-	-	-	-	-	-	-	-	21,078
Closing Cost	60,481,455	1,937,773	4,090,009	305,807	2,472,838	1,332,269	1,079,084	298,062	5,467,685	77,464,982	70,718,138
Accumulated Amortization											
Opening, as previously reported	37,937,212	1,357,346	2,469,697	217,035	2,283,281	85,786		23,071		44,373,428	42,559,268
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	37,937,212	1,357,346	2,469,697	217,035	2,283,281	85,786		23,071		44,373,428	42,559,268
Add:											
Current period Amortization	1,421,491	43,161	280,614	13,587	18,956	171,572		29,807		1,979,188	1,835,238
Less:											
Accumulated Amortization on Disposals and Writedowns	-	-	-	-	-	-		-		-	21,078
Closing Accumulated Amortization	39,358,703	1,400,507	2,750,311	230,622	2,302,237	257,358		52,878		46,352,616	44,373,428
Net Tangible Capital Asset	21,122,752	537,266	1,339,698	75,185	170,601	1,074,911	1,079,084	245,184	5,467,685	31,112,366	26,344,710
Proceeds from Disposal of Capital Assets	-	-	-	-	-	-				-	2,419

* Includes network infrastructure.

1. Nature of Organization and Economic Dependence

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

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

2. Significant Accounting Policies

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles established by PSAB of the 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	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 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. Bank Overdraft

The Division has an authorized line of credit with CIBC of $10,500,000 for operating expenditures by way of overdrafts; the unused portion of the line of credit at June 30, 2014 is $6,779,676. The Division also has an authorized line of credit with CIBC of $6,500,000 for the George Fitton School New Gymnasium & New Child Care Facility project by way of overdrafts; the unused portion of the line of credit at June 30, 2014 is $3,583,677. Both lines of credit are repayable on demand at the bank's prime rate less .600%; interest is paid monthly. Interest earned is the monthly average Banker's Acceptance rate less the Banker's Acceptance cap.

4. Employee Future Benefits

Non-vested accumulated sick leave benefits are measured using net present value techniques on the expected future utilization of excess sick benefits used over earned per year, to maximum entitlement. The impact of the estimated non-vested sick leave benefit cost for 2013-2014 is ($8,666).

Long Service Recognition benefits are given to employees who resign from their position with the Division after fifteen (15) or more consecutive years of service in a support staff position, the employee is entitled to and has the option of a paid leave or a lump sum payment based on two (2) days for each year of said service. Long Service Recognition benefits are measured using three (3) year retirement averages on the expected future utilization of this benefit. The impact of the estimated Long Service Recognition Benefit cost for 2013-2014 is $51,868.

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, 2013	Additions in the period	Revenue recognized in the period	Balance as at June 30, 2014
Education property tax credit	$ 3,367,846	$ 7,671,678	$ 7,948,052	$ 3,091,472
Other special funds	53,733	59,485	38,295	74,923
	$ 3,421,579	$ 7,731,163	$ 7,986,347	$ 3,166,395

6. 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 2014 to 2034. 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 9.875%.

Debenture interest expense payable as at June 30, 2014, 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:

2014-15	$ 1,213,972	$ 757,831	$ 1,971,804
2015-16	1,139,604	677,660	1,817,263
2016-17	985,910	609,589	1,595,500
2017-18	930,105	559,294	1,489,399
2018-19	956,421	508,896	1,465,317
Thereafter	9,834,811	2,749,134	12,583,945
	$ 15,060,824	$ 5,862,405	$ 20,923,229

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 $268,182.

		2014
Parent Council Funds	$	239,429
Other Parent Group Funds		14,280
Student Council Funds		13,782
Staff Funds		691
	$	268,182

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		2014 Net Book Value
Owned-tangible capital assets	$	76,909,746	$	46,297,092	$	30,612,654
Capital lease		555,236		55,524		499,712
	$	77,464,982	$	46,352,616	$	31,112,366

9. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2014
Operating fund:	
Designated surplus	$ 532,198
Undesignated surplus	3,616,239
Less: Non-vested sick leave to date	(358,823)
	3,789,614
Capital fund:	
Reserve accounts	924,508
Equity in tangible capital assest	8,932,171
	9,856,679
Special purpose fund:	
School generated funds	675,873
Other special purpose funds	1,028,546
	1,704,419
Total accumulated surplus	$ 15,350,712

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.

		2014
Prior year designated balance	$	200,698
School budget carryovers by board policy		331,500
	$	532,198

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.

	2014
Bus reserves	$ 337,425
Computer reserves	-
School building reserves	411,557
Administration building reserves	175,526
	$ 924,508

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

	2014
Scholarship trust	$ 6,303
Property trust	805,708
Charitable donation fund	216,535
Other special purpose funds	$ 1,028,546

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 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 2013 tax year and 56.5% from 2014 tax year. Below are the related revenue and receivable amounts:

	2014	2013
Revenue - Municipal Government - Property Tax	$ 32,108,074	$ 28,302,015
Receivable - Due from Municipal - Property Tax	$ 18,560,053	$ 16,327,685

11. Interest Received and Paid

The Division received interest during the year of $68,048 (previous year $64,068); interest paid during the year was $820,473 (previous year $731,640).

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

	2014
Operating fund	
Fiscal-short term loan, interest and bank charges	$ 26,807
Capital fund	
Debenture debt interest	793,666
Other interest	-
	$ 820,473

The accrual portion of debenture debt interest expense of $320,936 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.

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 la Division scolaire franco-manitobaine. As at June 30, 2014, the amount of this special levy was $371,511 (2013 - $316,876). These amounts are not included in the Division's consolidated financial statements.

RAPPORT DE LA DIRECTION

La responsabilité de la direction pour la préparation des états financiers

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

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

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

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

Original document signed — 'resident

Original document signed — Secrétaire-tresorier

Le 21 octobre 2014

BDO

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

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

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 2014, et l'état consolidé des recettes, des dépenses et de l'excédent accumulé, l'état consolidé du changement de la dette nette et l'état consolidé de l'évolution des liquidités pour l'exercice terminé à cette date, ainsi qu'un résumé des principales méthodes comptables et d'autres informations explicatives.

Responsabilité de la direction à l'égard des états financiers

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

Responsabilité de l'auditeur

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

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

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

Opinion

À notre avis, les états financiers consolidés donnent, dans tous les aspects significatifs, une image fidèle de la situation financière de la Division scolaire franco-manitobaine au 30 juin 2014, ainsi que de ses résultats d'exploitation et de ses flux de trésorerie pour l'exercice terminé à cette date, conformément aux normes comptables du secteur public du Canada.

BDO Canada s.r.l.

Comptables agréés

Winnipeg (Manitoba)
Le 21 octobre 2014

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

Original Document Signed

Date

Président de la commission scolaire

BDO

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

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

Rapport de l'auditeur indépendant sur les inscriptions

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

Nous avons audité le Rapport de vérification du dossier des inscriptions aux termes du RIE préparé conformément aux dispositions de la Partie I, sections 1.1 et 1.2 du document Communication des données sur les inscriptions et les subventions par catégorie des écoles publiques pour l'année scolaire 2013-2014 de la Division scolaire franco-manitobaine au 30 septembre 2013. La responsabilité des données sur les inscriptions incombe à la direction de la Division scolaire. Notre responsabilité consiste à exprimer une opinion sur ces données en nous fondant sur notre audit.

Notre audit a été effectué conformément aux normes d'audit généralement reconnues du Canada. Ces normes exigent que l'audit soit planifié et exécuté de manière à fournir l'assurance raisonnable que les données sur les inscriptions sont exemptes d'inexactitudes importantes. Un audit comprend l'examen, par sondages, des preuves données à l'appui des montants et informations indiqués dans le dossier des inscriptions.

À notre avis, ce rapport reflète fidèlement, à tous égards importants, les données sur les inscriptions à la Division scolaire franco-manitobaine au 30 septembre 2013 conformément aux dispositions de la Partie I, sections 1.1 et 1.2 du document Communication des données sur les inscriptions et les subventions par catégorie des écoles publiques pour l'année scolaire 2013-2014 mentionné plus haut.

BDO Canada S.r.l.

Comptables agréés

Winnipeg (Manitoba)
Le 21 octobre 2014

J'atteste par la présente que le rapport ci-dessus a été présenté aux membres de la commission scolaire de la Division scolaire franco-manitobaine.

Original Document Signed

Date	President de la commission scolaire

ÉTAT CONSOLIDÉ DE LA SITUATION FINANCIÈRE

au 30 juin

Notes		2014	2013
	Actif		
	Encaisse et fonds en banque	-	-
	Sommes - au gouv. du Manitoba	6,783,799	2,945,021
	- au gouv. fédéral	1,071,979	1,042,267
	- à l'admin. municipale	11,172,868	10,087,291
	- à d'autres divisions scol.	62,820	27,354
	- aux Premières nations	-	-
	Comptes clients	209,517	157,106
	Revenu de placements à recevoir	-	-
*	Placements de portefeuille	49,022	48,007
		19,350,005	14,307,046
	Passif		
*	Découverts	8,874,489	4,519,517
	Comptes fournisseurs	3,270,232	4,225,715
	Charges à payer	1,068,192	1,240,059
*	Avantages sociaux à venir	853,678	698,218
	Intérêts courus à payer	787,045	743,819
	Sommes - au gouv. du Manitoba	238,663	275,190
	- au gouv. fédéral	2,551,198	139,863
	- à l'admin. municipale	5,467	6,274
	- à d'autres divisions scol.	102,901	108,887
	- aux Premières nations	-	-
*	Revenus reportés	63,910	2,336,632
*	Dette obligataire	34,026,579	29,740,901
*	Autres emprunts	2,734,064	844,884
	Passif des fonds générés par les écoles	226,730	242,305
		54,803,148	45,122,264
	Dette nette	(35,453,143)	(30,815,218)
	Actif non financier		
*	Immobilisations corporelles nettes (État des IC)	63,124,503	58,576,473
	Inventaires	-	-
	Dépenses payées d'avance	2,601,750	154,509
		65,726,253	58,730,982
*	**Excédent accumulé**	30,273,110	27,915,764

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			2014	2013
	Recettes			
	Gouvernement du Manitoba		59,791,762	58,580,632
	Gouvernement fédéral		565,313	588,237
	Administration municipale	- Taxe foncière	17,491,204	15,916,757
		- Autres	-	-
	Autres divisions scolaires		1,278,108	1,198,495
	Premières nations		-	-
	Organismes privés et particuliers		170,735	97,672
	Autres sources		376,400	317,890
	Fonds générés par les écoles		1,522,327	1,594,411
	Autres fonds à fins spéciales		72,112	93,636
			81,267,961	78,387,730
	Dépenses			
	Enseignement ordinaire		41,406,809	39,212,397
	Services de soutien aux élèves		9,032,830	8,974,496
	Centres d'apprentissage pour adultes		241,512	242,414
	Éducation et services communautaires		875,319	690,880
	Administration de la division		3,097,560	2,799,075
	Services pédagogiques et autres serv. de soutien		2,419,352	2,469,539
	Transport des élèves		7,749,772	7,456,407
	Fonctionnement et entretien		7,294,374	7,299,260
*	Frais et taxes	- Intérêts	1,876,396	1,797,016
		- Autres	1,080,533	1,029,227
	Amortissement		2,149,484	2,023,056
	Autres dépenses de capital		9,504	53
	Fonds générés par les écoles		1,519,134	1,491,001
	Autres fonds à fins spéciales		43,761	104,892
			78,796,340	75,589,713
	Excédent (Déficit) de l'exercice en cours		2,471,621	2,798,017
	Moins : Congé de maladie en surplus (Recouvrement)		114,275	(33,152)
	Excédent (Déficit) net de l'exercice en cours		2,357,346	2,831,169
	Excédent accumulé d'ouverture		27,915,764	25,084,595
	Redressements :	Imm. corp. et amortissements acc.	-	-
		Autres que immobilisations corporelles	-	-
		Congé de maladie en surplus – années précédentes	-	-
	Excédent accumulé d'ouverture, réévalué		27,915,764	25,084,595
	Excédent accumulé de clôture		30,273,110	27,915,764

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 2014

	2014	2013
Excédent (Déficit) de l'exercice en cours	2,471,621	2,798,017
Amortissement des immobilisations corporelles	2,149,484	2,023,056
Acquisition d'immobilisations corporelles	(6,701,074)	(6,941,710)
(Gain) Perte à la liquidation d'immobilisations corporelles	(8,768)	-
Produit de la liquidation d'immobilisations corporelles	12,328	23,000
	(4,548,030)	(4,895,654)
Inventaires – (Augmentation) Diminution	-	-
Dépenses payées d'avance – (Augmentation) Diminution	(2,447,241)	(58,857)
	(2,447,241)	(58,857)
(Augmentation) Diminution de la dette nette	(4,523,650)	(2,156,494)
Dette nette au début de l'exercice	(30,815,218)	(28,691,876)
Redressements : Autres que les immobilisations corporelles	(114,275)	33,152
	(30,929,493)	(28,658,724)
Dette nette à la fin de l'exercice	(35,453,143)	(30,815,218)

ÉTAT CONSOLIDÉ DE L'ÉVOLUTION DES LIQUIDITÉS

pour l'exercice se terminant le 30 juin 2014

	2014	2013
Fonctionnement		
Excédent (Déficit) de l'exercice en cours	2,471,621	2,798,017
Éléments sans effet sur les liquidités inclus dans l'excédent (le déficit) de l'exercice en cours :		
Amortissement des immobilisations corporelles	2,149,484	2,023,056
(Gain) Perte à la liquidation des immobilisations corporelles	(8,768)	-
Augmentation (Diminution) des avantages sociaux à venir	155,460	(24,960)
Sommes recevables d'autres organismes – (Augmentation) Diminution	(4,989,533)	(1,762,836)
Comptes clients et recettes accumulées – (Augmentation) Diminution	(52,411)	25,632
Inventaires et dépenses payées d'avance – (Augmentation) Diminution	(2,447,241)	(58,857)
Sommes payables à d'autres organismes – Augmentation (Diminution)	2,368,015	(2,812,005)
Comptes fournisseurs et passif accumulé – Augmentation (Diminution)	(1,084,124)	711,255
Recettes reportées – Augmentation (Diminution)	(2,272,722)	(1,303,001)
Passif des fonds générés par les écoles – Augmentation (Diminution)	(15,575)	64,160
Redressements autres que celle des immobilisations corporelles	(114,275)	33,152
Liquidités issues des opérations du fonds d'adm. générale	(3,840,069)	(306,387)
Immobilisations		
Acquisition d'immobilisations corporelles	(6,701,074)	(6,941,710)
Produit de la liquidation d'immobilisations corporelles	12,328	23,000
Liquidités (appliquées aux) fournies par les opér. portant sur les imm.	(6,688,746)	(6,918,710)
Placements		
Placements de portefeuille – (Augmentation) Diminution	(1,015)	7,174
Liquidités fournies par (appliquées aux) opérations de placement	(1,015)	7,174
Financement		
Dette obligataire – Augmentation (Diminution)	4,285,678	(753,400)
Autres emprunts – Augmentation (Diminution)	1,889,180	(193,276)
Liquidités fournies par (appliquées aux) opérations de financement	6,174,858	(946,676)
Encaisse et fonds en banque (Découverts) – (Augmentation) Diminution	(4,354,972)	(8,164,599)
Encaisse et fonds en banque (Découverts) au début de l'exercice	(4,519,517)	3,645,082
Encaisse et fonds en banque (Découverts) à la fin de l'exercice	(8,874,489)	(4,519,517)

ÉTAT DES IMMOBILISATIONS CORPORELLES

au 30 juin 2014

	Immeubles et améliorations locatives		Autobus	Autres	Mobilier / Accessoires et	Matériel informatique et		Améliorations	Immeubles en	2014 TOTAUX	2013 TOTAUX
	Écoles	Autres	scolaires	véhicules	équipement	logiciels*	Terrains	foncières	construction		
Coût des immobilisations corp.											
Coût d'ouv., signalé antérieurement	64,963,879	401,335	-	115,317	1,846,759	500,727	12,951,978	950,609	7,162,231	88,892,835	81,974,125
Redressements :	-	-	-	-	-	-	-	-	-	-	-
Coût d'ouverture, réévalué	64,963,879	401,335	-	115,317	1,846,759	500,727	12,951,978	950,609	7,162,231	88,892,835	81,974,125
Plus : Ajouts faits durant l'exercice	3,885,436	-	-	29,922	336,916	-	5,759	252,235	2,190,806	6,701,074	6,941,710
Moins : Liquidations et radiations	-	-	-	-	231,702	-	-	-	-	231,702	23,000
Coût de clôture	68,849,315	401,335	-	145,239	1,951,973	500,727	12,957,737	1,202,844	9,353,037	95,362,207	88,892,835
Amortissements cumulés											
Valeur d'ouv., signalée antérieurement	28,345,436	293,834	-	63,283	1,031,144	252,087		330,578		30,316,362	28,293,306
Redressements :	-	-	-	-	-	-		-		-	-
Valeur d'ouverture, réévaluée	28,345,436	293,834	-	63,283	1,031,144	252,087		330,578		30,316,362	28,293,306
Plus : Amortissements : pér. courante	1,711,008	4,637	-	24,028	207,911	94,227		107,673		2,149,484	2,023,056
Moins : Amortissements cumulés sur les liquidations et les radiations	-	-	-	-	228,142	-		-		228,142	-
Amortissements cumulés de clôture	30,056,444	298,471	-	87,311	1,010,913	346,314		438,251		32,237,704	30,316,362
Immobilisations corporelles nettes	38,792,871	102,864	-	57,928	941,060	154,413	12,957,737	764,593	9,353,037	63,124,503	58,576,473
Produit de la liquidation des immobilisatior	-	-	-	-	12,328	-				12,328	23,000

*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 Comptables professionnels agrées Canada (CPA Canada).

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 suite à 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.

Fonds générés par les écoles (suite)

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.

Immobilisations corporelles (suite)

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.

Comptes de réserve

Certains montants, qui ont été approuvés par le conseil scolaire et la Commission des finances des écoles publiques, ont été mis de côté dans les comptes de réserve à des fins d'immobilisations futures. Ces comptes de réserve de capital sont des fonds grevés d'affectations internes qui font partie de l'excédent accumulé présenté dans l'état consolidé de la situation financière.

Utilisations des prévisions

Pour la préparation des états financiers conformément aux normes comptables du secteur public 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.

3. Découverts

La Division a autorisé des marges de crédit sous forme de découverts bancaires auprès de la Caisse Groupe Financier pour des sommes de 13 450 000 $ pour le financement d'activités et de 12 500 000 $ pour le financement de projets d'immobilisations, sommes qui sont remboursables sur demande au taux préférentiel de la banque moins 0,75 % (2,25 % au 30 juin 2014) et dont l'intérêt est payé mensuellement. Les découverts comprennent des sommes pour projets d'immobilisations totalisant environ 794 708 $ qui seront présentés à la Commission des finances des écoles publiques aux fins du financement d'obligations. Les garanties sont un contrat de sûreté en plus d'une résolution d'emprunt.

4. Avantages sociaux futurs

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

Les dépenses liées aux avantages sociaux futurs sont incluses aux postes avantages sociaux et indemnités des employés. Le total des contributions au régime de retraite à cotisations déterminées pour l'exercice terminé le 30 juin 2014 se chiffre à 613 945$ (604 003 $ en 2013).

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 2013-2014 est un surplus de 114 275 $.

5. Recettes reportées

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

	Solde au 30 juin 2013	Montants reçus au cours de l'exercice	Constatés au cours de l'exercice	Solde au 30 juin 2014
	$	$	$	$
Administration - École en santé	3 840	15 494	13 780	5 554
Autres EPTC	2 220 918	3 803 208	6 024 126	-
Bébé en santé	12 374	69 200	70 500	11 074
C.T.I. Central et C.T.I Urbain	35 095	78 046	113 141	-
Coalition petite enfance	10 998	500 041	503 801	7 238
Grandir avec maman	1 347	-	1 347	-
Parlons petite enfance	33 277	-	7	33 270
Autres recettes reportées	18 783	6 774	18 783	6 774
	2 336 632	4 472 763	6 745 485	63 910

6. Passif des fonds générés par les écoles

Le passif des fonds générés par les écoles et non contrôlés par la Division scolaire comprend l'encaisse de 226 730 $ au 30 juin 2014 (242 305 $ au 30 juin 2013) présenté au poste de passif des fonds générés par les écoles dans l'état consolidé de la situation financière.

7. Dette obligataire

La dette obligataire 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 2014 à 2034. 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 3,750 % à 8,875 %. La dépense liée aux intérêts courus sur la dette obligataire au 30 juin 2014 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 ($)
2015	2,280,779	1,859,055	4,139,834
2016	2,378,522	1,722,660	4,101,182
2017	2,509,921	1,581,289	4,091,210
2018	2,577,199	1,432,095	4,009,294
2019	2,555,910	1,279,887	3,835,797

8. Autres emprunts

Les autres emprunts incluent les dettes autres que les découverts et la dette obligataire. Ils comprennent l'emprunt pour amélioration de garderie et un contrat de location-acquisition pour des photocopieuses.

	2014	2013
	$	$
Amélioration du rendement énergétique	-	280 431
Amélioration de garderies	275 908	499 295
Connectivité	2 457 914	-
Contrats de location-acquisition	242	65 160
	2 734 064	844 886

L'emprunt pour connectivité et l'amélioration de garderies portent des intérêts au taux fixe de 4,46% et 3,69%, respectivement, arrivant à échéance sur demande et les versements mensuels sont de 26 600$ et 3 452 $, principal et intérêts au 30 juin 2014. Les garanties sont un contrat de sûreté en plus d'une résolution d'emprunt.

Le contrat de location-acquisition pour les photocopieuses porte un taux d'intérêt de 2,057 % par année d'échéance en 2014 et d'un paiement mensuel global d'environ 121 $, principal et intérêts. Cet emprunt est garanti 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
	$	$	$
2015	245 915	114 946	360 861
2016	256 331	104 288	360 619
2017	268 022	92 597	360 619
2018	279 937	80 682	360 619
2019	292 397	68 222	360 619

9. Immobilisations corporelles nettes

L'état des immobilisations corporelles, qui est inclus à la page 23 des états financiers audités, 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 2014 s'élève à 8 409 $ (26 561 $ en 2013).

10. Excédents accumulés

Les excédents accumulés consolidés comprennent les éléments suivants au 30 juin 2014 :

	2014	2013
	$	$
Fonds d'administration générale		
Excédent désigné	1 724 726	409 883
Excédent non désigné	2 376 437	3 106 504
Congé de maladie	(373 136)	(258 861)
	3 728 027	3 257 526
Fonds de capital		
Comptes de réserve de capital	565 000	565 000
Avoir propre dans les immobilisations corporelles	25 263 981	23 408 680
	25 828 981	23 973 680
Fonds à fins spéciales		
Fonds générés par les écoles	628 100	624 907
Autres fonds à fins spéciales	88 002	59 651
	716 102	684 558
Excédents accumulés consolidés	30 273 110	27 915 764

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

Des impôts fonciers scolaires ou un prélèvement spécial sont recueillis à titre de la contribution de la Division au financement des coûts de la prestation des services d'éducation publique auprès des élèves qui résident au sein de la division. Le montant inclus au poste Recettes - Administration municipale - Impôt foncier qui figure dans l'état consolidé des recettes, des dépenses et de l'excédent accumulé est prélevé sur une période de deux années civiles (d'imposition); dont 40 % provient de l'année d'imposition 2013 et 60 % de l'année d'imposition 2014. Voici ci-dessous les recettes et les créances connexes à percevoir :

	2014	2013
	$	$
Recettes - Administration municipale - Impôt foncier	17 491 204	15 916 757
Sommes recevables auprès de l'administration municipale - Impôt foncier	11 172 867	10 087 291

12. Intérêts reçus et versés

La Division a reçu au cours de l'exercice terminé le 30 juin 2014 des intérêts de 29 970 $ (66 470 $ en 2013); et a versé des intérêts de 1 876 396 $ (1 797 016 $ en 2013).

Voici les dépenses d'intérêts incluses aux postes frais et impôts pour l'exercice terminé le 30 juin 2014 :

	2014	2013
	$	$
Fonds d'administration générale		
Frais et impôts - prêt à court terme, intérêts et frais bancaires	75 826	3 088
Fonds de capital		
Intérêts sur la dette obligataire	1 766 265	1 758 691
Autres intérêts	34 305	35 237
	1 800 570	1 793 928
	1 876 396	1 797 016

La part cumulative des dépenses d'intérêts sur la dette obligataire de 787 045 $ au 30 juin 2014 (743 819$ au 30 juin 2013) qui est incluse au poste Fonds de capital et d'emprunt - Intérêts sur la dette obligataire, est contre balancée par le montant cumulatif de la subvention pour le remboursement de la dette de la Province du Manitoba.

13. Provision pour créances douteuses

Toutes les créances à percevoir présentées dans l'état consolidé de la situation financière sont inscrites après déduction de la provision pour les créances douteuses spécifiques. Voici la provision totale pour créances douteuses en date du 30 juin 2014 :

	2014	2013
	$	$
Provision pour créances douteuses (recouvrement) déduites des créances	-	989
Créances douteuses (recouvrement) (incluses au poste frais et impôts)	-	989

14. Dépenses selon l'objet

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

	Chiffres réels 2014	Budget 2014	Chiffres réels 2013
	$	$	$
Salaires	50 250 864	50 588 028	47 889 070
Avantages sociaux et indemnités des employés	3 750 157	4 180 770	3 529 803
Services	14 749 292	15 462 768	14 150 383
Fournitures, matériel et petit équipement	3 101 871	3 609 046	3 262 817
Intérêts et frais bancaires	1 876 396	40 000	1 797 016
Créances douteuses (recouvrements)	-	-	989
Impôt sur la paie	1 080 533	1 087 353	1 028 238
Transferts	265 344	316 900	312 395
Amortissements	2 149 484	-	2 023 056
Autres éléments de capital	9 504	-	53
Fonds générés par les écoles	1 519 134	-	1 491 001
Autres fonds à fins spéciales	43 761	-	104 892
	78 796 340	75 284 865	75 589 713

15. Engagements contractuels

Des ententes pour le transport des élèves ont été conclues jusqu'à juin 2019. Les frais pour ces services se chiffrent à environ 7 300 000 $ 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.

16. 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.

17. Fonds en fiducie

Pendant l'année, la Division scolaire a fait 175 369 $ en paiements de retenue concernant des projets de construction. Les paiements de retenue sont actuellement tenus dans un compte bancaire sous le nom de la Division scolaire; cependant, les fonds doivent être transférés à l'entrepreneur quand les projets sont complets. L'argent tenu dans ce compte bancaire et la charge à payer concernant la retenue n'ont pas été inclus dans les états financiers consolidés.

18. Société contrôlée

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

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.

Original document signed	Original document signed
Chairperson	Secretary-Treasurer

September 19, 2014

CRAIG & ROSS
CHARTERED ACCOUNTANTS

September 19, 2014

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, 2014 and June 30, 2013, and the consolidated statements of revenue, expenses and accumulated surplus, change in net debt and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Evergreen School Division as at June 30, 2014 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.

Original Document Signed

Date ______________________ Chairperson ______________________

1515 ONE LOMBARD PLACE WINNIPEG MB R3B 0X3 (204) 956-9400 FAX (204) 956-9424
www.craigross.com

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2014	2013
	Financial Assets		
	Cash and Bank	-	-
	Due from - Provincial Government	2,971,474	2,231,993
	- Federal Government	67,416	140,781
	- Municipal Government	3,907,838	3,593,993
	- Other School Divisions	-	627
	- First Nations	114,660	276,684
	Accounts Receivable	76,218	75,481
	Accrued Investment Income	1,963	1,830
5	Portfolio Investments	130,761	130,701
		7,270,330	6,452,090
	Liabilities		
3	Overdraft	2,304,509	2,723,330
	Accounts Payable	480,969	495,651
	Accrued Liabilities	1,703,220	1,540,350
4	Employee Future Benefits	52,530	59,539
	Accrued Interest Payable	395,395	412,336
	Due to - Provincial Government	-	-
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
6	Deferred Revenue	31,286	-
8	Debenture Debt	14,630,734	14,485,298
9	Other Borrowings	1,244,785	1,321,983
	School Generated Funds Liability	15,430	13,783
		20,858,858	21,052,270
	Net Debt	(13,588,528)	(14,600,180)
	Non-Financial Assets		
10	Net Tangible Capital Assets (TCA Schedule)	20,755,946	20,574,233
	Inventories	-	-
	Prepaid Expenses	127,650	87,265
		20,883,596	20,661,498
11	**Accumulated Surplus**	7,295,068	6,061,318

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes			2014	2013
	Revenue			
	Provincial Government		14,652,364	14,560,666
	Federal Government		-	-
	Municipal Government	- Property Tax	6,915,659	6,347,542
		- Other	-	-
	Other School Divisions		42,906	61,853
	First Nations		59,780	263,624
	Private Organizations and Individuals		69,742	148,890
	Other Sources		761,385	16,551
	School Generated Funds		367,336	447,331
	Other Special Purpose Funds		25,615	34,979
			22,894,787	21,881,436
	Expenses			
	Regular Instruction		10,007,024	9,923,733
	Student Support Services		3,434,855	3,229,675
	Adult Learning Centres		-	-
	Community Education and Services		60,586	76,946
	Divisional Administration		771,921	772,606
	Instructional and Other Support Services		613,595	587,327
	Transportation of Pupils		1,386,236	1,278,698
	Operations and Maintenance		2,441,103	2,473,396
13	Fiscal	- Interest	874,672	926,964
		- Other	295,239	286,490
	Amortization		1,389,759	1,330,314
	Other Capital Items		-	-
	School Generated Funds		367,962	429,864
	Other Special Purpose Funds		25,093	28,755
			21,668,045	21,344,768
	Current Year Surplus (Deficit) before Non-vested Sick Leave		1,226,742	536,668
	Less: Non-vested Sick Leave Expense (Recovery)		(7,008)	(16,797)
	Net Current Year Surplus (Deficit)		1,233,750	553,465
	Opening Accumulated Surplus		6,061,318	5,507,853
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	-
		Other than Tangible Cap. Assets	-	-
		Non-vested sick leave - prior years	-	-
	Opening Accumulated Surplus, as adjusted		6,061,318	5,507,853
	Closing Accumulated Surplus		7,295,068	6,061,318

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2014

	2014	2013
Current Year Surplus (Deficit)	1,226,742	536,668
Amortization of Tangible Capital Assets	1,389,759	1,330,314
Acquisition of Tangible Capital Assets	(1,571,472)	(1,115,806)
(Gain) / Loss on Disposal of Tangible Capital Assets	-	(5,169)
Proceeds on Disposal of Tangible Capital Assets	-	17,492
	(181,713)	226,831
Inventories (Increase)/Decrease	-	-
Prepaid Expenses (Increase)/Decrease	(40,385)	76,890
	(40,385)	76,890
(Increase)/Decrease in Net Debt	1,004,644	840,389
Net Debt at Beginning of Year	(14,600,180)	(15,457,366)
Adjustments Other than Tangible Cap. Assets	7,008	16,797
	(14,593,172)	(15,440,569)
Net Debt at End of Year	(13,588,528)	(14,600,180)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2014

	2014	2013
Operating Transactions		
Current Year Surplus/(Deficit)	1,226,742	536,668
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	1,389,759	1,330,314
(Gain)/Loss on Disposal of Tangible Capital Assets	-	(5,169)
Employee Future Benefits Increase/(Decrease)	(7,009)	(16,797)
Due from Other Organizations (Increase)/Decrease	(817,310)	(822,726)
Accounts Receivable & Accrued Income (Increase)/Decrease	(870)	1,218
Inventories and Prepaid Expenses - (Increase)/Decrease	(40,385)	76,890
Due to Other Organizations Increase/(Decrease)	-	-
Accounts Payable & Accrued Liabilities Increase/(Decrease)	131,247	108,585
Deferred Revenue Increase/(Decrease)	31,286	(24,622)
School Generated Funds Liability Increase/(Decrease)	1,647	(3,351)
Adjustments Other than Tangible Cap. Assets	7,008	16,797
Cash Provided by Operating Transactions	1,922,115	1,197,807
Capital Transactions		
Acquisition of Tangible Capital Assets	(1,571,472)	(1,115,806)
Proceeds on Disposal of Tangible Capital Assets	-	17,492
Cash (Applied to)/Provided by Capital Transactions	(1,571,472)	(1,098,314)
Investing Transactions		
Portfolio Investments (Increase)/Decrease	(60)	(59)
Cash Provided by (Applied to) Investing Transactions	(60)	(59)
Financing Transactions		
Debenture Debt Increase/(Decrease)	145,436	(941,131)
Other Borrowings Increase/(Decrease)	(77,198)	(78,017)
Cash Provided by (Applied to) Financing Transactions	68,238	(1,019,148)
Cash and Bank / Overdraft (Increase)/Decrease	418,821	(919,714)
Cash and Bank (Overdraft) at Beginning of Year	(2,723,330)	(1,803,616)
Cash and Bank (Overdraft) at End of Year	(2,304,509)	(2,723,330)

Evergreen School Division 08-Feb-16

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2014

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	2014 TOTALS	2013 TOTALS
	School	Non-School									
Tangible Capital Asset Cost											
Opening Cost, as previously reported	29,782,534	949,434	3,134,947	219,557	746,539	1,676,345	238,078	129,749	329,694	37,206,877	36,515,927
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	29,782,534	949,434	3,134,947	219,557	746,539	1,676,345	238,078	129,749	329,694	37,206,877	36,515,927
Add: Additions during the year	643,865	677,494	198,481	35,215	119,264	-	18,600	-	(121,447)	1,571,472	1,115,806
Less: Disposals and write downs	-	-	-	-	-	-	-	-	-	-	424,856
Closing Cost	30,426,399	1,626,928	3,333,428	254,772	865,803	1,676,345	256,678	129,749	208,247	38,778,349	37,206,877
Accumulated Amortization											
Opening, as previously reported	13,487,524	441,177	2,007,611	174,664	334,529	148,813		38,326		16,632,644	15,714,863
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	13,487,524	441,177	2,007,611	174,664	334,529	148,813		38,326		16,632,644	15,714,863
Add: Current period Amortization	905,566	42,051	210,882	16,017	86,270	115,998		12,975		1,389,759	1,330,314
Less: Accumulated Amortization on Disposals and Writedowns	-	-	-	-	-	-		-		-	412,533
Closing Accumulated Amortization	14,393,090	483,228	2,218,493	190,681	420,799	264,811		51,301		18,022,403	16,632,644
Net Tangible Capital Asset	16,033,309	1,143,700	1,114,935	64,091	445,004	1,411,534	256,678	78,448	208,247	20,755,946	20,574,233
Proceeds from Disposal of Capital Assets	-	-	-	-	-	-				-	17,492

* Includes network infrastructure.

1. Nature of Organization and Economic Dependence

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

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

2. Significant Accounting Policies

The consolidated financial statements are prepared 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.

c) Fund Accounting

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

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

d) School Generated Funds

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

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

2. Significant Accounting Policies - Continued

d) School Generated Funds - continued

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

e) Non-Financial Assets

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

f) Employee Future Benefits

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.

g) Tangible Capital Assets

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

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

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

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

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

2. Significant Accounting Policies – Continued

g) Tangible Capital Assets - continued

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

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

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

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

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

h) Capital Reserve

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

i) Use of Estimates

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

j) Financial instruments

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

3. 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 0.875%; interest is paid monthly). Overdrafts are secured by a temporary borrowing by-law.

4. Employee Future Benefits

Non-vested accumulated sick leave benefits are measured using net present value techniques on the expected future utilization of excess of sick benefits used over earned per year, to a maximum entitlement. The impact of the estimated non-vested sick leave benefit (decrease) increase for 2013 / 2014 is ($7,008) (2012 / 2013 ($16,797)).

5. Short Term Investments

Short term investments consist of deposit certificates that mature within one year. Investment income earned during the year was $4,086.

6. Deferred Revenue

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

7. School Generated Funds Liability

School Generated Funds Liability represents the non-controlled portion of school generated funds consolidated in the cash and bank balances in the amount of $15,430.

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 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, 2014, 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
2015	1,024,315	830,127	$ 1,854,442
2016	1,069,850	768,149	1,837,999
2017	1,117,181	703,975	1,821,156
2018	1,176,310	637,365	1,813,675
2019	1,237,775	567,273	1,805,048
	$ 5,625,431	$ 3,506,889	$ 9,132,320

9. Other Borrowings

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

Principal and interest repayments in each of the next five years are $115,805 annually. The Board has approved a lump sum payment of $200,000 on September 4, 2014.

10. Net Tangible Capital Assets

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

	Gross Amount	Accumulated Amortization	2014 Net Book Value	2013 Net Book Value
Owned-tangible capital assets	$ 38,778,349	$ 18,022,403	$ 20,755,946	$ 20,574,233
Capital lease	-	-	-	-
	$ 38,778,349	$ 18,022,403	$ 20,755,946	$ 20,574,233

11. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

Operating Fund		
Undesignated Surplus	**$ 1,137,614**	$ 1,110,257
Capital Fund		
Reserve Accounts	**1,640,468**	1,180,952
Equity in Tangible Capital Assets	**4,195,614**	3,448,633
	5,836,082	4,629,585
Special Purpose Fund		
School Generated Funds	**142,362**	142,988
Other Special Purpose Funds	**179,010**	178,488
	321,372	321,476
Total Accumulated Surplus	**$ 7,295,068**	$ 6,061,318

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

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

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

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

Education property tax or Special Levy is raised as the Division's contribution to the cost of providing public education for the students' resident in the division. The Municipal Government-Property Tax shown on the consolidated revenue and expense is raised over the two calendar (tax) years; 43% from 2013 tax year and 57% from 2014 tax year. Below are the related revenue and receivable amounts:

	2014	2013
Revenue-Municipal Government-Property Tax	$ 6,915,659	$ 6,347,542
Receivable-Due from Municipal-Property Tax	$ 3,907,838	$ 3,593,993

13. Interest Received and Paid

The Division received interest during the year of $12,035 (previous year $16,019); interest paid during the year was $874,672 (previous year $926,964).

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

	2014	2013
Operating Fund		
Fiscal-short term loan, interest and bank charges	$ 10,145	$ 11,626
Capital Fund		
Debenture debt interest	826,111	874,518
Other interest	38,416	40,820
	$ 874,672	$ 926,964

The accrual portion of debenture debt interest expense of $392,326 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 2014	Budget 2014	Actual 2013
Salaries	$13,920,932	$14,315,920	$13,449,231
Employee benefits and allowances	1,309,803	1,186,195	1,120,191
Services	1,927,838	2,005,043	2,104,505
Supplies, materials & minor equipment	1,510,997	1,723,568	1,624,204
Interest	874,672	10,000	926,964
Bad debts	-	-	-
Payroll tax	295,239	300,000	286,490
Transfers	45,750	43,000	44,250
Amortization	1,389,759	-	1,330,314
Other capital items	-	-	-
School generated funds	367,962	-	429,864
Other special purpose funds	25,093	-	28,755
	$21,668,045	$19,583,726	$21,344,768

15. Budget Figures and Non Financial Information

The 2014 budget figures, student enrolments (FRAME) and transportation statistics, full time equivalent personnel and senior staff allocations are unaudited and have been presented for information purposes only.

MANAGEMENT REPORT

Management's Responsibility for the Financial Statements

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

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

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

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

Original Document Signed
Chairperson

Original Document Signed
Secretary-Treasurer

October 14, 2014

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

Partners .... David Kendall, FCA *
Manisha Pandya, CA *
* Operating as professional corporations

INDEPENDENT AUDITOR'S REPORT

To the Directors of Flin Flon School Division

Report on the Financial Statements

We have audited the accompanying financial statements of Flin Flon School Division, which comprise the balance sheets as at June 30, 2014 and 2013, 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 public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Flin Flon School Division as at June 30, 2014 and 2013 and its operations and cash flows for the years then ended in accordance with Canadian public sector accounting standards.

Our examination also included supplemental schedules of revenue and expenditure details for the year ended June 30, 2014. 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 14, 2014

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

October 14, 2014

Original Document Signed
Chairperson

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2014	2013
	Financial Assets		
	Cash and Bank	-	-
	Due from - Provincial Government	1,005,907	936,767
	- Federal Government	-	-
	- Municipal Government	1,451,638	1,460,271
	- Other School Divisions	-	-
	- First Nations	-	-
	Accounts Receivable	177,195	122,904
	Accrued Investment Income	-	-
	Portfolio Investments	-	-
		2,634,740	2,519,942
	Liabilities		
4	Overdraft	290,778	24,052
	Accounts Payable	566,745	273,930
	Accrued Liabilities	1,498,498	1,508,916
2	Employee Future Benefits	62,056	57,547
	Accrued Interest Payable	31,438	27,943
	Due to - Provincial Government	-	-
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
7	Deferred Revenue	36,069	39,493
6	Debenture Debt	2,456,036	1,963,319
	Other Borrowings	-	-
	School Generated Funds Liability	140,318	140,318
		5,081,938	4,035,518
	Net Debt	(2,447,198)	(1,515,576)
	Non-Financial Assets		
12	Net Tangible Capital Assets (TCA Schedule)	4,450,926	3,423,143
	Inventories	-	-
	Prepaid Expenses	29,636	49,650
		4,480,562	3,472,793
14	**Accumulated Surplus**	2,033,364	1,957,217

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes			2014	2013
	Revenue			
	Provincial Government		10,057,934	10,004,699
	Federal Government		22,320	50,643
	Municipal Government	- Property Tax	2,931,078	2,912,493
		- Other	-	-
	Other School Divisions		231,648	187,606
	First Nations		-	-
	Private Organizations and Individuals		181,319	185,670
	Other Sources		47,694	28,772
	School Generated Funds		246,831	351,241
	Other Special Purpose Funds		-	-
			13,718,824	13,721,124
	Expenses			
	Regular Instruction		7,009,629	7,090,349
	Student Support Services		2,305,777	2,070,639
	Adult Learning Centres		92,300	92,300
	Community Education and Services		16,938	11,748
	Divisional Administration		629,838	647,033
	Instructional and Other Support Services		334,187	360,680
	Transportation of Pupils		436,236	421,835
	Operations and Maintenance		2,000,329	1,871,079
9	Fiscal	- Interest	119,902	116,355
		- Other	200,956	198,365
	Amortization		280,735	263,292
	Other Capital Items		(15,942)	(49,087)
	School Generated Funds		231,792	335,469
	Other Special Purpose Funds		-	-
			13,642,677	13,430,057
	Current Year Surplus (Deficit) before Non-vested Sick Leave		76,147	291,067
	Less: Non-vested Sick Leave Expense (Recovery)		0	0
	Net Current Year Surplus (Deficit)		76,147	291,067
	Opening Accumulated Surplus		1,957,217	1,666,150
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	-
		Other than Tangible Cap. Assets	-	-
		Non-vested sick leave - prior years	-	-
	Opening Accumulated Surplus, as adjusted		1,957,217	1,666,150
	Closing Accumulated Surplus		2,033,364	1,957,217

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2014

	2014	2013
Current Year Surplus (Deficit)	76,147	291,067
Amortization of Tangible Capital Assets	280,735	263,292
Acquisition of Tangible Capital Assets	(1,308,518)	(338,269)
(Gain) / Loss on Disposal of Tangible Capital Assets	-	-
Proceeds on Disposal of Tangible Capital Assets	-	-
	(1,027,783)	(74,977)
Inventories (Increase)/Decrease	-	-
Prepaid Expenses (Increase)/Decrease	20,014	(20,437)
	20,014	(20,437)
(Increase)/Decrease in Net Debt	(931,622)	195,653
Net Debt at Beginning of Year	(1,515,576)	(1,711,229)
Adjustments Other than Tangible Cap. Assets	-	-
	(1,515,576)	(1,711,229)
Net Debt at End of Year	(2,447,198)	(1,515,576)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2014

	2014	2013
Operating Transactions		
Current Year Surplus/(Deficit)	76,147	291,067
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	280,735	263,292
(Gain)/Loss on Disposal of Tangible Capital Assets	-	-
Employee Future Benefits Increase/(Decrease)	4,509	3,207
Due from Other Organizations (Increase)/Decrease	(60,507)	(492,598)
Accounts Receivable & Accrued Income (Increase)/Decrease	(54,291)	5,284
Inventories and Prepaid Expenses - (Increase)/Decrease	20,014	(20,437)
Due to Other Organizations Increase/(Decrease)	-	-
Accounts Payable & Accrued Liabilities Increase/(Decrease)	285,892	(88,090)
Deferred Revenue Increase/(Decrease)	(3,424)	(406,525)
School Generated Funds Liability Increase/(Decrease)	-	-
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by Operating Transactions	549,075	(444,800)
Capital Transactions		
Acquisition of Tangible Capital Assets	(1,308,518)	(338,269)
Proceeds on Disposal of Tangible Capital Assets	-	-
Cash (Applied to)/Provided by Capital Transactions	(1,308,518)	(338,269)
Investing Transactions		
Portfolio Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
Financing Transactions		
Debenture Debt Increase/(Decrease)	492,717	(59,879)
Other Borrowings Increase/(Decrease)	-	-
Cash Provided by (Applied to) Financing Transactions	492,717	(59,879)
Cash and Bank / Overdraft (Increase)/Decrease	(266,726)	(842,948)
Cash and Bank (Overdraft) at Beginning of Year	(24,052)	818,896
Cash and Bank (Overdraft) at End of Year	(290,778)	(24,052)

Flin Flon School Division 08-Feb-16

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2014

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	2014 TOTALS	2013 TOTALS
	School	Non-School									
Tangible Capital Asset Cost											
Opening Cost, as previously reported	9,941,144	373,249	-	229,759	348,736	35,610	476,043	42,200	343,116	11,789,857	11,482,429
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	9,941,144	373,249	-	229,759	348,736	35,610	476,043	42,200	343,116	11,789,857	11,482,429
Add:											
Additions during the year	1,174,978	-	-	-	-	-	-	476,656	(343,116)	1,308,518	338,269
Less:											
Disposals and write downs	-	-	-	-	-	-	-	-	-	-	30,841
Closing Cost	11,116,122	373,249	-	229,759	348,736	35,610	476,043	518,856	-	13,098,375	11,789,857
Accumulated Amortization											
Opening, as previously reported	7,665,062	345,749	-	83,093	244,455	17,805		10,550		8,366,714	8,134,263
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	7,665,062	345,749	-	83,093	244,455	17,805		10,550		8,366,714	8,134,263
Add:											
Current period Amortization	223,069	-	-	22,064	24,260	7,122		4,220		280,735	263,292
Less:											
Accumulated Amortization on Disposals and Writedowns	-	-	-	-	-	-		-		-	30,841
Closing Accumulated Amortization	7,888,131	345,749	-	105,157	268,715	24,927		14,770		8,647,449	8,366,714
Net Tangible Capital Asset	3,227,991	27,500	-	124,602	80,021	10,683	476,043	504,086	-	4,450,926	3,423,143
Proceeds from Disposal of Capital Assets	-	-	-	-	-	-				-	-

* Includes network infrastructure.

1. NATURE OF ORGANIZATION AND ECONOMIC DEPENDENCE

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a) Reporting Entity and Consolidation

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

b) Trust Funds

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

c) Basis of Accounting

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

d) Fund Accounting

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

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

e) School Generated Funds

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

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

f) Tangible Capital Assets

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

Asset Description	Capitalization Threshold	Estimated Useful Life (Years)
Land Improvements	$ 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 $134,114 set aside in Capital Reserves at this time.

I) Use of Estimates

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

j) Financial Instruments

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

k) Non-Vested Sick Leave Benefits

For non-vesting accumulating sick days, the benefit costs are recognized, if deemed material, based on a projection of expected future utilization of sick time, discounted using net present value techniques. The calculated dollar value on Non-vested sick time as at June 30, 2014 is $18,320 (June 30, 2013; $27,848, June 30, 2012; $37,944, June 30, 2011, June 30, 2010; $47,103). These amounts are disclosed for compliance with PS 2120 only and are not considered material for inclusion in the financial statements.

3. CONVERSION TO PUBLIC SECTOR ACCOUNTING BOARD (PSAB)

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

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

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

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

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

4. OVERDRAFT

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

5. SHORT TERM INVESTMENTS

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

6. DEBENTURE DEBT

Issue	Interest Rate	Maturity Date	Balance June 30, 2014	Balance June 30, 2013
$ 62,000	8.375%	15/12/2013	$ 0.00	$ 5,990.38
$ 90,000	8.875%	30/09/2015	$ 17,218.38	$ 24,789.80
$ 74,000	6.125%	30/04/2019	$ 27,360.05	$ 31,922.10
$ 170,000	6.625%	31/01/2022	$ 94,412.95	$ 103,160.67
$ 563,500	5.375%	30/06/2025	$ 380,100.68	$ 404,997.55
$ 119,200	5.000%	28/02/2026	$ 84,776.29	$ 89,848.77
$ 257,100	4.875%	15/02/2027	$ 193,195.42	$ 203,678.38
$ 372,300	5.125%	15/05/2027	$ 281,486.18	$ 296,483.18
$ 271,400	5.875%	15/02/2029	$ 229,353.14	$ 238,748.97
$ 306,300	4.125%	15/12/2031	$ 285,574.39	$ 296,146.60
$ 230,700	4.000%	28/02/2032	$ 214,895.49	$ 222,952.69
$ 44,600	3.750%	15/11/2033	$ 43,063.00	$ 44,600.01
$ 500,000	4.125%	31/03/2034	$ 500,000.00	$ 0.00
$ 104,600	4.250%	31/05/2034	$ 104,600.00	$ 0.00
			$ 2,456,035.97	$ 1,963,319.12

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

2015	$ 131,602
2016	$ 138,529
2017	$ 136,068
2018	$ 142,918
2019	$ 150,121

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

7. DEFERRED REVENUE

Deferred Revenue valued at $ 36,069 at June 30, 2014 consists of the following:

a) An amount of $ 31,044 relating to fees collected for staff parking is also included in Deferred Revenue. Prior to the 2008/2009 year, proceeds from parking fees were used to make bank loan payments for parking lot improvements. The Division will use these funds for improvements such as paving and lighting.

b) The first quarter payment of $5,025 for the 2014/2015 school year for the Parent/Child Room at Ruth Betts Community School was received in advance in June 2014.

c) The above items sit on the Operating Fund.

8. TRUST FUNDS

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

	2014	2013
Bank Balance at Beginning	**$137,986**	**$126,121**
Add:		
Contributions	**$26,000**	**$ 11,100**
Interest/Change In Investments	**$7,271**	**$4,165**
	$171,257	**$141,386**
Deduct: Scholarships Paid/Transferred	**($7,988)**	**($3,400)**
Ending Bank Balance	**$163,269**	**$137,986**
Deduct: Scholarships Payable	**($7,000)**	**($9,450)**
Due (to) from Operating	**($ 250)**	**($1,250)**
Ending Fund Balance	**$156,019**	**$ 127,286**

9. FISCAL INTEREST

Fiscal interest is recorded at June 30, 2014 in the amount of $ 119,902. This is comprised of the following:

Interest on Short Term borrowing	$ 16,697
Interest on Debenture Debt	$ 103,205

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 $52,828.

(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 2014 Net Book Value
Owned-tangible Capital Assets	$ 13,098,375	$ 8,647,449	$ 4,450,926

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

13. OTHER BORROWINGS

The Division has no other borrowings as at June 30, 2014.

14. ACCUMULATED SURPLUS – JUNE 30, 2014

The operating surplus at June 30, 2014 was $ 419,174 or 3.2% of operating expenditures for the 2013/2014 school year. Carryovers of professional development and bulk budgets in accordance with Policy 7:9 are valued at $ 38,481, and if fully expended in the current year would reduce the surplus by a similar amount.

The accumulated surplus is comprised of the following:

Operating Fund	
Designated Surplus	$ 38,481
Undesignated Surplus	$ 380,693
Total Operating Fund	$ 419,174
Capital Fund	
Reserve Accounts	$ 134,113
Equity in Tangible Capital Assets	$1,451,988
Total Capital Fund	$1,586,101
Special Purpose Fund	
School Generated Funds	$ 28,089
Other Special Purpose Funds	$ 0
Total Special Purpose Fund	$ 28,089
Total Accumulated Assets	**$2,033,364**

MANAGEMENT RESPONSIBILITY REPORT

Management's Responsibility for the Financial Statements

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

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

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

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

Original Document Signed

Chairperson

Original Document Signed

Secretary-Treasurer

October 27 , 2014

Independent Auditors' Report

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

We have audited the accompanying consolidated financial statements of Fort La Bosse School Division, which comprise the consolidated statement of financial position as at June 30, 2014, and the consolidated statements of revenue, expenses and accumulated surplus, change in net debt and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

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

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

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Fort La Bosse School Division as at June 30, 2014 and the consolidated results of its operations, consolidated changes in net debt and its consolidated cash flow for the year then ended in accordance with Canadian generally accepted accounting principles established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

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

MNP LLP
Chartered Accountants

Brandon, Manitoba
October 27, 2014

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

Original Document Signed

Chairperson of the Board

Date

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2014	2013
	Financial Assets		
	Cash and Bank	-	-
	Due from - Provincial Government	1,498,163	1,016,676
	- Federal Government	80,187	47,943
	- Municipal Government	3,626,063	3,517,308
	- Other School Divisions	-	-
	- First Nations	470,128	262,169
	Accounts Receivable	11,104	14,618
	Accrued Investment Income	-	-
6	Portfolio Investments	75,213	76,685
		5,760,858	4,935,399
	Liabilities		
5	Overdraft	3,114,540	4,226,812
	Accounts Payable	1,281,481	829,573
	Accrued Liabilities	139,699	140,976
*	Employee Future Benefits	64,475	62,685
	Accrued Interest Payable	216,519	163,104
	Due to - Provincial Government	-	-
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
7	Deferred Revenue	50,619	65,841
8	Debenture Debt	8,979,662	7,567,815
	Other Borrowings	-	-
	School Generated Funds Liability	9,294	9,674
		13,856,289	13,066,480
	Net Debt	(8,095,431)	(8,131,081)
	Non-Financial Assets		
9	Net Tangible Capital Assets (TCA Schedule)	13,750,403	13,482,631
	Inventories	28,549	28,550
	Prepaid Expenses	50,159	34,894
		13,829,111	13,546,075
10	**Accumulated Surplus**	5,733,680	5,414,994

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes		2014	2013
	Revenue		
	Provincial Government	11,007,666	10,966,736
	Federal Government	-	-
	Municipal Government - Property Tax	6,403,968	6,172,877
	- Other	-	-
	Other School Divisions	7,800	12,800
	First Nations	824,376	952,551
	Private Organizations and Individuals	-	-
	Other Sources	76,915	85,776
	School Generated Funds	581,458	557,262
	Other Special Purpose Funds	107,257	46,906
		19,009,440	18,794,908
	Expenses		
	Regular Instruction	9,623,568	9,513,520
	Student Support Services	1,985,521	1,937,590
	Adult Learning Centres	-	-
	Community Education and Services	311,299	344,868
	Divisional Administration	698,538	745,577
	Instructional and Other Support Services	410,165	390,899
	Transportation of Pupils	1,385,334	1,313,960
	Operations and Maintenance	1,849,853	1,749,884
12	Fiscal - Interest	544,760	546,139
	- Other	261,666	258,716
	Amortization	935,917	926,448
	Other Capital Items	979	-
	School Generated Funds	580,228	538,800
	Other Special Purpose Funds	101,136	48,201
		18,688,964	18,314,602
	Current Year Surplus (Deficit) before Non-vested Sick Leave	320,476	480,306
	Less: Non-vested Sick Leave Expense (Recovery)	1,790	62,685
	Net Current Year Surplus (Deficit)	318,686	417,621
	Opening Accumulated Surplus	5,414,994	4,997,373
	Adjustments: Tangible Cap. Assets and Accum. Amort.	-	-
	Other than Tangible Cap. Assets	-	-
	Non-vested sick leave - prior years	-	-
	Opening Accumulated Surplus, as adjusted	5,414,994	4,997,373
	Closing Accumulated Surplus	5,733,680	5,414,994

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2014

	2014	2013
Current Year Surplus (Deficit)	320,476	480,306
Amortization of Tangible Capital Assets	935,917	926,448
Acquisition of Tangible Capital Assets	(1,203,690)	(1,557,745)
(Gain) / Loss on Disposal of Tangible Capital Assets	(2,901)	(13,527)
Proceeds on Disposal of Tangible Capital Assets	2,902	15,777
	(267,772)	(629,047)
Inventories (Increase)/Decrease	1	1,640
Prepaid Expenses (Increase)/Decrease	(15,265)	9,402
	(15,264)	11,042
(Increase)/Decrease in Net Debt	37,440	(137,699)
Net Debt at Beginning of Year	(8,131,081)	(7,930,697)
Adjustments Other than Tangible Cap. Assets	(1,790)	(62,685)
	(8,132,871)	(7,993,382)
Net Debt at End of Year	(8,095,431)	(8,131,081)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2014

	2014	2013
Operating Transactions		
Current Year Surplus/(Deficit)	320,476	480,306
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	935,917	926,448
(Gain)/Loss on Disposal of Tangible Capital Assets	(2,901)	(13,527)
Employee Future Benefits Increase/(Decrease)	1,790	62,685
Due from Other Organizations (Increase)/Decrease	(830,445)	(243,244)
Accounts Receivable & Accrued Income (Increase)/Decrease	3,514	(12,529)
Inventories and Prepaid Expenses - (Increase)/Decrease	(15,264)	11,042
Due to Other Organizations Increase/(Decrease)	-	-
Accounts Payable & Accrued Liabilities Increase/(Decrease)	504,046	386,769
Deferred Revenue Increase/(Decrease)	(15,222)	(120,158)
School Generated Funds Liability Increase/(Decrease)	(380)	(4,834)
Adjustments Other than Tangible Cap. Assets	(1,790)	(62,685)
Cash Provided by Operating Transactions	899,741	1,410,273
Capital Transactions		
Acquisition of Tangible Capital Assets	(1,203,690)	(1,557,745)
Proceeds on Disposal of Tangible Capital Assets	2,902	15,777
Cash (Applied to)/Provided by Capital Transactions	(1,200,788)	(1,541,968)
Investing Transactions		
Portfolio Investments (Increase)/Decrease	1,472	3,536
Cash Provided by (Applied to) Investing Transactions	1,472	3,536
Financing Transactions		
Debenture Debt Increase/(Decrease)	1,411,847	(608,821)
Other Borrowings Increase/(Decrease)	-	-
Cash Provided by (Applied to) Financing Transactions	1,411,847	(608,821)
Cash and Bank / Overdraft (Increase)/Decrease	1,112,272	(736,980)
Cash and Bank (Overdraft) at Beginning of Year	(4,226,812)	(3,489,832)
Cash and Bank (Overdraft) at End of Year	(3,114,540)	(4,226,812)

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2014

	Buildings and Leasehold Improvements		School	Other	Furniture / Fixtures &	Computer Hardware &		Land	Assets Under	2014	2013
	School	Non-School	Buses	Vehicles	Equipment	Software *	Land	Improvements	Construction	TOTALS	TOTALS
Tangible Capital Asset Cost											
Opening Cost, as previously reported	23,205,411	582,416	3,335,642	155,003	647,613	228,843	240,881	-	1,053,991	29,449,800	28,034,075
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	23,205,411	582,416	3,335,642	155,003	647,613	228,843	240,881	-	1,053,991	29,449,800	28,034,075
Add:											
Additions during the year	1,158,020	-	20,000	-	16,215	-	-	-	9,455	1,203,690	1,557,745
Less:											
Disposals and write downs	-	-	280,159	-	-	-	-	-	-	280,159	142,020
Closing Cost	24,363,431	582,416	3,075,483	155,003	663,828	228,843	240,881	-	1,063,446	30,373,331	29,449,800
Accumulated Amortization											
Opening, as previously reported	12,720,889	500,265	2,031,769	107,285	460,578	146,383		-		15,967,169	15,180,491
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	12,720,889	500,265	2,031,769	107,285	460,578	146,383		-		15,967,169	15,180,491
Add:											
Current period Amortization	596,286	5,664	234,072	19,349	66,701	13,845		-		935,917	926,448
Less:											
Accumulated Amortization on Disposals and Writedowns	-	-	280,158	-	-	-		-		280,158	139,770
Closing Accumulated Amortization	13,317,175	505,929	1,985,683	126,634	527,279	160,228		-		16,622,928	15,967,169
Net Tangible Capital Asset	11,046,256	76,487	1,089,800	28,369	136,549	68,615	240,881	-	1,063,446	13,750,403	13,482,631
Proceeds from Disposal of Capital Assets	-	-	2,902	-	-	-				2,902	15,777

* Includes network infrastructure.

FORT LA BOSSE SCHOOL DIVISION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2014

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.

(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 2013-2014 is $64,475.

g) Capital Reserve

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

h) **Use of Estimates**

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

i) **Financial Instruments**

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

j) **Non-vested Sick Leave**

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

4. Conversion to PSAB

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

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

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

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

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

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

5. Overdraft

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

6. Other Investments

Other investments consist of guaranteed investment certificates that mature between 2014 and 2015. Other investments are recorded at the lower of cost or market. As at June 30, 2014, the cost of short term investments was $75,213; investment income earned during the year was $934.

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, 2013	Additions in the period	Revenue recognized In the period	Balance as at June 30, 2014
Manitoba Rural Learning Consortium	0	6,750	0	6,750
Donated Capital Assets	65,841		21,972	43,869
	65,841	6,750	21,972	50,619

8. Debenture Debt

The debenture debt of the Division is in the form of twenty-year debentures payable, principal and interest, in twenty equal yearly installments and maturing at various dates from 2015 to 2034. Payment of principal and interest is funded entirely by grants from the Province of Manitoba. The debentures carry interest rates that range from 3.750% to 9.375%. Debenture interest expense payable as at June 30, 2014, 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
2015	649.056	483,768	1,132,824
2016	650,625	443,502	1,094,127
2017	639,348	404,236	1,043,584
2018	676,723	366,860	1,043,583
2019	703,053	327,231	1,030,284
	3,318,805	2,025,597	5,344,402

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	2014 Net Book Value
Owned-tangible capital assets	30,373,331	16,622,928	13,750,403
Capital Lease	0	0	0
	30,373,331	16,622,928	13,750,403

10. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2014
Operating Fund	
Designated Surplus	247,073
Undesignated Surplus	727,710
Less: Non-vested sick leave	64,475
	910,308
Capital Fund	
Reserve Accounts	736,677
Equity in Tangible Capital Assets	3,671,140
	4,407,817
Special Purpose Fund	
School Generated Funds	315,067
Other Special Purpose Funds	100,488
	418,555
Total Accumulated Surplus	5,733,680

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.

	2014
Board approved appropriation by motion	247,073
School budget carryovers by board policy	
Designated surplus	247,073

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.

	2014
Bus reserves	74,531
Other reserves	662,146
	736,677

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

	2013
Foundation Scholarship	100,488
Other	0
Other Special Purpose Funds	100,488

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 2012 tax year and 57% from 2013 tax year. Below are the related revenue and receivable amounts:

	2014	2013
Revenue-Municipal Government-Property Tax	6,403,968	6,172,877
Receivable-Due from Municipal-Property Tax	3,626,063	3,517,308

12. Interest Received and Paid

The Division received interest during the year of $0 (2013 - $0); interest paid during the year was $491,345 (2013 - $546,139).

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

	2014
Operating Fund	
Fiscal-short term loan, interest and bank charges	46,024
Capital Fund	
Debenture debt interest	498,736
Other interest	-
	544,760

The accrual portion of debenture debt interest expense of $216,519 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 2014	Budget 2014	Actual 2013
Salaries	12,294,675	12,414,737	12,089,044
Employee benefits & allowances	908,546	890,077	850,574
Services	1,496,277	1,546,282	1,512,988
Supplies, materials & minor equipment	1,397,477	1,306,578	1,305,064
Interest	544,760	61,000	546,139
Bad debts	0	0	0
Payroll tax	261,666	267,000	258,716
Tuition and transfers	167,303	227,900	238,628
Amortization	935,917	0	926,448
Other Capital Items	979	0	0
School generated funds	580,228	0	538,800
Other special purpose funds	101,136	0	48,201
	18,688,964	16,713,574	18,314,602

MANAGEMENT REPORT

Management's Responsibility for the Financial Statements

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

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

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

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

Original Document Signed	Original Document Signed
Chairperson	Secretary-Treasurer

Deloitte.

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

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of Frontier School Division

We have audited the following financial statements of Frontier School Division (the "Division") as at June 30, 2014, and for the year then ended:

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Audit Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Frontier School Division as at June 30, 2014 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

Other Matters

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

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

Deloitte LLP

Chartered Accountants

Winnipeg, Manitoba
November 19, 2014

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2014	2013
	Financial Assets		
	Cash and Bank	8,877,037	1,849,779
	Due from - Provincial Government	2,296,793	2,278,809
	- Federal Government	2,134,007	2,343,099
	- Municipal Government	2,132,306	2,015,249
	- Other School Divisions	2,159	395
	- First Nations	29,442,620	32,457,451
	Accounts Receivable	738,931	788,838
	Accrued Investment Income	-	-
	Portfolio Investments	-	-
		45,623,853	41,733,620
	Liabilities		
	Overdraft	-	-
	Accounts Payable	13,570,125	10,105,827
	Accrued Liabilities	6,320,936	5,965,168
*	Employee Future Benefits	1,520,465	1,083,758
	Accrued Interest Payable	791,403	671,461
	Due to - Provincial Government	-	28,029
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	83,748	1,734
	- First Nations	-	-
*	Deferred Revenue	18,703,208	18,531,676
*	Debenture Debt	46,512,129	28,136,756
*	Other Borrowings	1,470,221	1,391,283
	School Generated Funds Liability	424,049	280,428
		89,396,284	66,196,120
	Net Debt	(43,772,431)	(24,462,500)
	Non-Financial Assets		
*	Net Tangible Capital Assets (TCA Schedule)	66,777,971	45,106,544
	Inventories	-	-
	Prepaid Expenses	382,241	354,943
		67,160,212	45,461,487
*	**Accumulated Surplus**	23,387,781	20,998,987

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes			2014	2013
	Revenue			
	Provincial Government		53,550,754	51,433,383
	Federal Government		31,160,070	15,923,493
	Municipal Government	- Property Tax	2,766,664	2,574,722
		- Other	241,326	241,020
	Other School Divisions		15,600	15,600
	First Nations		36,550,312	45,691,944
	Private Organizations and Individuals		4,616,636	4,466,236
	Other Sources		1,435,125	1,849,908
	School Generated Funds		1,106,422	845,422
	Other Special Purpose Funds		-	-
			131,442,909	123,041,728
	Expenses			
	Regular Instruction		54,636,094	51,471,640
	Student Support Services		17,639,162	17,156,104
	Adult Learning Centres		3,024,443	3,116,318
	Community Education and Services		2,533,514	2,316,349
	Divisional Administration		6,351,357	6,275,620
	Instructional and Other Support Services		6,530,126	6,265,640
	Transportation of Pupils		10,628,019	9,933,680
	Operations and Maintenance		20,199,859	18,924,885
*	Fiscal	- Interest	1,901,931	1,909,081
		- Other	1,711,031	1,643,494
	Amortization		2,749,712	2,652,503
	Other Capital Items		-	-
	School Generated Funds		1,148,867	781,056
	Other Special Purpose Funds		-	-
			129,054,115	122,446,370
	Current Year Surplus (Deficit) before Non-vested Sick Leave		2,388,794	595,358
	Less: Non-vested Sick Leave Expense (Recovery)		0	0
	Net Current Year Surplus (Deficit)		2,388,794	595,358
	Opening Accumulated Surplus		20,998,987	20,403,629
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	-
		Other than Tangible Cap. Assets	-	-
		Non-vested sick leave - prior years	-	-
	Opening Accumulated Surplus, as adjusted		20,998,987	20,403,629
	Closing Accumulated Surplus		23,387,781	20,998,987

See accompanying notes to the Financial Statements

* NOTE REQUIRED

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2014

	2014	2013
Current Year Surplus (Deficit)	2,388,794	595,358
Amortization of Tangible Capital Assets	2,749,712	2,652,503
Acquisition of Tangible Capital Assets	(24,421,139)	(2,117,961)
(Gain) / Loss on Disposal of Tangible Capital Assets	(5,991)	(1,221)
Proceeds on Disposal of Tangible Capital Assets	5,991	1,221
	(21,671,427)	534,542
Inventories (Increase)/Decrease	-	-
Prepaid Expenses (Increase)/Decrease	(27,298)	(138,670)
	(27,298)	(138,670)
(Increase)/Decrease in Net Debt	(19,309,931)	991,230
Net Debt at Beginning of Year	(24,462,500)	(25,453,730)
Adjustments Other than Tangible Cap. Assets	-	-
	(24,462,500)	(25,453,730)
Net Debt at End of Year	(43,772,431)	(24,462,500)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2014

	2014	2013
Operating Transactions		
Current Year Surplus/(Deficit)	2,388,794	595,358
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	2,749,712	2,652,503
(Gain)/Loss on Disposal of Tangible Capital Assets	(5,991)	(1,221)
Employee Future Benefits Increase/(Decrease)	436,707	(46,578)
Due from Other Organizations (Increase)/Decrease	3,087,118	3,925,375
Accounts Receivable & Accrued Income (Increase)/Decrease	49,907	(552,170)
Inventories and Prepaid Expenses - (Increase)/Decrease	(27,298)	(138,670)
Due to Other Organizations Increase/(Decrease)	53,985	(214,237)
Accounts Payable & Accrued Liabilities Increase/(Decrease)	3,940,008	69,698
Deferred Revenue Increase/(Decrease)	171,532	1,388,857
School Generated Funds Liability Increase/(Decrease)	143,621	(122,730)
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by Operating Transactions	12,988,095	7,556,185
Capital Transactions		
Acquisition of Tangible Capital Assets	(24,421,139)	(2,117,961)
Proceeds on Disposal of Tangible Capital Assets	5,991	1,221
Cash (Applied to)/Provided by Capital Transactions	(24,415,148)	(2,116,740)
Investing Transactions		
Portfolio Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
Financing Transactions		
Debenture Debt Increase/(Decrease)	18,375,373	(1,432,139)
Other Borrowings Increase/(Decrease)	78,938	10,966
Cash Provided by (Applied to) Financing Transactions	18,454,311	(1,421,173)
Cash and Bank / Overdraft (Increase)/Decrease	7,027,258	4,018,272
Cash and Bank (Overdraft) at Beginning of Year	1,849,779	(2,168,493)
Cash and Bank (Overdraft) at End of Year	8,877,037	1,849,779

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2014

	Buildings and Leasehold Improvements		School	Other	Furniture / Fixtures &	Computer Hardware &		Land	Assets Under	2014	2013
	School	Non-School	Buses	Vehicles	Equipment	Software *	Land	Improvements	Construction	TOTALS	TOTALS
Tangible Capital Asset Cost											
Opening Cost, as previously reported	95,138,701	17,746,166	8,994,943	212,327	1,772,078	-	1,462,248	-	439,363	125,765,826	123,666,103
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	95,138,701	17,746,166	8,994,943	212,327	1,772,078	-	1,462,248	-	439,363	125,765,826	123,666,103
Add:											
Additions during the year	1,191,985	-	1,018,354	-	186,706	-	-	-	22,024,094	24,421,139	2,117,961
Less:											
Disposals and write downs	-	-	324,829	-	-	-	-	-	-	324,829	18,238
Closing Cost	96,330,686	17,746,166	9,688,468	212,327	1,958,784	-	1,462,248	-	22,463,457	149,862,136	125,765,826
Accumulated Amortization											
Opening, as previously reported	62,197,816	11,827,363	4,898,880	149,635	1,585,588	-		-		80,659,282	78,025,017
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	62,197,816	11,827,363	4,898,880	149,635	1,585,588	-		-		80,659,282	78,025,017
Add:											
Current period Amortization	1,520,381	362,166	737,311	31,392	98,462	-		-		2,749,712	2,652,503
Less:											
Accumulated Amortization on Disposals and Writedowns	-	-	324,829	-	-	-		-		324,829	18,238
Closing Accumulated Amortization	63,718,197	12,189,529	5,311,362	181,027	1,684,050	-		-		83,084,165	80,659,282
Net Tangible Capital Asset	32,612,489	5,556,637	4,377,106	31,300	274,734	-	1,462,248	-	22,463,457	66,777,971	45,106,544
Proceeds from Disposal of Capital Assets	-	-	5,991	-	-	-				5,991	1,221

* 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 AANDC/First Nation government. The Division is exempt from income tax.

2. SIGNIFICANT ACCOUNTING POLICIES

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

a) *Reporting Entity and Consolidation*

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

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

b) *Trust Funds*

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

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

c) *Basis of Accounting*

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) *Fund Accounting*

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

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

e) *School Generated Funds*

School generated funds are moneys raised by the school, or under the auspices of the school, through 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	5,000	4
Computer software	10,000	4
Furniture and fixtures	5,000	10
Leasehold improvements	25,000	Over term of lease

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

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

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

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

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

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

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 (2014 - 8.6%, 2013 - 8.6%). The plan is evaluated using both the "Going Concern Valuation" and the "Solvency Valuation". The last review was as at December 31, 2013.

The Employee contributions for 2014 was $2,263,237 (2013 - $2,175,934). Frontier School Division contributed an equal amount.

For self-insured employee future benefits other than pension plans, that are vesting and accumulating over the employees' length of service (e.g. vesting sick days, continuation of benefits for health care, dental or life insurance), the benefit costs are accounted for on a full accrual basis determined using actuarial valuation of salary escalation, accumulated sick days, insurance and health care costs trends, and long-term inflation rates. For those self-insured benefit obligations that are event driven (e.g. supplemental unemployment benefits, sick time, non-vesting parental leave), the benefit costs are recognized and recorded only in the period when the event occurs.

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

h) *Capital Reserve*

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

i) *Use of Estimates*

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Financial Instruments

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

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

k) Non-vested sick leave benefits

Non-vested sick leave benefits are estimated using a net present value technique on the expected future utilization of sick benefits in excess of the amounts earned per year, to a maximum entitlement. The calculated dollar value of Non-vested sick time as at June 30, 2014 is $585,043, (2013 - $483,843). These amounts are disclosed for compliance with PS 2120 only and are not considered material for inclusion in the financial statements.

3. OVERDRAFT

The Division has an authorized Line of Credit with the Royal Bank of $30,000,000 by way of overdrafts and is repayable on demand; rates are related to prime, payable monthly. Any overdrafts are secured through a Borrowing By-Law.

4. EMPLOYEE FUTURE BENEFITS

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

	2014	2013
Employee Future Benefit Liability (EFBL)		
Retirement Insurance Plan	**$ 82,819**	$ 87,665
Superintendent Retirement	**772,644**	742,819
Special Leave	**665,002**	253,274
	$ 1,520,465	$ 1,083,758

4. EMPLOYEE FUTURE BENEFITS (continued)

The defined benefit plan provided to non-teaching staff is actuarially valuated 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, 2013. 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 $424,049 (2013 - $280,428).

	2014	2013
Student Council funds	**$ 32,359**	$ 8,087
Travel	**101,470**	37,384
Graduation	**17,538**	11,025
Music enhancement	**5,191**	6,017
Community development	**41,940**	60,820
Other	**225,551**	157,095
	$ 424,049	$ 280,428

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 2015 to 2034. 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%. Debenture interest expense payable as at June 30, 2014 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
2015	$ 2,394,256	$ 2,286,566	$ 4,680,822
2016	2,499,346	2,157,749	4,657,095
2017	2,571,059	2,024,048	4,595,107
2018	2,616,788	1,888,340	4,505,128
2019	2,706,769	1,752,325	4,459,094
	$12,788,218	$10,109,028	$22,897,246

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 4.69% per annum, due between 2015 and 2019. 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
2015	$ 535,293	$ 48,164	$ 583,457
2016	412,003	29,371	441,374
2017	299,389	15,765	315,154
2018	185,087	5,378	190,465
2019	38,449	341	38,790
	$ 1,470,221	$ 99,019	$1,569,240

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	2014 Net Book Value	2013 Net Book Value
Owned tangible capital assets	**$144,385,104**	**$80,520,083**	**$63,865,021**	$42,239,518
Capital lease	**5,477,032**	**2,564,082**	**2,912,950**	2,867,026
	$149,862,136	**$83,084,165**	**$66,777,971**	$45,106,544

9. ACCUMULATED FUNDS

The consolidated accumulated surplus is comprised of the following:

	2014	2013
Operating Fund		
Designated		
Undesignated	**$ 4,262,398**	$ 4,882,705
Capital Fund		
Reserve Accounts	**4,465,305**	1,769,394
Equity in Tangible Assets	**14,590,001**	14,234,366
Special Purpose Funds	**70,077**	112,522
Total Accumulated Surplus	**$ 23,387,781**	$ 20,998,987

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.

	2014	2013
Bus Reserves	**$ 1,465,305**	$ 1,769,394
Dormatory and Power Mechanics	**3,000,000**	-

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 2013 tax year and 40% from 2014 tax year. Below are the related revenue and receivable amounts:

	2014	2013
Revenue – Municipal Government – Property Tax	**$ 2,766,664**	$ 2,574,722
Receivable – Due from Municipal – Property Tax	**2,132,306**	2,015,249

11. INTEREST RECEIVED AND PAID

The Division received interest during the year of $646,643 (2013 - $989,190); interest paid during the year was $1,901,975 (2013 - $1,909,081).

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

	2014	2013
Operating Fund		
Fiscal – short term loan, interest and bank charges	**$ 188,557**	$ 243,801
Capital Fund		
Debenture debt interest	**1,655,374**	1,608,167
Other interest	**58,044**	57,113
	$ 1,901,975	$ 1,909,081

The accrual portion of debenture debt interest expense of $793,403 (2013 - $671,460) 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, 2014:

	2014	2013
Allowance for doubtful accounts deducted from Receivables below:		
Due from First Nations	$ 251,210	$ 251,210
Accounts Receivable	40,000	40,000
	$ 291,210	$ 291,210

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 2014	Budget 2014	Actual 2013
Salaries	$ 79,553,981	$ 79,434,818	$ 75,636,867
Employees benefits & allowances	7,999,183	8,182,514	7,588,021
Services	18,352,680	17,970,949	17,815,963
Supplies, materials & minor equipment	11,008,202	11,573,846	9,726,231
Interest	188,513	350,000	243,801
Bad debts	-	-	-
Payroll tax & Transfers	6,339,559	6,009,760	6,336,648
Amortization	2,749,712	-	2,652,503
Other capital items	1,713,418	-	1,665,280
School generated funds	1,148,867	-	781,056
Other special purpose funds	-	-	-
	$ 129,054,115	$ 123,521,887	$122,446,370

14. DEFERRED REVENUE

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

15. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

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

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

	2014	2013
Cash	**$8,877,037**	$1,849,779
Due from - Provincial Government	**2,296,793**	2,278,809
- Federal Government	**2,134,007**	2,343,099
- Municipal Government	**2,132,306**	2,015,249
- Other School Divisions	**2,159**	385
- First Nations	**29,442,620**	32,457,451
Accounts Receivable	**738,931**	788,838

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

Liquidity Risk

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

Liquidity Risk	Due < 1 year	Due > 1 year, < 2 years	Due > 2 years, < 3 years	Due > 3 years, <4 years	Due > 4 years, < 5 years	Due > 5 years
Accounts payable	$13,870,125	$ -	$ -	$ -	$ -	$ -
Accrued Liabilities	6,020,936	-	-	-	-	-
Due to governments	83,748	-	-	-	-	-
Debenture Debt	2,394,256	2,499,346	2,571,059	2,616,788	2,706,769	33,723,911
Other Borrowings	535,293	412,003	299,389	185,087	38,449	

15. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

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

Interest Rate Risk

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

FRONTIER SCHOOL DIVISION
Appendix 1 to the Consolidated Financial Statements
June 30, 2014
(Unaudited)

Information for Notes to Financial Statements

	12 Month Projection 30-Jun-2013	9 Month Projection 31-Mar-2014	12 Month Projection 31-Mar-2014	3 Month Projection 30-Jun-2014	12 Month Projection 30-Jun-2014
BENEFIT PLAN ASSETS - PENSION PLAN:					
Fair value open - smoothed value	$ 71,695,651	$ 76,539,921	$ 78,633,673	$ 83,882,808	$ 76,539,921
Expected return	4,326,347	3,433,246	4,717,659	1,262,005	4,592,713
Actuarial investment [illegible]	(302,356)	4,400,785	543,531	(1,492,153)	3,011,170
Employer contributions	2,258,748	1,589,520	2,241,244	672,650	2,262,171
Employee contributions	2,258,748	1,589,520	2,241,244	672,650	2,262,171
Benefits paid	(3,697,217)	(3,670,184)	(4,494,542)	(843,557)	(4,513,742)
Other - expenses	-	-	-	-	-
Fair value close - smoothed value	$ 76,539,921	$ 83,882,808	$ 83,882,808	$ 84,154,404	$ 84,154,404
ACCRUED BENEFIT PLAN OBLIGATIONS - PENSION PLAN:					
Balance open	$ 73,891,197	$ 77,401,793	$ 77,818,421	$ 82,683,227	$ 77,401,793
Current service costs	4,517,496	3,179,040	4,482,487	1,345,301	4,524,341
Interest costs	4,458,080	3,472,030	4,668,744	1,244,013	4,644,426
Benefits paid	(3,697,217)	(3,670,184)	(4,494,542)	(843,557)	(4,513,742)
Actuarial [illegible]	(1,767,762)	2,300,547	208,117	(2,324,644)	47,518
Actuarial asmp chg [illegible]	-	-	-	2,505,098	2,505,098
Balance close	$ 77,401,793	$ 82,683,227	$ 82,683,227	$ 84,609,435	$ 84,609,435
SURPLUS OF PENSION PLAN	$ (861,873)	$ 1,199,581	$ 1,199,581	$ (455,031)	$ (455,031)
INVESTMENT RESERVE	(3,738,230)	(6,929,241)	(6,929,241)	(9,360,619)	(9,360,619)
SURPLUS ON A MARKET VALUE BASIS	$ 2,876,357	$ 8,128,822	$ 8,128,822	$ 8,905,587	$ 8,905,587
SURPLUS OF PENSION PLAN ASSETS VERSUS PLAN OBLIGATIONS:					
Surplus	$ (861,873)	$ 1,199,581	$ 1,199,581	$ (455,031)	$ (455,031)
Unamortized net actuarial [illegible]	-	-	-	-	-
Less: valuation allowance	861,873	(1,199,581)	(1,199,581)	455,031	455,031
NET ACCRUED BENEFITS PLAN ASSET	$ -	$ -	$ -	$ -	$ -
THE TOTAL NET COST FOR THE DIVISION'S PENSION PLAN:					
Current service cost less employee contributions	$ 2,258,748	$ 1,589,520	$ 2,241,244	$ 672,650	$ 2,262,171
Interest on plan obligations	4,458,080	3,472,030	4,668,744	1,244,013	4,644,426
less Expected return on plan assets	(4,326,347)	(3,433,246)	(4,717,659)	(1,262,005)	(4,592,713)
Amortization of actuarial [illegible]	-	-	-	-	-
less Valuation allowance increase/(decrease): -{(NC-C) less exc int(F-L)}	(131,733)	(38,784)	48,915	17,994	(51,713)
Net defined benefit plans cost	$ 2,258,748	$ 1,589,520	$ 2,241,244	$ 672,650	$ 2,262,171
ACTUARIAL ASSUMPTIONS USED TO MEASURE PENSION OBLIGATIONS:					
Discount Rate	6.00%	4.50%	6.00%	1.50%	6.00%
Rate of compensation increase	3.75%	2.44%	3.25%	0.81%	3.25%
Expected long-term rate of return on plan assets	6.00%	4.50%	6.00%	1.50%	6.00%
Plan assets are held in trust and invested as follows					
Equities	62.40%	65.40%	65.40%	65.40%	65.40%
Bonds	25.40%	23.10%	23.10%	23.60%	23.60%
Real Estate	12.20%	11.50%	11.50%	11.00%	11.00%
Cash and cash equivalents	0.00%	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.

Original Document Signed

Chairperson

Original Document Signed

Secretary-Treasurer

October 14, 2014

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 AUDITOR'S REPORT

To the board of trustees of
Garden Valley School Division

We have audited the accompanying consolidated financial statements of Garden Valley School Division, which comprise the consolidated statement of financial position as at June 30, 2014, and the consolidated statement of revenue, expenses and accumulated surplus, statement of change in net debt and statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

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

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

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Garden Valley School Division as at June 30, 2014, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

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

Gislason Targownik Peters

CERTIFIED GENERAL ACCOUNTANTS

Winkler, Manitoba
October 14, 2014

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.

	Original Document Signed
Date	Chairperson

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2014	2013
	Financial Assets		
	Cash and Bank	-	-
	Due from - Provincial Government	3,943,600	2,685,104
	- Federal Government	59,639	261,961
	- Municipal Government	6,766,329	5,999,726
	- Other School Divisions	386,974	230,718
	- First Nations	-	-
	Accounts Receivable	139,370	137,276
	Accrued Investment Income	-	-
3	Portfolio Investments	22,500	25,000
		11,318,412	9,339,785
	Liabilities		
4	Overdraft	4,121,481	1,566,986
	Accounts Payable	1,188,945	3,344,000
	Accrued Liabilities	873,061	2,666,619
	Employee Future Benefits	-	-
	Accrued Interest Payable	1,350,842	1,161,930
	Due to - Provincial Government	148,494	5,124
	- Federal Government	2,288,357	2,038,477
	- Municipal Government	213,214	166,538
	- Other School Divisions	273,658	313,539
	- First Nations	-	-
6	Deferred Revenue	11,400	1,508,888
7	Debenture Debt	70,184,458	63,041,005
8	Other Borrowings	2,314,753	2,599,625
	School Generated Funds Liability	-	-
		82,968,663	78,412,731
	Net Debt	(71,650,251)	(69,072,946)
	Non-Financial Assets		
9	Net Tangible Capital Assets (TCA Schedule)	89,928,475	87,493,836
	Inventories	-	-
	Prepaid Expenses	100,661	61,861
		90,029,136	87,555,697
10	**Accumulated Surplus**	18,378,885	18,482,751

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes			2014	2013
	Revenue			
	Provincial Government		35,366,366	33,897,351
	Federal Government		-	-
	Municipal Government	- Property Tax	13,521,606	11,976,923
		- Other	-	-
	Other School Divisions		407,775	260,619
	First Nations		-	-
	Private Organizations and Individuals		9,200	1,760
	Other Sources		589,556	455,468
	School Generated Funds		176,285	175,800
	Other Special Purpose Funds		-	-
			50,070,788	46,767,921
	Expenses			
	Regular Instruction		26,690,000	23,896,870
	Student Support Services		7,301,751	6,728,241
	Adult Learning Centres		-	-
	Community Education and Services		81,003	74,409
	Divisional Administration		1,295,803	1,302,677
	Instructional and Other Support Services		1,257,358	1,025,731
	Transportation of Pupils		2,519,411	2,068,003
	Operations and Maintenance		3,834,434	3,583,603
12	Fiscal	- Interest	3,178,115	2,738,083
		- Other	697,405	649,933
	Amortization		3,196,690	2,597,942
	Other Capital Items		-	46,718
	School Generated Funds		122,684	133,799
	Other Special Purpose Funds		-	-
			50,174,654	44,846,009
	Current Year Surplus (Deficit) before Non-vested Sick Leave		(103,866)	1,921,912
	Less: Non-vested Sick Leave Expense (Recovery)		0	0
	Net Current Year Surplus (Deficit)		(103,866)	1,921,912
	Opening Accumulated Surplus		18,482,751	16,560,839
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	-
		Other than Tangible Cap. Assets	-	-
		Non-vested sick leave - prior years	-	-
	Opening Accumulated Surplus, as adjusted		18,482,751	16,560,839
	Closing Accumulated Surplus		18,378,885	18,482,751

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2014

	2014	2013
Current Year Surplus (Deficit)	(103,866)	1,921,912
Amortization of Tangible Capital Assets	3,196,690	2,597,942
Acquisition of Tangible Capital Assets	(5,631,329)	(19,262,511)
(Gain) / Loss on Disposal of Tangible Capital Assets	-	-
Proceeds on Disposal of Tangible Capital Assets	-	-
	(2,434,639)	(16,664,569)
Inventories (Increase)/Decrease	-	-
Prepaid Expenses (Increase)/Decrease	(38,800)	29,829
	(38,800)	29,829
(Increase)/Decrease in Net Debt	(2,577,305)	(14,712,828)
Net Debt at Beginning of Year	(69,072,946)	(54,360,118)
Adjustments Other than Tangible Cap. Assets	-	-
	(69,072,946)	(54,360,118)
Net Debt at End of Year	(71,650,251)	(69,072,946)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2014

	2014	2013
Operating Transactions		
Current Year Surplus/(Deficit)	(103,866)	1,921,912
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	3,196,690	2,597,942
(Gain)/Loss on Disposal of Tangible Capital Assets	-	-
Employee Future Benefits Increase/(Decrease)	-	-
Due from Other Organizations (Increase)/Decrease	(1,979,033)	1,810,624
Accounts Receivable & Accrued Income (Increase)/Decrease	(2,094)	(34,148)
Inventories and Prepaid Expenses - (Increase)/Decrease	(38,800)	29,829
Due to Other Organizations Increase/(Decrease)	400,045	122,652
Accounts Payable & Accrued Liabilities Increase/(Decrease)	(3,759,701)	2,021,428
Deferred Revenue Increase/(Decrease)	(1,497,488)	11,745
School Generated Funds Liability Increase/(Decrease)	-	-
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by Operating Transactions	(3,784,247)	8,481,984
Capital Transactions		
Acquisition of Tangible Capital Assets	(5,631,329)	(19,262,511)
Proceeds on Disposal of Tangible Capital Assets	-	-
Cash (Applied to)/Provided by Capital Transactions	(5,631,329)	(19,262,511)
Investing Transactions		
Portfolio Investments (Increase)/Decrease	2,500	-
Cash Provided by (Applied to) Investing Transactions	2,500	-
Financing Transactions		
Debenture Debt Increase/(Decrease)	7,143,453	12,323,062
Other Borrowings Increase/(Decrease)	(284,872)	(277,956)
Cash Provided by (Applied to) Financing Transactions	6,858,581	12,045,106
Cash and Bank / Overdraft (Increase)/Decrease	(2,554,495)	1,264,579
Cash and Bank (Overdraft) at Beginning of Year	(1,566,986)	(2,831,565)
Cash and Bank (Overdraft) at End of Year	(4,121,481)	(1,566,986)

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2014

	Buildings and Leasehold Improvements		School	Other	Furniture / Fixtures &	Computer Hardware &		Land	Assets Under	2014	2013
	School	Non-School	Buses	Vehicles	Equipment	Software *	Land	Improvements	Construction	TOTALS	TOTALS
Tangible Capital Asset Cost											
Opening Cost, as previously reported	75,233,426	3,239,729	3,658,136	192,456	1,785,231	798,250	2,916,171	-	33,347,027	121,170,426	101,917,415
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	75,233,426	3,239,729	3,658,136	192,456	1,785,231	798,250	2,916,171	-	33,347,027	121,170,426	101,917,415
Add: Additions during the year	35,213,891	-	1,469,681	-	287,414	29,675	1,150,574	128,646	(32,648,552)	5,631,329	19,262,511
Less: Disposals and write downs	-	-	-	-	-	-	-	-	-	-	9,500
Closing Cost	110,447,317	3,239,729	5,127,817	192,456	2,072,645	827,925	4,066,745	128,646	698,475	126,801,755	121,170,426
Accumulated Amortization											
Opening, as previously reported	29,096,804	894,981	1,880,258	82,313	1,370,338	351,896		-		33,676,590	31,088,148
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	29,096,804	894,981	1,880,258	82,313	1,370,338	351,896		-		33,676,590	31,088,148
Add: Current period Amortization	2,422,717	82,703	385,359	33,951	144,998	120,530		6,432		3,196,690	2,597,942
Less: Accumulated Amortization on Disposals and Writedowns	-	-	-	-	-	-		-		-	9,500
Closing Accumulated Amortization	31,519,521	977,684	2,265,617	116,264	1,515,336	472,426		6,432		36,873,280	33,676,590
Net Tangible Capital Asset	78,927,796	2,262,045	2,862,200	76,192	557,309	355,499	4,066,745	122,214	698,475	89,928,475	87,493,836
Proceeds from Disposal of Capital Assets	-	-	-	-	-	-				-	-

* Includes network infrastructure.

Garden Valley School Division
Notes to Consolidated Financial Statements
For the Year Ended June 30, 2014

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.

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 2013/14 is $193,280.

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. Portfolio Investments

The amount represents the share equity balance of the Division with Access Credit Union. The maximum allowable share equity is $22,500.

4. Bank Overdraft

The Division has an authorized line of credit with the Access Credit Union Ltd. of $13,800,000 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% (0.875% to 2.375% respectively at June 30, 2014); interest is paid monthly. Included in the overdraft are capital projects totalling approximately $7,600,000 which will be submitted to PSFB for debenture funding. Overdrafts are secured by a demand promissory note, line of credit agreement, borrowing by-law and banking documents.

5. Employee Future Benefits

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

The employee future benefit expense is a part of the Employee Benefits and Allowances expense account. The total pension expense for the 2013/2014 year was $489,845 ($455,125 in 2012/13).

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, 2013	Additions in period	Revenue recognized in period	Balance as at June 30, 2014
Education Property Tax Credit (EPTC)	$ 1,508,888	11,400	1,508,888	11,400
Other	0			0
	$ 1,508,888	11,400	1,508,888	11,400

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 2014 to 2034. Payment of principal and interest is funded entirely by grants from the Province of Manitoba. The debentures carry interest rates that range from 3.625% to 10.00%. Debenture interest expense payable as at June 30, 2014, 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:

2015	6,384,319
2016	6,181,057
2017	6,181,057
2018	6,181,058
2019	6,165,028
	$ 31,092,519

8. Other Borrowings

Other borrowings are debts other than overdrafts or debentures.

	2014	2013
Access Credit Union, demand loan, prime less .50% (2.375% at June 30, 2014); 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	$ 1,469,216	1,640,868
Access Credit Union, demand loan, prime less .50% (2.375% at June 30, 2014); 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.	$ 397,649	447,036
Access Credit Union, demand loan, prime less .50% (2.375% at June 30, 2014); repayable in monthly instalments of $6,325, including principal and interest; secured by a demand promissory note, financing by-law, banking documents, and a Registered General Security Agreement for future school site land	$ 447,888	511,721
Total Other Borrowings	$ 2,314,753	2,599,625

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

	Principal	Interest	Total
2014/15	291,666	54,554	346,620
2015/16	299,336	47,284	346,620
2016/17	307,032	39,588	346,620
2017/18	314,796	31,824	346,620
2018/19	322,754	23,866	346,620
	$ 1,535,984	197,116	1,733,100

9. Net Tangible Capital Assets

The Schedule of Tangible Capital Assets (TCA), page 23 of the audited financial statements, provides a breakdown of cost, accumulated amortization and net book value by class. The amount of interest capitalized in the period included in School Buildings was $55,505.

10. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2014	2013
Operating Fund		
Designated Surplus	$ 250,717	1,272,333
Undesignated Surplus	823,103	470,339
	$ 1,073,820	1,742,672
Capital Fund		
Reserve Accounts	$ 891,230	2,166,388
Equity in Tangible Capital Assets	16,306,254	14,426,805
	$17,197,484	16,593,193
Special Purpose Fund		
School Generated Funds	$ 107,581	146,886
Other Special Purpose Funds	-	-
	$ 107,581	146,886
Total Accumulated Surplus	$18,378,885	18,482,751

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:

	2014	2013
School budget surplus (deficit) carryovers by board policy	$ 250,717	219,559
Applied to 2014/2015 Operating budget deficit	-	1,052,774
Board approved appropriation by motion	-	-
Designated surplus	$ 250,717	1,272,333

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.

	2014	2013
Bus reserves (deficit)	$ 10,359	673,879
High School Renovation reserve	877,896	1,489,534
Maintenance Shop relocation reserve	2,975	2,975
Other reserves	-	-
Capital Reserve	$ 891,230	2,166,388

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

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

Education property tax or Special Levy is raised as the Division's contribution to the cost of providing public education for the students' resident in the division. The Municipal Government-Property Tax shown on the consolidated revenue and expense is raised over the two calendar (tax) years; 50% from 2013 tax year and 50% from 2014 tax year. Below are the related revenue and receivable amounts:

	2014	2013
Revenue – Municipal Government – Property Tax	$ 13,521,606	11,976,923
Receivable – Due from Municipal – Property Tax	$ 6,766,329	5,999,726

12. Interest Received and Paid

The Division received interest during the year of $3,125,868 ($2,702,398 in 2013); interest paid during the year was $3,178,115 ($2,738,083 in 2013).

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

	2014	2013
Operating Fund		
Fiscal-short term loan, interest and bank charges	$ 18,342	9,475
Capital Fund		
Debenture interest	3,097,986	2,658,399
Other interest	61,787	70,209
	$3,178,115	2,738,083

The accrual portion of debenture debt interest expense of $1,350,842 at June 30, 2014 ($1,130,136 at June 30, 2013) 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 2014	Actual 2013
Salaries	$ 32,130,956	29,559,756
Employees benefits and allowances	2,951,335	2,612,795
Services	3,363,212	3,209,601
Supplies, materials and minor equipment	4,139,542	2,920,544
Interest	3,178,115	2,738,083
Bad debt expense	-	-
Payroll tax	697,405	649,933
Transfers	394,715	376,838
Amortization	3,196,690	2,597,942
Other capital items	-	46,718
School generated funds	122,684	133,799
	$ 50,174,654	44,846,009

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 $250,717 at June 30, 2014 ($1,272,333 at June 30, 2013). The details of the Designated Surplus as disclosed at note 10 and page 5 of the audited financial statements

During the fiscal year, the Division is achieved substantial completion and occupancy on a new high school facility and included the capital cost on the Schedule of Tangible Capital Assets (page 23). As of June 30, 2014, an amount equal to about 3% of the value of the contract with Penn-Co Construction Canada (2003) Ltd. remains outstanding. The remaining commitment as of June 30, 2014 is estimated at: $ 966,000.

15. Contingent Liabilities

During the construction of Northlands Parkway Collegiate, the Division became aware of a construction deficiency with respect to the delamination of the floor in several areas on the 2nd level of the building. Discussions have been held with the project consultant, Prairie Architects, the contractor, Pennco Construction Canada (2003) Ltd., and the Public Schools Finance Board regarding this issue.
Destructive testing of the floor structure is currently in process to determine the extent of the deficiency and estimated costs to remediate, if necessary. Responsibility for any additional costs incurred in remediation remains undetermined.

MANAGEMENT REPORT

Management's Responsibility for the Financial Statements

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

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

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

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

Original Document Signed	Original Document Signed
Chairperson	Secretary-Treasurer

October 21, 2014

Independent Auditors' Report

To the Board of Trustees of Hanover School Division:

We have audited the accompanying consolidated financial statements of Hanover School Division, which comprise the consolidated statement of financial position as at June 30, 2014, the consolidated statements of revenue, expenses, and accumulated surplus, change in net debt and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

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

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

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Hanover School Division as at June 30, 2014 and the results of its operations, changes in net debt and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

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

MNP LLP

Winnipeg, Manitoba

October 21, 2014

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

Original Document Signed

DATE

CHAIRPERSON

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2014	2013
	Financial Assets		
	Cash and Bank	-	-
	Due from - Provincial Government	7,303,280	3,979,671
	- Federal Government	199,865	264,390
	- Municipal Government	12,109,968	11,531,840
	- Other School Divisions	-	-
	- First Nations	-	-
	Accounts Receivable	779,758	190,260
	Accrued Investment Income	-	-
*	Portfolio Investments	10	10
		20,392,881	15,966,171
	Liabilities		
3	Overdraft	14,440,894	6,070,941
	Accounts Payable	5,314,454	7,880,833
	Accrued Liabilities	354,369	304,616
4	Employee Future Benefits	482,073	458,868
	Accrued Interest Payable	1,866,130	1,422,788
	Due to - Provincial Government	22,522	13,261
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
5	Deferred Revenue	56,524	2,364,018
7	Debenture Debt	85,421,897	62,803,609
8	Other Borrowings	810,000	1,080,000
6	School Generated Funds Liability	135,901	133,959
		108,904,764	82,532,893
	Net Debt	(88,511,883)	(66,566,722)
	Non-Financial Assets		
9	Net Tangible Capital Assets (TCA Schedule)	106,149,117	82,515,000
	Inventories	165,249	98,600
	Prepaid Expenses	415,391	246,379
		106,729,757	82,859,979
*	**Accumulated Surplus**	18,217,874	16,293,257

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes			2014	2013
	Revenue			
	Provincial Government		59,360,632	56,041,344
	Federal Government		-	-
	Municipal Government	- Property Tax	20,240,119	19,270,455
		- Other	-	-
	Other School Divisions		149,600	106,116
	First Nations		-	-
	Private Organizations and Individuals		350,999	359,379
	Other Sources		133,512	108,847
	School Generated Funds		1,963,075	1,673,296
	Other Special Purpose Funds		-	-
			82,197,937	77,559,437
	Expenses			
	Regular Instruction		44,763,903	43,048,698
	Student Support Services		10,112,604	9,735,531
	Adult Learning Centres		-	-
	Community Education and Services		164,509	139,768
	Divisional Administration		2,005,406	2,058,118
	Instructional and Other Support Services		2,134,031	2,239,818
	Transportation of Pupils		3,509,401	3,337,253
	Operations and Maintenance		7,699,731	6,833,394
12	Fiscal	- Interest	3,203,443	2,699,845
		- Other	1,172,873	1,186,819
	Amortization		3,127,694	2,794,736
	Other Capital Items		482,162	-
	School Generated Funds		1,897,563	1,716,001
	Other Special Purpose Funds		-	-
			80,273,320	75,789,981
	Current Year Surplus (Deficit) before Non-vested Sick Leave		1,924,617	1,769,456
	Less: Non-vested Sick Leave Expense (Recovery)		0	0
	Net Current Year Surplus (Deficit)		1,924,617	1,769,456
	Opening Accumulated Surplus		16,293,257	14,523,801
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	-
		Other than Tangible Cap. Assets	-	-
		Non-vested sick leave - prior years	-	-
	Opening Accumulated Surplus, as adjusted		16,293,257	14,523,801
	Closing Accumulated Surplus		18,217,874	16,293,257

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2014

	2014	2013
Current Year Surplus (Deficit)	1,924,617	1,769,456
Amortization of Tangible Capital Assets	3,127,694	2,794,736
Acquisition of Tangible Capital Assets	(26,761,811)	(18,994,155)
(Gain) / Loss on Disposal of Tangible Capital Assets	(28,372)	(7,002)
Proceeds on Disposal of Tangible Capital Assets	28,372	7,000
	(23,634,117)	(16,199,421)
Inventories (Increase)/Decrease	(66,649)	(7,713)
Prepaid Expenses (Increase)/Decrease	(169,012)	435,520
	(235,661)	427,807
(Increase)/Decrease in Net Debt	(21,945,161)	(14,002,158)
Net Debt at Beginning of Year	(66,566,722)	(52,564,564)
Adjustments Other than Tangible Cap. Assets	-	-
	(66,566,722)	(52,564,564)
Net Debt at End of Year	(88,511,883)	(66,566,722)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2014

	2014	2013
Operating Transactions		
Current Year Surplus/(Deficit)	1,924,617	1,769,456
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	3,127,694	2,794,736
(Gain)/Loss on Disposal of Tangible Capital Assets	(28,372)	(7,002)
Employee Future Benefits Increase/(Decrease)	23,205	91,593
Due from Other Organizations (Increase)/Decrease	(3,837,212)	2,080,749
Accounts Receivable & Accrued Income (Increase)/Decrease	(589,498)	537
Inventories and Prepaid Expenses - (Increase)/Decrease	(235,661)	427,807
Due to Other Organizations Increase/(Decrease)	9,261	13,261
Accounts Payable & Accrued Liabilities Increase/(Decrease)	(2,073,284)	(1,015,957)
Deferred Revenue Increase/(Decrease)	(2,307,494)	43,725
School Generated Funds Liability Increase/(Decrease)	1,942	2,829
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by Operating Transactions	(3,984,802)	6,201,734
Capital Transactions		
Acquisition of Tangible Capital Assets	(26,761,811)	(18,994,155)
Proceeds on Disposal of Tangible Capital Assets	28,372	7,000
Cash (Applied to)/Provided by Capital Transactions	(26,733,439)	(18,987,155)
Investing Transactions		
Portfolio Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
Financing Transactions		
Debenture Debt Increase/(Decrease)	22,618,288	13,694,099
Other Borrowings Increase/(Decrease)	(270,000)	(270,000)
Cash Provided by (Applied to) Financing Transactions	22,348,288	13,424,099
Cash and Bank / Overdraft (Increase)/Decrease	(8,369,953)	638,678
Cash and Bank (Overdraft) at Beginning of Year	(6,070,941)	(6,709,619)
Cash and Bank (Overdraft) at End of Year	(14,440,894)	(6,070,941)

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2014

	Buildings and Leasehold Improvements		School	Other	Furniture / Fixtures &	Computer Hardware &		Land	Assets Under	2014	2013
	School	Non-School	Buses	Vehicles	Equipment	Software *	Land	Improvements	Construction	TOTALS	TOTALS
Tangible Capital Asset Cost											
Opening Cost, as previously reported	90,133,898	4,870,877	7,785,915	290,960	1,969,025	557,871	3,317,095	-	15,847,880	124,773,521	106,262,188
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	90,133,898	4,870,877	7,785,915	290,960	1,969,025	557,871	3,317,095	-	15,847,880	124,773,521	106,262,188
Add: Additions during the year	1,331,006	-	634,559	-	70,161	-	138,621	-	24,587,464	26,761,811	18,994,155
Less: Disposals and write downs	-	-	274,120	-	57,989	-	-	-	-	332,109	482,822
Closing Cost	91,464,904	4,870,877	8,146,354	290,960	1,981,197	557,871	3,455,716	-	40,435,344	151,203,223	124,773,521
Accumulated Amortization											
Opening, as previously reported	33,703,707	1,479,164	5,176,357	188,408	1,472,927	237,958		-		42,258,521	39,946,609
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	33,703,707	1,479,164	5,176,357	188,408	1,472,927	237,958		-		42,258,521	39,946,609
Add: Current period Amortization	2,439,426	-	497,293	29,916	103,718	57,341		-		3,127,694	2,794,736
Less: Accumulated Amortization on Disposals and Writedowns	-	-	274,120	-	57,989	-		-		332,109	482,824
Closing Accumulated Amortization	36,143,133	1,479,164	5,399,530	218,324	1,518,656	295,299		-		45,054,106	42,258,521
Net Tangible Capital Asset	55,321,771	3,391,713	2,746,824	72,636	462,541	262,572	3,455,716	-	40,435,344	106,149,117	82,515,000
Proceeds from Disposal of Capital Assets	-	-	-	-	28,372	-				28,372	7,000

* 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

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

e) Tangible Capital Assets

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

To be classified as tangible capital assets, each asset other than land must individually meet the capitalization threshold for its class 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 initially recorded at cost, which includes purchase price, installation costs and other costs incurred to put the asset into service.

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

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

h) Financial instruments

Fair values:

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

Classification:

Cash and bank, portfolio investments and overdraft	Held-for-trading
Accounts receivable	Loans and receivables
Accounts payable and accrued liabilities, employee future benefits, accrued interest payable, school generated funds liability, debenture debt and 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 (2013 – $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 $856,987 in 2014 ($823,775 in 2013).

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, 2013	Additions for the year	Revenue recognized during year	Balance as at June 30, 2014
Education Property Tax Credit ("EPTC")	$ 2,301,833	-	$ 2,301,833	$ -
Special grant	48,585	-	5,811	42,774
Other amounts	13,600	13,750	13,600	13,750
	$ 2,364,018	$ 2,315,433	$ 2,271,708	$ 56,524

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 $135,901 ($133,959 in 2013).

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 2014 to 2033. Payment of principal and interest is funded entirely by grants from the Province of Manitoba, except for the debt on self-funded capital projects. The debentures carry interest rates that range from 3.500% to 9.875%. Debenture interest expense payable as at June 30, 2014, 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
2015	$ 8,283,387
2016	8,182,456
2017	7,870,067
2018	7,734,732
2019	7,690,025
	$ 39,760,667

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.

	2014	2013
RBC Term Loan, unsecured, payable at 5.35%, due January 2017 Interest is paid monthly with annual principal repayments of $200,000	$ 600,000	$ 800,000
RBC Term Loan, unsecured, payable at 4.79%, due January 2017 Interest is paid monthly with annual principal repayments of $70,000	210,000	280,000
	$ 810,000	$ 1,080,000

Principal repayments for the next three years are as follows:

	Total
2015	$ 270,000
2016	270,000
2017	270,000
	$ 810,000

9. Net Tangible Capital Assets

The Schedule of Tangible Capital Assets (TCA), page 23 of the audited financial statements, provides a breakdown of cost, accumulated amortization and net book value by class. The amount of interest capitalized in the period included in Assets under Construction was $117,606 in 2014 ($129,641 in 2013).

10. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2014	2013
Operating Fund		
Designated Surplus	$ -	$ -
Undesignated Surplus	3,454,594	3,630,689
	3,454,594	3,630,689
Capital Fund		
Reserved Accounts	$ 185,094	185,094
Equity in Tangible Capital Assets	14,144,945	12,109,745
	14,330,039	12,294,839
Special Purpose Fund		
School Generated Funds	433,241	367,729
Total Accumulated Surplus	$ 18,217,874	$ 16,293,257

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 2013 tax year and 60% from 2014 tax year. Below are the related revenue and receivable amounts:

	2014	2013
Revenue - Municipal Government - Property Tax	$27,575,780	$ 26,470,135
Receivable - Due from Municipal - Property Tax	$12,109,968	$ 11,531,840

12. Interest Received and Paid

The Division received interest during the year of $1,027 ($4,337 in 2013); interest paid during the year was $3,203,443 ($2,699,845 in 2013). Interest paid is comprised of interest expense of $3,203,443 ($2,699,845 in 2013) as outlined below, plus capitalized interest of $117,606 ($129,641 in 2013) included in construction in progress on the consolidated statement of financial position.

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

	2014	2013
Operating Fund		
Fiscal-short term loan, interest and bank charges	$ 115,672	$ 33,417
Capital Fund		
Debenture interest	3,036,980	2,596,941
Other interest	50,791	69,487
Total	$3,203,443	$2,699,845

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 2014	Budget 2014	Actual 2013
Salaries	$ 55,441,919	$ 55,428,600	$ 52,224,835
Employees benefits and allowances	4,075,014	4,157,000	4,151,067
Services	4,386,990	4,045,600	3,961,159
Supplies, materials and minor equipment	5,459,444	6,194,800	6,106,311
Interest	3,203,443	60,000	2,699,845
Bad debts	-	-	-
Payroll tax	1,172,873	1,190,200	1,186,819
Amortization	3,127,694	-	2,794,736
Transfers	1,026,218	994,700	949,208
Other capital items	482,162	-	-
School generated funds	1,897,563	-	1,716,001
Other special purpose funds	-	-	-
	$ 80,273,320	$72,070,900	$ 75,789,981

14. Non Financial Information

The 2014 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 $18,217,874 ($16,293,257 in 2013). 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, 2014 the amount of this special levy was $221,398 ($159,779 in 2013). 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, 2014 are as follows:

2015	$ 155,521
2016	124,659
2017	75,339
2018	29,152
2019	1,813
Thereafter	nil

MANAGEMENT REPORT

Management's Responsibility for the Financial Statements

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

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

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

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

Original Document Signed	Original Document Signed
Chairperson	Secretary-Treasurer

October 14, 2014

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, 2014, 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, 2014, and the results of its operations, net debt and its cash flow for the year then ended in accordance with Canadian public sector accounting standards.

BDO Canada LLP

Chartered Accountants

Winnipeg, Manitoba
October 14, 2014

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

Original Document Signed

Date

Chairperson

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2014	2013
	Financial Assets		
	Cash and Bank	-	-
	Due from - Provincial Government	1,313,350	1,819,878
	- Federal Government	54,672	33,109
	- Municipal Government	7,871,345	5,237,718
	- Other School Divisions	-	-
	- First Nations	-	-
	Accounts Receivable	60,965	64,540
	Accrued Investment Income	-	-
	Portfolio Investments	5,326	6,111
		9,305,658	7,161,356
	Liabilities		
3	Overdraft	6,298,518	1,919,751
	Accounts Payable	564,757	97,823
	Accrued Liabilities	479,037	467,707
5	Employee Future Benefits	1,562,677	1,555,284
	Accrued Interest Payable	226,597	229,313
	Due to - Provincial Government	-	-
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
6	Deferred Revenue	99,934	1,719,499
8	Debenture Debt	11,678,956	9,890,482
	Other Borrowings	-	-
	School Generated Funds Liability	168,659	190,470
		21,079,135	16,070,329
	Net Debt	(11,773,477)	(8,908,973)
	Non-Financial Assets		
9	Net Tangible Capital Assets (TCA Schedule)	15,498,558	13,107,304
	Inventories	65,551	80,215
	Prepaid Expenses	59,570	59,526
		15,623,679	13,247,045
10	**Accumulated Surplus**	3,850,202	4,338,072

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes			2014	2013
	Revenue			
	Provincial Government		24,233,195	23,915,437
	Federal Government		7,000	6,997
	Municipal Government	- Property Tax	11,597,199	10,056,784
		- Other	17,000	21,750
	Other School Divisions		37,968	72,469
	First Nations		-	-
	Private Organizations and Individuals		215,953	311,151
	Other Sources		139,203	110,782
	School Generated Funds		516,059	473,256
	Other Special Purpose Funds		1,340	1,353
			36,764,917	34,969,979
	Expenses			
	Regular Instruction		19,192,741	17,954,073
	Student Support Services		5,721,041	5,812,137
	Adult Learning Centres		-	-
	Community Education and Services		267,268	260,068
	Divisional Administration		1,363,705	1,357,717
	Instructional and Other Support Services		1,589,256	1,542,711
	Transportation of Pupils		2,215,158	2,067,553
	Operations and Maintenance		4,029,441	3,509,286
12	Fiscal	- Interest	593,995	605,741
		- Other	560,626	546,265
	Amortization		1,135,487	1,158,177
	Other Capital Items		127,500	-
	School Generated Funds		486,066	464,818
	Other Special Purpose Funds		1,340	1,353
			37,283,624	35,279,899
	Current Year Surplus (Deficit) before Non-vested Sick Leave		(518,707)	(309,920)
	Less: Non-vested Sick Leave Expense (Recovery)		(30,837)	3,318
	Net Current Year Surplus (Deficit)		(487,870)	(313,238)
	Opening Accumulated Surplus		4,338,072	4,651,310
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	-
		Other than Tangible Cap. Assets	-	-
		Non-vested sick leave - prior years	-	-
	Opening Accumulated Surplus, as adjusted		4,338,072	4,651,310
	Closing Accumulated Surplus		3,850,202	4,338,072

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2014

	2014	2013
Current Year Surplus (Deficit)	(518,707)	(309,920)
Amortization of Tangible Capital Assets	1,135,487	1,158,177
Acquisition of Tangible Capital Assets	(3,528,388)	(73,913)
(Gain) / Loss on Disposal of Tangible Capital Assets	492	(5,555)
Proceeds on Disposal of Tangible Capital Assets	1,155	5,555
	(2,391,254)	1,084,264
Inventories (Increase)/Decrease	14,664	2,650
Prepaid Expenses (Increase)/Decrease	(44)	(1,685)
	14,620	965
(Increase)/Decrease in Net Debt	(2,895,341)	775,309
Net Debt at Beginning of Year	(8,908,973)	(9,680,964)
Adjustments Other than Tangible Cap. Assets	30,837	(3,318)
	(8,878,136)	(9,684,282)
Net Debt at End of Year	(11,773,477)	(8,908,973)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2014

	2014	2013
Operating Transactions		
Current Year Surplus/(Deficit)	(518,707)	(309,920)
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	1,135,487	1,158,177
(Gain)/Loss on Disposal of Tangible Capital Assets	492	(5,555)
Employee Future Benefits Increase/(Decrease)	7,393	190,566
Due from Other Organizations (Increase)/Decrease	(2,148,662)	(673,312)
Accounts Receivable & Accrued Income (Increase)/Decrease	3,575	1,068
Inventories and Prepaid Expenses - (Increase)/Decrease	14,620	965
Due to Other Organizations Increase/(Decrease)	-	-
Accounts Payable & Accrued Liabilities Increase/(Decrease)	475,548	(5,800)
Deferred Revenue Increase/(Decrease)	(1,619,565)	38,452
School Generated Funds Liability Increase/(Decrease)	(21,811)	(5,379)
Adjustments Other than Tangible Cap. Assets	30,837	(3,318)
Cash Provided by Operating Transactions	(2,640,793)	385,944
Capital Transactions		
Acquisition of Tangible Capital Assets	(3,528,388)	(73,913)
Proceeds on Disposal of Tangible Capital Assets	1,155	5,555
Cash (Applied to)/Provided by Capital Transactions	(3,527,233)	(68,358)
Investing Transactions		
Portfolio Investments (Increase)/Decrease	785	759
Cash Provided by (Applied to) Investing Transactions	785	759
Financing Transactions		
Debenture Debt Increase/(Decrease)	1,788,474	(690,869)
Other Borrowings Increase/(Decrease)	-	-
Cash Provided by (Applied to) Financing Transactions	1,788,474	(690,869)
Cash and Bank / Overdraft (Increase)/Decrease	(4,378,767)	(372,524)
Cash and Bank (Overdraft) at Beginning of Year	(1,919,751)	(1,547,227)
Cash and Bank (Overdraft) at End of Year	(6,298,518)	(1,919,751)

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2014

	Buildings and Leasehold Improvements										
	School	Non-School	School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	2014 TOTALS	2013 TOTALS
Tangible Capital Asset Cost											
Opening Cost, as previously reported	22,799,219	1,214,424	4,901,733	269,643	460,662	-	170,631	-	529,731	30,346,043	30,403,648
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	22,799,219	1,214,424	4,901,733	269,643	460,662	-	170,631	-	529,731	30,346,043	30,403,648
Add: Additions during the year	526,152	-	204,517	-	36,245	-	-	-	2,761,474	3,528,388	73,913
Less: Disposals and write downs	-	-	52,340	-	16,464	-	-	-	-	68,804	131,518
Closing Cost	23,325,371	1,214,424	5,053,910	269,643	480,443	-	170,631	-	3,291,205	33,805,627	30,346,043
Accumulated Amortization											
Opening, as previously reported	12,988,895	537,229	3,182,336	196,150	334,129	-		-		17,238,739	16,212,080
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	12,988,895	537,229	3,182,336	196,150	334,129	-		-		17,238,739	16,212,080
Add: Current period Amortization	673,000	44,043	351,205	21,040	46,199	-		-		1,135,487	1,158,177
Less: Accumulated Amortization on Disposals and Writedowns	-	-	52,340	-	14,817	-		-		67,157	131,518
Closing Accumulated Amortization	13,661,895	581,272	3,481,201	217,190	365,511	-		-		18,307,069	17,238,739
Net Tangible Capital Asset	9,663,476	633,152	1,572,709	52,453	114,932	-	170,631	-	3,291,205	15,498,558	13,107,304
Proceeds from Disposal of Capital Assets	-	-	1,155	-	-	-				1,155	5,555

* 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 Chartered Professional Accountants Canada.

Reporting Entity and Consolidation

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

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

Trust Funds

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

Basis of Accounting

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

Fund Accounting

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

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

School Generated Funds

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

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

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

Tangible Capital Assets

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

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

Asset Description	Capitalization Threshold ( )	Estimated Useful Life
Land Improvements	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:

Defined Contribution Plans

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

Pension - No amounts are recorded in the financial statements for future pension costs. The Division participates in the Manitoba School Boards Association (MSBA) Pension Plan for non-teaching employees. Contributions are made by the Division and each eligible employee. Contributions are immediately vested. The Division pays the operating costs of the plan and investment management fees for the plan for all active employees. Contribution costs are calculated as a percentage of salary, which ranges from 9.0 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 Plans

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

Sick Leave Allowance

The Division offers a sick leave allowance to employees, of which unused days are accumulated to maximum of 90-125 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. Overdraft

The Division has an authorized revolving demand facility with Sunova Credit Union of 8,000,000 by way of overdrafts. Overdrafts bear interest at Prime less 0.75 and are secured by a borrowing by-law supporting the facility. As at June 30, 2014, the Division's operating line of credit was being utilized.

4. Contractual Obligations

The Division has entered into a contract for installation and configuration of a fibre wide area network. The Division has secured a 2,000,000 line of credit with Sunova Credit Union at Prime rate less 0.75 to fund the project. Repayment of Principal and interest will be made over a maximum of 10 years.

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 453,338 in 2014 (433,871 in 2013).

Employee future benefits recorded as a liability represents vested sick leave payable and Supplemental Employment Benefits Plan payable for eligible employees of 1,320,520 in 2014 (1,282,290 in 2013).

Non-vested accumulated sick leave benefits are measured using net present value techniques on the expected future utilization of excess sick benefits used over earned per year, to maximum entitlement. The total accrued non-vested sick leave benefit liability as at June 30, 2014 is 242,157 (272,994 in 2013).

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:

Operating Fund	Balance as at June 30, 2013	Additions in period	Revenue recognized in period	Balance as at June 30, 2014
Education Property Tax Credit (EPTC)	1,657,759	1,866,491	3,524,250	0
Manitoba Textbook Bureau	54,240	82,704	44,510	92,434
STAR Revenue	7,500	38,000	38,000	7,500
	1,719,499	1,987,195	3,606,760	99,934

7. School Generated Funds Liability

The School Generated Funds liability includes the non-controlled portion of school generated funds consolidated in the cash and bank balances in the amount of 168,659 in 2014 (190,470 in 2013).

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 2014 to 2034. 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, 2014, 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
2014 / 2015	626,229	795,557	1,421,786
2015 / 2016	578,882	826,855	1,405,737
2016 / 2017	530,183	875,554	1,405,737
2017 / 2018	478,532	878,138	1,356,671
2018 / 2019	427,367	846,456	1,273,822
Thereafter	2,231,160	7,456,396	9,687,556
	4,872,354	11,678,956	16,551,310

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 in 2014 (2013 nil).

10. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2014	2013
Operating Fund		
Designated Surplus	-	-
Undesignated Surplus	808,912	1,031,873
	808,912	1,031,873
Capital Fund		
Reserve Accounts	-	5,555
Equity in Tangible Capital Assets	2,927,475	3,216,822
	2,927,475	3,222,377
Special Purpose Fund		
School Generated Funds	113,815	83,822
Other Special Purpose Funds	-	-
	113,815	83,822
Total Accumulated Surplus	3,850,202	4,338,072

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 2013 tax year and 52 from 2014 tax year. Below are the related revenue and receivable amounts:

	2014	2013
Revenue – Municipal Government – Property Tax	$ 11,597,199	$10,056,784
Receivable – Due from Municipal – Property Tax	$ 7,871,345	$ 5,237,718

12. Interest Received and Paid

The Division received interest during the year of 9,802 in 2014 (12,752 in 2013); interest paid during the year was 593,995 in 2014 (605,741 in 2013).

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

	2014	2013
Operating Fund		
Fiscal-short term loan, interest and bank charges	28,080	15,221
Capital Fund		
Debenture interest	565,915	590,520
	593,995	605,741

The accrual portion of debenture debt interest expense of 226,597 (229,313 in 2013) 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 2014	Budget 2014	Actual 2013
Salaries	26,342,837	26,453,340	25,405,166
Employees benefits and allowances	2,059,083	1,979,345	1,945,118
Services	3,063,970	2,658,760	2,838,190
Supplies, materials & minor equipment	2,588,514	2,356,702	1,911,782
Interest	593,995	33,000	605,741
Bad debts	-	-	-
Payroll tax	560,626	567,000	546,265
Amortization	1,135,487	-	1,158,177
Transfers	324,206	376,353	403,289
School generated funds	486,066	-	464,818
Other special purpose funds	1,340	-	1,353
Other capital funds	127,500	-	-
	37,283,624	34,424,500	35,279,899

KELSEY
SCHOOL DIVISION

P.O. Box 4700
The Pas, Manitoba
R9A 1R4

PHONE (204) 623-6421
FAX (204) 623-7704

November 10, 2014

MANAGEMENT REPORT

Management's Responsibility for the Financial Statements

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

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

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

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

Original Document Signed	Original Document Signed
Vaughn Wadelius Chairperson	Jeannette Freese Secretary Treasurer

Collins Barrow

Collins Barrow HMA LLP
334 Ross Avenue, Box 1200
The Pas, Manitoba
R9A 1L2 Canada

T. 204.623.5437
F. 204.623.6390
TF. 1.800.663.2679

www.collinsbarrow.com

INDEPENDENT AUDITORS' REPORT

To The Board of Trustees
Kelsey School Division

We have audited the accompanying consolidated financial statements of the Kelsey School Division, which comprise the consolidated statement of financial position as at June 30, 2014, 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.

Collins Barrow

Collins Barrow HMA LLP
334 Ross Avenue, Box 1200
The Pas, Manitoba
R9A 1L2 Canada

T. 204.623.5437
F. 204.623.6390
TF. 1.800.663.2679

www.collinsbarrow.com

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Kelsey School Division as at June 30, 2014, 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.

Collins Barrow HMA LLP
CHARTERED ACCOUNTANTS

The Pas, Manitoba
November 10, 2014

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

Original Document Signed

Chairperson of the Board

Date

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2014	2013
	Financial Assets		
	Cash and Bank	-	-
	Due from - Provincial Government	1,075,233	1,097,102
	- Federal Government	84,184	88,265
	- Municipal Government	2,602,454	1,690,183
	- Other School Divisions	10,317	-
	- First Nations	230,825	241,537
	Accounts Receivable	73,382	29,770
	Accrued Investment Income	-	-
	Portfolio Investments	-	-
		4,076,395	3,146,857
	Liabilities		
*	Overdraft	2,526,817	884,690
	Accounts Payable	902,146	872,520
	Accrued Liabilities	820,704	828,152
	Employee Future Benefits	-	-
	Accrued Interest Payable	-	-
	Due to - Provincial Government	-	-
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
*	Deferred Revenue	12,138	21,885
*	Debenture Debt	15,987,664	16,293,862
	Other Borrowings	-	-
	School Generated Funds Liability	60,544	46,902
		20,310,013	18,948,011
	Net Debt	(16,233,618)	(15,801,154)
	Non-Financial Assets		
*	Net Tangible Capital Assets (TCA Schedule)	18,382,781	17,338,158
	Inventories	-	-
	Prepaid Expenses	22,138	15,332
		18,404,919	17,353,490
*	**Accumulated Surplus**	2,171,301	1,552,336

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes		2014	2013
	Revenue		
	Provincial Government	17,622,148	16,865,867
	Federal Government	20,974	22,700
	Municipal Government - Property Tax	3,166,369	3,014,912
	- Other	-	-
	Other School Divisions	10,317	24,763
	First Nations	1,568	14,975
	Private Organizations and Individuals	-	54,972
	Other Sources	147,368	106,523
	School Generated Funds	431,426	485,064
	Other Special Purpose Funds	-	-
		21,400,170	20,589,776
	Expenses		
	Regular Instruction	9,731,579	9,183,863
	Student Support Services	4,396,393	4,494,842
	Adult Learning Centres	594,324	594,946
	Community Education and Services	54,545	57,757
	Divisional Administration	747,395	746,353
	Instructional and Other Support Services	454,015	516,417
	Transportation of Pupils	581,452	564,377
	Operations and Maintenance	2,394,267	2,112,092
*	Fiscal - Interest	696,672	531,966
	- Other	328,035	316,156
	Amortization	332,370	319,143
	Other Capital Items	41,013	-
	School Generated Funds	429,145	459,817
	Other Special Purpose Funds	-	-
		20,781,205	19,897,729
	Current Year Surplus (Deficit) before Non-vested Sick Leave	618,965	692,047
	Less: Non-vested Sick Leave Expense (Recovery)	0	0
	Net Current Year Surplus (Deficit)	618,965	692,047
	Opening Accumulated Surplus	1,552,336	860,289
	Adjustments: Tangible Cap. Assets and Accum. Amort.	-	-
	Other than Tangible Cap. Assets	-	-
	Non-vested sick leave - prior years	-	-
	Opening Accumulated Surplus, as adjusted	1,552,336	860,289
	Closing Accumulated Surplus	2,171,301	1,552,336

See accompanying notes to the Financial Statements

* NOTE REQUIRED

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2014

	2014	2013
Current Year Surplus (Deficit)	618,965	692,047
Amortization of Tangible Capital Assets	332,370	319,143
Acquisition of Tangible Capital Assets	(1,376,993)	(5,019,584)
(Gain) / Loss on Disposal of Tangible Capital Assets	-	-
Proceeds on Disposal of Tangible Capital Assets	-	-
	(1,044,623)	(4,700,441)
Inventories (Increase)/Decrease	-	-
Prepaid Expenses (Increase)/Decrease	(6,806)	1,402
	(6,806)	1,402
(Increase)/Decrease in Net Debt	(432,464)	(4,006,992)
Net Debt at Beginning of Year	(15,801,154)	(11,794,162)
Adjustments Other than Tangible Cap. Assets	-	-
	(15,801,154)	(11,794,162)
Net Debt at End of Year	(16,233,618)	(15,801,154)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2014

	2014	2013
Operating Transactions		
Current Year Surplus/(Deficit)	618,965	692,047
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	332,370	319,143
(Gain)/Loss on Disposal of Tangible Capital Assets	-	-
Employee Future Benefits Increase/(Decrease)	-	-
Due from Other Organizations (Increase)/Decrease	(885,926)	738,756
Accounts Receivable & Accrued Income (Increase)/Decrease	(43,612)	31,578
Inventories and Prepaid Expenses - (Increase)/Decrease	(6,806)	1,402
Due to Other Organizations Increase/(Decrease)	-	-
Accounts Payable & Accrued Liabilities Increase/(Decrease)	22,178	(280,996)
Deferred Revenue Increase/(Decrease)	(9,747)	(72,725)
School Generated Funds Liability Increase/(Decrease)	13,642	(542)
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by Operating Transactions	41,064	1,428,663
Capital Transactions		
Acquisition of Tangible Capital Assets	(1,376,993)	(5,019,584)
Proceeds on Disposal of Tangible Capital Assets	-	-
Cash (Applied to)/Provided by Capital Transactions	(1,376,993)	(5,019,584)
Investing Transactions		
Portfolio Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
Financing Transactions		
Debenture Debt Increase/(Decrease)	(306,198)	4,880,451
Other Borrowings Increase/(Decrease)	-	-
Cash Provided by (Applied to) Financing Transactions	(306,198)	4,880,451
Cash and Bank / Overdraft (Increase)/Decrease	(1,642,127)	1,289,530
Cash and Bank (Overdraft) at Beginning of Year	(884,690)	(2,174,220)
Cash and Bank (Overdraft) at End of Year	(2,526,817)	(884,690)

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2014

	Buildings and Leasehold Improvements		School	Other	Furniture / Fixtures &	Computer Hardware &		Land	Assets Under	2014	2013
	School	Non-School	Buses	Vehicles	Equipment	Software *	Land	Improvements	Construction	TOTALS	TOTALS
Tangible Capital Asset Cost											
Opening Cost, as previously reported	15,886,369	303,458	946,813	104,393	443,360	146,490	196,213	-	13,521,829	31,548,925	26,529,341
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	15,886,369	303,458	946,813	104,393	443,360	146,490	196,213	-	13,521,829	31,548,925	26,529,341
Add: Additions during the year	937,577	-	-	-	52,963	-	-	-	386,453	1,376,993	5,019,584
Less: Disposals and write downs	-	-	-	-	-	-	-	-	-	-	-
Closing Cost	16,823,946	303,458	946,813	104,393	496,323	146,490	196,213	-	13,908,282	32,925,918	31,548,925
Accumulated Amortization											
Opening, as previously reported	12,737,058	303,458	695,938	84,492	277,737	112,084		-		14,210,767	13,891,624
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	12,737,058	303,458	695,938	84,492	277,737	112,084		-		14,210,767	13,891,624
Add: Current period Amortization	196,717	-	72,976	5,479	47,823	9,375		-		332,370	319,143
Less: Accumulated Amortization on Disposals and Writedowns	-	-	-	-	-	-		-		-	-
Closing Accumulated Amortization	12,933,775	303,458	768,914	89,971	325,560	121,459		-		14,543,137	14,210,767
Net Tangible Capital Asset	3,890,171	-	177,899	14,422	170,763	25,031	196,213	-	13,908,282	18,382,781	17,338,158
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, 2013	Additions in the period	Time Expired Funding Lost	Transferred to Revenue	Balance as at June 30, 2014
Province of Manitoba	$ 21,885	$ 12,138	$	$ 21,885	$ 12,138
	$ 21,885	$ 12,138	$ Nil	$ 21,885	$ 12,138

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 $313,627 (2013 - $297,704).

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 2014 to 2034. Payment of principal and interest is funded entirely by grants from the Province of Manitoba. The debentures carry interest rates that range from 3.6% to 10%. Debenture interest expense payable as at June 30, 2014 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
2015	$ 736,724	$ 680,643	$ 1,417,367
2016	734,075	645,694	1,379,769
2017	760,965	611,641	1,372,606
2018	770,417	577,037	1,347,454
2019	790,884	542,691	1,333,575
	$ 3,793,065	$ 3,057,706	$ 6,850,771

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	2014 Net Book Value	2013 Net Book Value
Owned-tangible capital assets	$ 32,925,918	$ 14,543,137	$ 18,382,781	$ 17,338,158

8. ACCUMULATED SURPLUS (DEFICIT)

The consolidated accumulated surplus is comprised of the following:

	2014	2013
Operating Fund		
Designated Surplus	$ -	$ -
Undesignated Surplus	889,656	681,849
	889,656	681,849
Capital Fund		
Reserve Accounts	-	-
Equity in Tangible Capital Assets	1,028,562	619,685
	1,028,562	619,685
Special Purpose Fund		
School Generated Funds	253,083	250,802
Other Special Purpose Funds	-	-
	253,083	250,802
Total Accumulated Surplus (Deficit)	$ 2,171,301	$ 1,552,336

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 2013 and 60% for 2014. Below are the related revenue and receivable amounts:

	2014	2013
Revenue-Municipal Government-Property Tax	$ 3,166,369	$ 3,014,912
Receivable-Due from Municipal-Property Tax	$ 2,602,454	$ 1,690,183

10. INTEREST RECEIVED AND PAID

The Division received interest during the year of $8,940 (previous year $2,633; interest paid during the year was $696,672 (previous year $531,966).

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

	2014	2013
Operating Fund		
Fiscal-short term loan, interest and bank charges	$ 7,234	$ 3,302
Capital Fund		
Debenture debt Interest	689,438	528,664
Other interest	-	-
	$ 696,672	$ 531,966

The accrual portion of debenture debt interest expense of $321,000 (2013 - $330,868) 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 2014	Budget 2014	Actual 2013
Salaries	$ 15,146,531	$ 15,504,913	$ 14,846,694
Employees benefits & allowances	1,385,582	1,408,205	1,222,383
Services	1,413,581	1,447,650	1,220,947
Supplies, materials & minor equipment	988,799	1,197,234	965,156
Interest	696,672	30,000	641,327
Bad debts			
Payroll tax	328,035	325,000	316,156
Amortization	332,370		319,143
Other capital items	41,013		
School generated funds	429,145		459,817
Transfers	19,477	27,500	15,467
	$ 20,781,205	$ 19,940,502	$ 20,007,090

12. SUBSEQUENT EVENT

In October, 2014 a significant fire struck Mary Duncan School, a facility owned and operated by the Division. Estimated damage is in the $5,000,000 to $7,000,000 range and the Division anticipates that these costs will be covered by its insurance policy which has a $5,000 deductible. The Division has been able to make temporary arrangements to substantially mitigate the operational impact of the loss of use of the facility.

MANAGEMENT REPORT

Management's Responsibility for the Financial Statements

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

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

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

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

Original Document Signed

Chairperson

Original Document Signed

Secretary-Treasurer

October 28, 2014

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, 2014, the consolidated statements of revenue, expenses, and accumulated surplus, change in net debt and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

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

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

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Lakeshore School Division as at June 30, 2014 and the results of its operations, changes in net debt and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

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

MNP LLP

Winnipeg, Manitoba

October 28, 2014

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.

Original Document Signed

DATE

CHAIRPERSON

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2014	2013
	Financial Assets		
	Cash and Bank	-	403,303
	Due from - Provincial Government	1,143,016	1,001,205
	- Federal Government	26,269	38,937
	- Municipal Government	2,272,175	2,020,273
	- Other School Divisions	11,136	6,860
	- First Nations	558,104	512,425
	Accounts Receivable	51,417	74,215
	Accrued Investment Income	-	-
	Portfolio Investments	-	-
		4,062,117	4,057,218
	Liabilities		
3	Overdraft	175,584	-
	Accounts Payable	455,435	1,047,994
	Accrued Liabilities	1,446,275	1,502,130
4	Employee Future Benefits	132,603	71,895
	Accrued Interest Payable	280,087	291,079
	Due to - Provincial Government	-	-
	- Federal Government	-	-
	- Municipal Government	13,485	13,578
	- Other School Divisions	-	-
	- First Nations	-	-
5	Deferred Revenue	58,129	58,218
6	Debenture Debt	11,758,634	12,009,173
	Other Borrowings	-	-
	School Generated Funds Liability	-	-
		14,320,232	14,994,067
	Net Debt	(10,258,115)	(10,936,849)
	Non-Financial Assets		
7	Net Tangible Capital Assets (TCA Schedule)	14,140,884	14,558,096
	Inventories	-	-
	Prepaid Expenses	23,280	38,721
		14,164,164	14,596,817
8	**Accumulated Surplus**	3,906,049	3,659,968

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes			2014	2013
	Revenue			
	Provincial Government		13,321,561	12,994,648
	Federal Government		-	-
	Municipal Government	- Property Tax	3,358,951	2,926,732
		- Other	-	-
	Other School Divisions		63,746	75,460
	First Nations		993,923	986,624
	Private Organizations and Individuals		176,674	155,150
	Other Sources		224,503	244,090
	School Generated Funds		361,095	383,302
	Other Special Purpose Funds		14,560	25,446
			18,515,013	17,791,452
	Expenses			
	Regular Instruction		8,547,464	8,317,327
	Student Support Services		2,779,292	2,816,756
	Adult Learning Centres		283,944	246,128
	Community Education and Services		271,801	315,718
	Divisional Administration		624,982	608,576
	Instructional and Other Support Services		457,074	475,848
	Transportation of Pupils		1,593,577	1,561,480
	Operations and Maintenance		1,465,326	1,520,524
10	Fiscal	- Interest	648,151	678,487
		- Other	252,930	250,156
	Amortization		902,168	868,918
	Other Capital Items		48,734	-
	School Generated Funds		383,498	354,904
	Other Special Purpose Funds		9,991	32,002
			18,268,932	18,046,824
	Current Year Surplus (Deficit) before Non-vested Sick Leave		246,081	(255,372)
	Less: Non-vested Sick Leave Expense (Recovery)		0	0
	Net Current Year Surplus (Deficit)		246,081	(255,372)
	Opening Accumulated Surplus		3,659,968	3,915,340
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	-
		Other than Tangible Cap. Assets	-	-
		Non-vested sick leave - prior years	-	-
	Opening Accumulated Surplus, as adjusted		3,659,968	3,915,340
	Closing Accumulated Surplus		3,906,049	3,659,968

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2014

	2014	2013
Current Year Surplus (Deficit)	246,081	(255,372)
Amortization of Tangible Capital Assets	902,168	868,918
Acquisition of Tangible Capital Assets	(484,956)	(1,103,926)
(Gain) / Loss on Disposal of Tangible Capital Assets	-	-
Proceeds on Disposal of Tangible Capital Assets	-	-
	417,212	(235,008)
Inventories (Increase)/Decrease	-	-
Prepaid Expenses (Increase)/Decrease	15,441	(21,290)
	15,441	(21,290)
(Increase)/Decrease in Net Debt	678,734	(511,670)
Net Debt at Beginning of Year	(10,936,849)	(10,425,179)
Adjustments Other than Tangible Cap. Assets	-	-
	(10,936,849)	(10,425,179)
Net Debt at End of Year	(10,258,115)	(10,936,849)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2014

	2014	2013
Operating Transactions		
Current Year Surplus/(Deficit)	246,081	(255,372)
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	902,168	868,918
(Gain)/Loss on Disposal of Tangible Capital Assets	-	-
Employee Future Benefits Increase/(Decrease)	60,708	(35,324)
Due from Other Organizations (Increase)/Decrease	(431,000)	(224,702)
Accounts Receivable & Accrued Income (Increase)/Decrease	22,798	(42,506)
Inventories and Prepaid Expenses - (Increase)/Decrease	15,441	(21,290)
Due to Other Organizations Increase/(Decrease)	(93)	739
Accounts Payable & Accrued Liabilities Increase/(Decrease)	(659,406)	347,417
Deferred Revenue Increase/(Decrease)	(89)	(9,074)
School Generated Funds Liability Increase/(Decrease)	-	-
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by Operating Transactions	156,608	628,806
Capital Transactions		
Acquisition of Tangible Capital Assets	(484,956)	(1,103,926)
Proceeds on Disposal of Tangible Capital Assets	-	-
Cash (Applied to)/Provided by Capital Transactions	(484,956)	(1,103,926)
Investing Transactions		
Portfolio Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
Financing Transactions		
Debenture Debt Increase/(Decrease)	(250,539)	(663,318)
Other Borrowings Increase/(Decrease)	-	-
Cash Provided by (Applied to) Financing Transactions	(250,539)	(663,318)
Cash and Bank / Overdraft (Increase)/Decrease	(578,887)	(1,138,438)
Cash and Bank (Overdraft) at Beginning of Year	403,303	1,541,741
Cash and Bank (Overdraft) at End of Year	(175,584)	403,303

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2014

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	2014 TOTALS	2013 TOTALS
	School	Non-School									
Tangible Capital Asset Cost											
Opening Cost, as previously reported	22,992,931	498,069	3,045,506	25,738	915,976	-	50,115	-	341,180	27,869,515	26,765,589
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	22,992,931	498,069	3,045,506	25,738	915,976	-	50,115	-	341,180	27,869,515	26,765,589
Add: Additions during the year	370,192	-	196,893	-	259,051	-	-	-	(341,180)	484,956	1,103,926
Less: Disposals and write downs	-	-	-	-	-	-	-	-	-	-	-
Closing Cost	23,363,123	498,069	3,242,399	25,738	1,175,027	-	50,115	-	-	28,354,471	27,869,515
Accumulated Amortization											
Opening, as previously reported	10,216,949	487,621	2,093,354	25,738	487,757	-		-		13,311,419	12,442,501
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	10,216,949	487,621	2,093,354	25,738	487,757	-		-		13,311,419	12,442,501
Add: Current period Amortization	569,686	1,393	192,362	-	138,727	-		-		902,168	868,918
Less: Accumulated Amortization on Disposals and Writedowns	-	-	-	-	-	-		-		-	-
Closing Accumulated Amortization	10,786,635	489,014	2,285,716	25,738	626,484	-		-		14,213,587	13,311,419
Net Tangible Capital Asset	12,576,488	9,055	956,683	-	548,543	-	50,115	-	-	14,140,884	14,558,096
Proceeds from Disposal of Capital Assets	-	-	-	-	-	-				-	-

* Includes network infrastructure.

1. Nature of Organization and Economic Dependence

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

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

2. Significant Accounting Policies

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles established by the Public Sector Accounting Board ("PSAB") of the 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 (the Division) under a trust agreement or statue. The trustee merely administers the terms and conditions embodied in the agreement, and it has no unilateral authority to change the conditions set our in the trust indenture.

b) Basis of Accounting

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

c) Fund Accounting

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

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

2. Significant Accounting Policies - Continued

d) School Generated Funds

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

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

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

e) Tangible Capital Assets

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

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

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

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

All land acquired prior to June 30, 1995 has been valued using information provided by the Crown Lands and Property Agency and adjusted by the Division where further information was available.

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

2. Significant Accounting Policies - Continued

e) Tangible Capital Assets - Continued

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

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

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

f) Employee Future Benefits

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

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

<u>Defined contribution plan</u>

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

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

g) Capital Reserve

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

h) Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting year.

Accounts receivable are stated after evaluation as to their collectability, and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization of tangible capital assets is based on their estimated useful lives as prescribed by FRAME which approximates their useful lives. Non-vested sick leave benefits are measured based on management's best estimate of projected future utilization of sick time in a given year over sick time earned in that year.

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

2. Significant Accounting Policies – Continued

i) Financial instruments

Fair values:

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

Classification:

Cash and bank, and overdraft	Held-for-trading
Accounts receivable	Loans and receivables
Accounts payable and accrued liabilities, employee future benefits, accrued interest payable and debenture debt	Other financial liabilities

Held for trading:

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

Loans and receivables:

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

Other financial liabilities:

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

Interest, currency and credit risk:

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

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% (2013 – prime less 0.25%); interest is paid monthly. $3,000,000 remains available on this line of credit. Overdrafts are secured by temporary borrowing by-laws.

4. Employee Future Benefits

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

The employee future benefit expense is a part of the Employee Benefits and Allowances expense account. It includes the Division's contribution of $221,357 in 2014 (2013 - $213,865).

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

Non-vested accumulated sick leave benefits are measured based on estimated future utilization of excess sick benefits used over earned per year, to maximum entitlement. The impact of the estimated non-vested sick leave benefit cost for 2014 is $nil (2013 - $nil).

5. Deferred Revenue

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

	Balance as at June 30, 2013	Additions in year	Revenue recognized in year	Balance as at June 30, 2014
Lakeshore Recreation Commission	51,378	-	249	51,129
Other amounts	6,840	7,000	6,840	7,000
	$ 58,218	$ 7,000	$ 7,809	$ 58,129

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 2015 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, 2014, 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
2015	743,644	633,598	1,377,242
2016	749,522	591,228	1,340,750
2017	790,943	549,807	1,340,750
2018	834,689	506,061	1,340,750
2019	838,882	459,859	1,298,741
	$3,957,680	$2,740,553	$6,698,233

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	2014 Net Book Value	2013 Net Book Value
Owned-tangible capital assets	$ 28,354,471	$ 14,213,587	$14,140,884	$ 14,558,096

8. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2014	2013
Operating Fund		
Designated Surplus	$ 0	$ 100,000
Undesignated Surplus	626,692	597,942
	626,692	697,942
Capital Fund		
Reserve Accounts	709,559	569,262
Equity in Tangible Capital Assets	2,395,596	2,200,728
	3,105,155	2,769,990
Special Purpose Fund		
School Generated Funds	153,702	176,104
Other Special Purpose Funds	20,500	15,932
	174,202	192,036
Total Accumulated Surplus	$ 3,906,049	$ 3,659,968

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 2013 tax year and 60% from 2014 tax year. Below are the related revenue and receivable amounts:

	2014	2013
Revenue-Municipal Government-Property Tax	$3,358,951	$2,926,732
Receivable-Due from Municipal-Property Tax	$2,272,175	$2,020,273

10. Interest Received and Paid

The Division received interest during the year of $7,770 (2013 - $14,898); interest paid during the year was $648,151 (2013 - $678,487).

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

	2014	2013
Operating Fund		
Fiscal-short term loan, interest and bank charges	$ 4,784	$ 3,583
Capital Fund		
Debenture debt interest	643,367	674,904
	$ 648,151	$ 678,487

The accrual portion of debenture debt interest expense of $280,088 (2013 - $291,079) 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 2014	Budget 2014	Actual 2013
Salaries	$ 11,944,746	$ 11,966,550	$ 11,660,396
Employees benefits and allowances	1,136,573	1,030,400	977,052
Services	1,451,351	1,405,080	1,659,139
Supplies, materials and minor equipment	1,441,281	1,371,950	1,522,827
Interest	648,151	5,000	678,487
Payroll tax	252,930	245,000	250,156
Transfers	49,509	36,100	42,943
Amortization	902,168	-	868,918
Loss (Gain) and disposal of capital assets	-	-	-
School generated funds	383,498	-	354,904
Other capital items	48,734		
Other special purpose funds	9,991	-	32,002
	$ 18,268,932	$ 16,060,080	$ 18,046,824

12. Non Financial Information

The 2013 student enrolment (FRAME) and transportation statistics, full time equivalent personnel, and senior staff allocations are unaudited and have been presented for information purposes only.

13. Capital management

Operating and special purpose funds
The Division’s objective when managing capital is to ensure that its expenditures closely match their revenues. Capital consists of the two fund balances in the amount of $800,894 (2013 - $889,978).

Capital fund
The capital fund is managed with the long term objective of acquiring and maintaining the capital assets acquired to facilitate the Division’s operations. Capital consists of the various fund balances in the amount of $3,105,155 (2013 - $2,769,990).

The Division is not subject to externally imposed capital requirements. There have been no changes in the Division's approach to capital management during the year.

Lord Selkirk School Division

205 MERCY STREET, SELKIRK, MANITOBA R1A 2C8
PH. (204) 482-5942 • TOLL FREE 1-866-433-5942 • FAX (204) 482-3000
E-mail: lssd.boardoffice@lssd.ca Website: www.lssd.ca

MANAGEMENT REPORT

Management's Responsibility for the Financial Statements

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

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

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

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

Original Document Signed

Chairperson

Original Document Signed

Secretary-Treasurer

October 21, 2014

BDO

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

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

Independent Auditor's Report

To the Chairperson and Board of Trustees of **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, 2014, 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, 2014, 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 21, 2014

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

Original Document Signed

Date

Chairperson

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes			2014	2013
	Financial Assets			
	Cash and Bank		-	-
	Due from	- Provincial Government	6,395,249	2,789,600
		- Federal Government	78,147	51,629
		- Municipal Government	11,109,968	10,298,111
		- Other School Divisions	39,925	42,116
		- First Nations	450,513	358,071
	Accounts Receivable		175,939	129,885
	Accrued Investment Income		-	-
	Portfolio Investments		-	-
			18,249,741	13,669,412
	Liabilities			
*	Overdraft		6,899,904	2,536,324
	Accounts Payable		4,598,404	3,620,528
	Accrued Liabilities		3,135,447	3,053,444
*	Employee Future Benefits		290,294	237,661
	Accrued Interest Payable		546,748	471,300
	Due to	- Provincial Government	163,805	160,110
		- Federal Government	-	-
		- Municipal Government	-	-
		- Other School Divisions	-	-
		- First Nations	-	-
*	Deferred Revenue		439,532	1,144,189
*	Debenture Debt		24,519,423	19,438,334
	Other Borrowings		-	-
	School Generated Funds Liability		71,819	75,532
			40,665,376	30,737,422
	Net Debt		(22,415,635)	(17,068,010)
	Non-Financial Assets			
*	Net Tangible Capital Assets (TCA Schedule)		32,795,177	27,023,119
	Inventories		34,328	31,880
	Prepaid Expenses		72,680	74,855
			32,902,185	27,129,854
*	**Accumulated Surplus**		10,486,550	10,061,844

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes			2014	2013
	Revenue			
	Provincial Government		36,375,719	35,896,105
	Federal Government		-	17,002
	Municipal Government	- Property Tax	18,559,210	17,200,081
		- Other	-	-
	Other School Divisions		191,700	194,475
	First Nations		440,411	523,610
	Private Organizations and Individuals		488,245	566,977
	Other Sources		307,212	226,546
	School Generated Funds		1,135,945	1,062,123
	Other Special Purpose Funds		-	-
			57,498,442	55,686,919
	Expenses			
	Regular Instruction		30,441,284	30,182,755
	Student Support Services		9,077,563	8,585,943
	Adult Learning Centres		342,519	381,407
	Community Education and Services		373,178	450,439
	Divisional Administration		1,849,438	1,773,743
	Instructional and Other Support Services		1,436,340	1,424,777
	Transportation of Pupils		2,390,788	2,392,111
	Operations and Maintenance		5,629,201	5,262,477
*	Fiscal	- Interest	1,174,540	1,090,508
		- Other	870,222	857,444
	Amortization		2,232,526	2,199,487
	Other Capital Items		48,983	-
	School Generated Funds		1,154,521	1,048,448
	Other Special Purpose Funds		-	-
			57,021,103	55,649,539
	Current Year Surplus (Deficit) before Non-vested Sick Leave		477,339	37,380
	Less: Non-vested Sick Leave Expense (Recovery)		52,633	72,756
	Net Current Year Surplus (Deficit)		424,706	(35,376)
	Opening Accumulated Surplus		10,061,844	10,097,220
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	-
		Other than Tangible Cap. Assets	-	-
		Non-vested sick leave - prior years	-	-
	Opening Accumulated Surplus, as adjusted		10,061,844	10,097,220
	Closing Accumulated Surplus		10,486,550	10,061,844

See accompanying notes to the Financial Statements

* NOTE REQUIRED

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2014

	2014	2013
Current Year Surplus (Deficit)	477,339	37,380
Amortization of Tangible Capital Assets	2,232,526	2,199,487
Acquisition of Tangible Capital Assets	(8,004,584)	(1,874,443)
(Gain) / Loss on Disposal of Tangible Capital Assets	(26,200)	10,041
Proceeds on Disposal of Tangible Capital Assets	26,200	8,654
	(5,772,058)	343,739
Inventories (Increase)/Decrease	(2,448)	(339)
Prepaid Expenses (Increase)/Decrease	2,175	(5,788)
	(273)	(6,127)
(Increase)/Decrease in Net Debt	(5,294,992)	374,992
Net Debt at Beginning of Year	(17,068,010)	(17,370,246)
Adjustments Other than Tangible Cap. Assets	(52,633)	(72,756)
	(17,120,643)	(17,443,002)
Net Debt at End of Year	(22,415,635)	(17,068,010)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2014

	2014	2013
Operating Transactions		
Current Year Surplus/(Deficit)	477,339	37,380
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	2,232,526	2,199,487
(Gain)/Loss on Disposal of Tangible Capital Assets	(26,200)	10,041
Employee Future Benefits Increase/(Decrease)	52,633	72,756
Due from Other Organizations (Increase)/Decrease	(4,534,275)	(1,333,952)
Accounts Receivable & Accrued Income (Increase)/Decrease	(46,054)	(16,945)
Inventories and Prepaid Expenses - (Increase)/Decrease	(273)	(6,127)
Due to Other Organizations Increase/(Decrease)	3,695	77,881
Accounts Payable & Accrued Liabilities Increase/(Decrease)	1,135,327	(34,846)
Deferred Revenue Increase/(Decrease)	(704,657)	(1,492,411)
School Generated Funds Liability Increase/(Decrease)	(3,713)	(10,741)
Adjustments Other than Tangible Cap. Assets	(52,633)	(72,756)
Cash Provided by Operating Transactions	(1,466,285)	(570,233)
Capital Transactions		
Acquisition of Tangible Capital Assets	(8,004,584)	(1,874,443)
Proceeds on Disposal of Tangible Capital Assets	26,200	8,654
Cash (Applied to)/Provided by Capital Transactions	(7,978,384)	(1,865,789)
Investing Transactions		
Portfolio Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
Financing Transactions		
Debenture Debt Increase/(Decrease)	5,081,089	(37,027)
Other Borrowings Increase/(Decrease)	-	-
Cash Provided by (Applied to) Financing Transactions	5,081,089	(37,027)
Cash and Bank / Overdraft (Increase)/Decrease	(4,363,580)	(2,473,049)
Cash and Bank (Overdraft) at Beginning of Year	(2,536,324)	(63,275)
Cash and Bank (Overdraft) at End of Year	(6,899,904)	(2,536,324)

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2014

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	2014 TOTALS	2013 TOTALS
	School	Non-School									
Tangible Capital Asset Cost											
Opening Cost, as previously reported	44,014,913	3,803,423	5,562,068	172,011	2,454,014	1,066,920	279,518	2,225,817	594,697	60,173,381	58,848,374
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	44,014,913	3,803,423	5,562,068	172,011	2,454,014	1,066,920	279,518	2,225,817	594,697	60,173,381	58,848,374
Add: Additions during the year	1,241,218	-	508,840	45,084	223,601	110,638	200,860	161,096	5,513,247	8,004,584	1,874,443
Less: Disposals and write downs	-	-	417,902	11,541	60,978	338,678	-	-	-	829,099	549,436
Closing Cost	45,256,131	3,803,423	5,653,006	205,554	2,616,637	838,880	480,378	2,386,913	6,107,944	67,348,866	60,173,381
Accumulated Amortization											
Opening, as previously reported	23,635,099	2,314,289	3,117,567	142,723	1,810,096	673,665		1,456,823		33,150,262	31,481,516
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	23,635,099	2,314,289	3,117,567	142,723	1,810,096	673,665		1,456,823		33,150,262	31,481,516
Add: Current period Amortization	1,127,664	90,634	464,752	17,066	240,623	121,767		170,020		2,232,526	2,199,487
Less: Accumulated Amortization on Disposals and Writedowns	-	-	417,902	11,541	60,978	338,678		-		829,099	530,741
Closing Accumulated Amortization	24,762,763	2,404,923	3,164,417	148,248	1,989,741	456,754		1,626,843		34,553,689	33,150,262
Net Tangible Capital Asset	20,493,368	1,398,500	2,488,589	57,306	626,896	382,126	480,378	760,070	6,107,944	32,795,177	27,023,119
Proceeds from Disposal of Capital Assets	-	-	24,420	1,780	-	-				26,200	8,654

* Includes network infrastructure.

LORD SELKIRK SCHOOL DIVISION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

1. Nature of Organization and Economic Dependence

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

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

2. Significant Accounting Policies

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

Reporting Entity and Consolidation

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

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

Trust Funds

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

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

Basis of Accounting

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

Fund Accounting

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

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

School Generated Funds

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

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

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

Tangible Capital Assets

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

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

Asset Description	Capitalization Threshold ($)	Estimated Useful Life
Land Improvements	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 are minimal. The carrying amounts of the financial instruments approximate their carrying values, unless otherwise noted.

3. Bank Overdraft

The Division has an authorized line of credit with TD Canada Trust of $9,483,260 by way of overdrafts and is repayable on demand at prime less .75% (2.25% as of June 30, 2014); interest is paid monthly. Overdrafts are secured by a borrowing by-law. As at June 30, 2014, the Division's operating line of credit utilized is $7,252,037.

4. Employee Future Benefits

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

The employee future benefit expense is a part of the Employee Benefits and Allowances expense account. It includes the Division's contribution of $783,760 in 2014 ($739,346 in 2013).

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 $52,633 ($72,756 in 2013).

Employee future benefits of $290,294 ($237,661 at June 30, 2013) recorded as a liability consists entirely of the Division's sick leave liability.

5. Deferred Revenue

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

	Balance as at June 30, 2013	Additions in period	Revenue recognized in period	Balance as at June 30, 2014
Operating Fund				
Education Property Tax Credit (EPTC)	$ 736,365	$ 4,947,435	$ 5,683,800	$ -
START	8,152	67,653	63,171	12,634
Breakfast Programs	12,500	7,422	11,565	8,357
International Students Program	165,117	146,325	173,820	137,622
Community Stadium	30,259	335	-	30,594
Other	68,278	133,678	125,102	76,854
	1,020,671	5,302,848	6,057,458	266,061
Capital Fund				
Capital Fund Donations	123,518	65,469	15,515	173,471
Total	$ 1,144,189	$ 5,368,316	$ 6,072,973	$ 439,532

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 $71,819 in 2014 ($75,532 in 2013).

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 2015 to 2034. 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 3.5% to 9.875%. Debenture interest expense payable as at June 30, 2014, 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:

2015	$ 2,649,263
2016	2,609,018
2017	2,598,451
2018	2,556,963
2019	2,509,801
	$ 12,923,496

8. Net Tangible Capital Assets

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

9. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2014	2013
Operating Fund		
Designated Surplus	$ 1,335,625	-
Undesignated Surplus	1,957,424	2,744,481
Non-vested Sick Leave	(290,294)	(237,661)
	3,002,755	2,506,820
Capital Fund		
Reserve Accounts	101,084	102,401
Equity in Tangible Capital Assets	7,026,852	7,078,188
	7,127,936	7,180,589
Special Purpose Fund		
School Generated Funds	355,859	374,435
Other Special Purpose Funds	-	-
	355,859	374,435
Total Accumulated Surplus	$ 10,486,550	10,061,844

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 designated surplus is $1,335,625 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.

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

Education property tax or Special Levy is raised as the Division's contribution to the cost of providing public education for the students' resident in the division. The Municipal Government - Property Tax shown on the consolidated statement of revenue and expense is raised over the two calendar (tax) years; 40% from 2013 tax year and 60% from 2014 tax year. Below are the related revenue and receivable amounts:

	2014	2013
Revenue – Municipal Government – Property Tax	$ 18,559,210	$ 17,200,081
Receivable – Due from Municipal – Property Tax	$ 11,109,968	$ 10,298,111

11. Interest Received and Paid

The Division received interest during the year of $11,910 (previous year $10,188); interest paid during the year was $1,174,540 (previous year $1,090,508).

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

	2014	2013
Operating Fund		
Fiscal-short term loan, interest and bank charges	$ 60,878	$ 39,360
Capital Fund		
Debenture interest	1,113,662	1,051,148
	$ 1,174,540	$ 1,090,508

The accrual portion of debenture debt interest expense of $ 546,748 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 2014	Budget 2014	Actual 2013
Salaries	$40,604,843	$ 40,524,490	$ 39,510,076
Employees benefits and allowances	3,431,289	3,505,195	3,511,551
Services	3,802,073	4,105,270	3,815,039
Supplies, materials & minor equipment	3,461,871	3,736,365	3,335,185
Interest	1,174,540	30,000	1,090,508
Payroll tax	870,222	865,935	857,444
Amortization	2,232,526	-	2,199,487
Transfers	240,235	155,000	281,801
Other capital items	48,983	-	-
School generated funds	1,154,521	-	1,048,448
	$57,021,103	$52,922,255	$55,649,539

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.

Original Document Signed	Original Document Signed
Chairperson	Secretary-Treasurer

October 21, 2014

KPMG LLP
Suite 2000 - One Lombard Place
Winnipeg MB R3B 0X3
Canada

Telephone (204) 957-1770
Fax (204) 957-0808
Internet www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees

We have audited the accompanying consolidated financial statements of Louis Riel School Division, which comprise the consolidated statement of financial position as at June 30, 2014, the consolidated statements of revenue, expenses and accumulated surplus, change in net debt and cash flow for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information. These consolidated financial statements have been prepared to comply with the Public Schools Act.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Louis Riel School Division as at June 30, 2014, and its consolidated results of operations, its consolidated change in net debt and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Other Matters

Our audit was made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The 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 21, 2014
Winnipeg, Canada

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

Original Document Signed

Chairperson of the Board	Date

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2014	2013
	Financial Assets		
	Cash and Bank	-	-
	Due from - Provincial Government	18,721,857	5,866,388
	- Federal Government	324,394	301,644
	- Municipal Government	30,721,482	28,511,338
	- Other School Divisions	2,706	5,389
	- First Nations	-	-
	Accounts Receivable	886,825	578,699
	Accrued Investment Income	-	-
	Portfolio Investments	-	-
		50,657,264	35,263,458
	Liabilities		
*	Overdraft	27,576,210	3,192,878
	Accounts Payable	11,513,735	12,315,579
	Accrued Liabilities	3,094,459	3,084,442
*	Employee Future Benefits	1,060,545	925,730
	Accrued Interest Payable	392,876	394,749
	Due to - Provincial Government	26,123	1,822
	- Federal Government	6,460	5,844
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
*	Deferred Revenue	1,168,716	9,286,229
*	Debenture Debt	22,307,922	20,368,724
*	Other Borrowings	253,924	486,697
	School Generated Funds Liability	711,137	738,996
		68,112,107	50,801,690
	Net Debt	(17,454,843)	(15,538,232)
	Non-Financial Assets		
*	Net Tangible Capital Assets (TCA Schedule)	44,388,811	40,743,640
	Inventories	51,832	407,802
	Prepaid Expenses	617,679	554,010
		45,058,322	41,705,452
*	**Accumulated Surplus**	27,603,479	26,167,220

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes			2014	2013
	Revenue			
	Provincial Government		106,609,260	106,092,755
	Federal Government		178,434	55,990
	Municipal Government	- Property Tax	51,270,517	47,580,610
		- Other	-	-
	Other School Divisions		491,556	508,389
	First Nations		-	-
	Private Organizations and Individuals		3,001,405	2,742,831
	Other Sources		507,084	367,169
	School Generated Funds		2,358,068	1,997,806
	Other Special Purpose Funds		-	-
			164,416,324	159,345,550
	Expenses			
	Regular Instruction		86,628,950	82,541,586
	Student Support Services		32,430,626	32,243,662
	Adult Learning Centres		-	-
	Community Education and Services		1,158,227	1,130,743
	Divisional Administration		5,026,042	4,973,837
	Instructional and Other Support Services		6,938,896	7,567,425
	Transportation of Pupils		3,332,892	3,266,427
	Operations and Maintenance		17,183,203	16,744,197
*	Fiscal	- Interest	1,279,124	1,392,521
		- Other	2,618,708	2,520,999
	Amortization		3,762,044	3,640,779
	Other Capital Items		-	-
	School Generated Funds		2,486,538	2,085,297
	Other Special Purpose Funds		-	-
			162,845,250	158,107,473
	Current Year Surplus (Deficit) before Non-vested Sick Leave		1,571,074	1,238,077
	Less: Non-vested Sick Leave Expense (Recovery)		134,815	189,514
	Net Current Year Surplus (Deficit)		1,436,259	1,048,563
	Opening Accumulated Surplus		26,167,220	25,118,657
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	-
		Other than Tangible Cap. Assets	-	-
		Non-vested sick leave - prior years	-	-
	Opening Accumulated Surplus, as adjusted		26,167,220	25,118,657
	Closing Accumulated Surplus		27,603,479	26,167,220

See accompanying notes to the Financial Statements

* NOTE REQUIRED

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2014

	2014	2013
Current Year Surplus (Deficit)	1,571,074	1,238,077
Amortization of Tangible Capital Assets	3,762,044	3,640,779
Acquisition of Tangible Capital Assets	(7,407,215)	(2,814,828)
(Gain) / Loss on Disposal of Tangible Capital Assets	-	(9,330)
Proceeds on Disposal of Tangible Capital Assets	-	133,750
	(3,645,171)	950,371
Inventories (Increase)/Decrease	355,970	(337,551)
Prepaid Expenses (Increase)/Decrease	(63,669)	217,526
	292,301	(120,025)
(Increase)/Decrease in Net Debt	(1,781,796)	2,068,423
Net Debt at Beginning of Year	(15,538,232)	(17,417,141)
Adjustments Other than Tangible Cap. Assets	(134,815)	(189,514)
	(15,673,047)	(17,606,655)
Net Debt at End of Year	(17,454,843)	(15,538,232)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2014

	2014	2013
Operating Transactions		
Current Year Surplus/(Deficit)	1,571,074	1,238,077
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	3,762,044	3,640,779
(Gain)/Loss on Disposal of Tangible Capital Assets	-	(9,330)
Employee Future Benefits Increase/(Decrease)	134,815	189,514
Due from Other Organizations (Increase)/Decrease	(15,085,680)	(2,105,225)
Accounts Receivable & Accrued Income (Increase)/Decrease	(308,126)	(75,421)
Inventories and Prepaid Expenses - (Increase)/Decrease	292,301	(120,025)
Due to Other Organizations Increase/(Decrease)	24,917	5,455
Accounts Payable & Accrued Liabilities Increase/(Decrease)	(793,700)	100,681
Deferred Revenue Increase/(Decrease)	(8,117,513)	224,468
School Generated Funds Liability Increase/(Decrease)	(27,859)	(14,387)
Adjustments Other than Tangible Cap. Assets	(134,815)	(189,514)
Cash Provided by Operating Transactions	(18,682,542)	2,885,072
Capital Transactions		
Acquisition of Tangible Capital Assets	(7,407,215)	(2,814,828)
Proceeds on Disposal of Tangible Capital Assets	-	133,750
Cash (Applied to)/Provided by Capital Transactions	(7,407,215)	(2,681,078)
Investing Transactions		
Portfolio Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
Financing Transactions		
Debenture Debt Increase/(Decrease)	1,939,198	(1,002,256)
Other Borrowings Increase/(Decrease)	(232,773)	(228,771)
Cash Provided by (Applied to) Financing Transactions	1,706,425	(1,231,027)
Cash and Bank / Overdraft (Increase)/Decrease	(24,383,332)	(1,027,033)
Cash and Bank (Overdraft) at Beginning of Year	(3,192,878)	(2,165,845)
Cash and Bank (Overdraft) at End of Year	(27,576,210)	(3,192,878)

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2014

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	2014 TOTALS	2013 TOTALS
	School	Non-School									
Tangible Capital Asset Cost											
Opening Cost, as previously reported	101,892,622	3,342,617	2,267,233	247,322	3,062,318	5,134,607	4,223,610	309,405	2,047,352	122,527,086	120,149,934
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	101,892,622	3,342,617	2,267,233	247,322	3,062,318	5,134,607	4,223,610	309,405	2,047,352	122,527,086	120,149,934
Add: Additions during the year	1,576,095	-	433,990	-	361,456	802,501	875,676	-	3,357,497	7,407,215	2,814,828
Less: Disposals and write downs	-	-	-	-	-	-	-	-	-	-	437,676
Closing Cost	103,468,717	3,342,617	2,701,223	247,322	3,423,774	5,937,108	5,099,286	309,405	5,404,849	129,934,301	122,527,086
Accumulated Amortization											
Opening, as previously reported	73,747,945	2,742,434	1,148,420	194,235	1,909,114	1,871,123		170,175		81,783,446	78,455,923
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	73,747,945	2,742,434	1,148,420	194,235	1,909,114	1,871,123		170,175		81,783,446	78,455,923
Add: Current period Amortization	2,248,018	80,024	227,411	28,876	513,943	632,831		30,941		3,762,044	3,640,779
Less: Accumulated Amortization on Disposals and Writedowns	-	-	-	-	-	-		-		-	313,256
Closing Accumulated Amortization	75,995,963	2,822,458	1,375,831	223,111	2,423,057	2,503,954		201,116		85,545,490	81,783,446
Net Tangible Capital Asset	27,472,754	520,159	1,325,392	24,211	1,000,717	3,433,154	5,099,286	108,289	5,404,849	44,388,811	40,743,640
Proceeds from Disposal of Capital Assets	-	-	-	-	-	-				-	133,750

* 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, 2014 totaled $231,994 (2013 - $205,118).

Trust funds under Canadian public sector accounting standards 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 Canadian public sector accounting standards. Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they are earned and measurable; expenditures are recognized as they are incurred and measurable as a result of the receipt of goods and services acquired in the period.

(d) Fund accounting:

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

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

(e) Deferred revenue:

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

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

2. Significant accounting policies (continued):

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

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

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

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

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

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

(h) Employee future benefits:

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

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

2. **Significant accounting policies (continued):**

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

(i) Defined contribution plan:

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

(ii) Self-insured employee future benefits plan:

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

(iii) Non-vesting accumulated sick days:

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

(i) Capital reserve:

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

(j) Government transfers:

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

(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. Significant items subject to estimates include the carrying amount of capital assets. 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) Future accounting pronouncements:

In March 2010, the Public Sector Accounting Board (PSAB) approved Section PS 3260, Liability for Contaminated Sites for fiscal years beginning on or after April 1, 2014. The objective of this accounting standard addresses when these obligations meet the definition of a liability; recognition and measurement criteria; and any unique disclosure requirements.

The Division intends to adopt PS 3260 in its financial statements for the annual period beginning on July 1, 2014. The impact of the adoption of this standard is being evaluated and is not known or reasonably estimable at this time.

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

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

3. Overdraft:

The Division has authorized revolving lines of credit with the Royal Bank of Canada (RBC) of $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.

The Division was in an overdraft position on their line for credit of $2,576,210 (2013 - nil) at June 30, 2014.

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, 2014 is an increase of $134,815 (2013 - increase of $189,514). At June 30, 2014, the Division has recorded an estimated liability of $1,060,545 (2013 - $925,730) in respect of these benefits.

The significant assumptions adopted in measuring the non-vested accumulated sick leave benefit liability include a discount rate of 5 percent (June 30, 2013 - 5 percent) and a rate of salary increase of 2 percent to 3 percent (June 30, 2013 - 2 percent to 3 percent).

5. Employee future benefits:

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

The employee benefit expense is part of the employee benefits and allowances expense account. It includes the Division's contribution of $1,902,328 for fiscal 2014 (2013 - $2,236,864).

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, 2013	Additions in the year	Revenue recognized in the year	Balance, June 30, 2014
Education property tax credit	$ 8,452,209	$ 12,822,449	$ 21,274,658	$ –
Other	834,020	2,281,954	1,947,258	1,168,716
	$ 9,286,229	$ 15,104,403	$ 23,221,916	$ 1,168,716

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, 2014, school funds held in the Special Purpose Fund totaled $2,116,758 (2013 - $2,288,685).

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:

	2014	2013
Parent council funds	$ 27,278	$ 12,333
Lunch/snack funds	157,072	130,558
Students council funds	6,455	13,158
Graduation funds	54,413	48,990
Activity/sports fees	121,326	126,891
Other	307,349	348,355
Travel club funds	37,244	58,711
	$ 711,137	$ 738,996

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 2015 to fiscal 2034. Payment of principal and interest is funded entirely by grants from the Province of Manitoba. The debentures carry interest rates that range from 3.75 percent to 10.0 percent. The debenture principal and interest repayments in the next five years and thereafter are:

	Principal	Interest	Total
2015	$ 1,953,790	$ 1,220,699	$ 3,174,489
2016	1,624,845	1,088,399	2,713,244
2017	1,639,139	990,793	2,629,932
2018	1,721,950	894,100	2,616,050
2019	1,721,130	792,617	2,513,747
Thereafter	13,647,068	3,936,611	17,583,679
	$ 22,307,922	$ 8,923,219	$ 31,231,141

During 2014, the Division had submitted claims for capital projects to the Public Schools Finance Branch totaling $3,813,100 (2013 - nil) and received debenture proceeds of this amount in 2014.

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	$ 128,722,890	$ 84,455,220	$ 44,267,670
Capital lease	1,211,411	1,090,270	121,141
	$ 129,934,301	$ 85,545,490	$ 44,388,811

10. Accumulated surplus:

The consolidated accumulated surplus is comprised of the following:

Operating Fund:	
Designated surplus	$ 860,269
Undesignated surplus	6,494,457
Non-vested sick leave to date	(1,060,546)
	6,294,181
Capital Fund:	
Reserve accounts	2,523,713
Equity in tangible capital assets	17,910,110
	20,433,823
Special purpose Fund:	
School generated funds	875,475
Total accumulated surplus	$ 27,603,479

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

School budget carryovers by board policy	$ 471,647
Board approved appreciation by motion	199,166
K-3 Class Size Initiative - furnishings, supplies, and minor equipment	189,456
Designated surplus	$ 860,269

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	$ 1,503,713
Other reserves	1,020,000
Capital reserve	$ 2,523,713

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 2013 tax year and 60 percent from 2014 tax year. Below are the related revenue and receivable amounts:

	2014	2013
Revenue - Municipal Government - property tax	$ 51,270,517	$ 47,580,610
Receivable - due from Municipal Government- property tax	30,721,482	28,511,338

12. Interest received and paid:

The Division received interest during the year of $71,698 (2013 - $99,768); interest paid during the year was $1,279,124 (2013 - $1,392,521).

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

	2014	2013
Operating Fund:		
Interest and bank charges	$ 85,742	$ 94,473
Capital Fund:		
Debenture debt interest	1,184,864	1,285,527
Other interest	8,518	12,521
	$ 1,279,124	$ 1,392,521

13. Expenditures by type:

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

14. Other borrowing:

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

	Principal	Interest	Total
2015	$ 188,774	$ 4,444	$ 193,218
2016	65,150	1,785	66,935
	$ 253,924	$ 6,229	$ 260,153

MANAGEMENT REPORT

Management's Responsibility for the Financial Statements

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

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

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

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

Original Document Signed	Original Document Signed
Chairperson	Secretary-Treasurer

Grant Thornton

Grant Thornton LLP
94 Commerce Drive
Winnipeg, MB
R3P 0Z3

T (204) 944-0100
F (204) 957-5442
www.GrantThornton.ca

Independent Auditors' Report

To The Governing Board of
Manitoba Institute of Trades and Technology

We have audited the accompanying consolidated financial statements of Manitoba Institute of Trades and Technology, which comprise the consolidated financial position as at June 30, 2014, and the consolidated statement of revenue, expenses and accumulated surplus, change in net debt, and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

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

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

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Manitoba Institute of Trades and Technology as at June 30, 2014, and the consolidated statement of revenue, expenses and accumulated surplus, change in net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Winnipeg, Manitoba
January 29, 2015

Grant Thornton LLP
Chartered Accountants

I hereby certify that the preceding report and the statements and reports referenced herein have been presented to the members of the Governing Board of Manitoba Institute of Trades and Technology.

Original Document Signed
Chairperson of the Governing Board

Date

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2014	2013
	Financial Assets		
	Cash and Bank	1,332,719	-
	Due from - Provincial Government	439,349	1,443,536
	- Federal Government	1,169,623	94,253
	- Municipal Government	-	-
	- Other School Divisions	71,614	228,170
	- First Nations	-	-
	Accounts Receivable	774,419	601,609
	Accrued Investment Income	-	-
*	Portfolio Investments	4,069,000	2,987,458
		7,856,724	5,355,026
	Liabilities		
	Overdraft	-	62,727
	Accounts Payable	1,614,367	430,837
	Accrued Liabilities	365,651	364,400
*	Employee Future Benefits	692,492	637,325
	Accrued Interest Payable	36,843	-
	Due to - Provincial Government	176,413	-
	- Federal Government	4,737	8,919
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
*	Deferred Revenue	3,004,592	1,488,131
*	Debenture Debt	4,212,595	4,444,938
*	Other Borrowings	17,481	45,756
	School Generated Funds Liability	-	-
		10,125,171	7,483,033
	Net Debt	(2,268,447)	(2,128,007)
	Non-Financial Assets		
*	Net Tangible Capital Assets (TCA Schedule)	9,431,509	8,936,762
	Inventories	-	-
	Prepaid Expenses	253,967	235,271
		9,685,476	9,172,033
*	**Accumulated Surplus**	7,417,029	7,044,026

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT
OF REVENUE, EXPENSES
AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes			2014	2013
	Revenue			
	Provincial Government		8,795,783	12,099,404
	Federal Government		3,788,765	-
	Municipal Government	- Property Tax	-	-
		- Other	-	-
	Other School Divisions		1,440,831	1,495,690
	First Nations		-	-
	Private Organizations and Individuals		7,151,129	6,173,275
	Other Sources		171,738	202,027
	School Generated Funds		-	-
	Other Special Purpose Funds		8,801	6,129
			21,357,047	19,976,525
	Expenses			
	Regular Instruction		4,643,142	5,208,316
	Student Support Services		592,997	676,761
	Adult Learning Centres		3,265,102	2,631,276
	Community Education and Services		7,041,952	6,247,202
	Divisional Administration		2,233,534	1,820,773
	Instructional and Other Support Services		263,538	219,836
	Transportation of Pupils		-	-
	Operations and Maintenance		1,920,797	1,943,545
*	Fiscal	- Interest	276,243	259,167
		- Other	125,345	119,377
	Amortization		613,774	442,586
	Other Capital Items		-	-
	School Generated Funds		-	-
	Other Special Purpose Funds		7,620	7,714
			20,984,044	19,576,553
	Current Year Surplus (Deficit) before Non-vested Sick Leave		373,003	399,972
	Less: Non-vested Sick Leave Expense (Recovery)		0	8,042
	Net Current Year Surplus (Deficit)		373,003	391,930
	Opening Accumulated Surplus		7,044,026	6,652,096
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	-
		Other than Tangible Cap. Assets	-	-
		Non-vested sick leave - prior years	-	-
	Opening Accumulated Surplus, as adjusted		7,044,026	6,652,096
	Closing Accumulated Surplus		7,417,029	7,044,026

See accompanying notes to the Financial Statements

* NOTE REQUIRED

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2014

	2014	2013
Current Year Surplus (Deficit)	373,003	399,972
Amortization of Tangible Capital Assets	613,774	442,586
Acquisition of Tangible Capital Assets	(1,108,521)	(1,487,561)
(Gain) / Loss on Disposal of Tangible Capital Assets	-	-
Proceeds on Disposal of Tangible Capital Assets	-	-
	(494,747)	(1,044,975)
Inventories (Increase)/Decrease	-	-
Prepaid Expenses (Increase)/Decrease	(18,696)	(14,447)
	(18,696)	(14,447)
(Increase)/Decrease in Net Debt	(140,440)	(659,450)
Net Debt at Beginning of Year	(2,128,007)	(1,460,515)
Adjustments Other than Tangible Cap. Assets	-	(8,042)
	(2,128,007)	(1,468,557)
Net Debt at End of Year	(2,268,447)	(2,128,007)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2014

	2014	2013
Operating Transactions		
Current Year Surplus/(Deficit)	373,003	399,972
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	613,774	442,586
(Gain)/Loss on Disposal of Tangible Capital Assets	-	-
Employee Future Benefits Increase/(Decrease)	55,167	(6,321)
Due from Other Organizations (Increase)/Decrease	85,373	(697,981)
Accounts Receivable & Accrued Income (Increase)/Decrease	(172,810)	(297,799)
Inventories and Prepaid Expenses - (Increase)/Decrease	(18,696)	(14,447)
Due to Other Organizations Increase/(Decrease)	172,231	3,992
Accounts Payable & Accrued Liabilities Increase/(Decrease)	1,221,624	15,387
Deferred Revenue Increase/(Decrease)	1,516,461	747,498
School Generated Funds Liability Increase/(Decrease)	-	-
Adjustments Other than Tangible Cap. Assets	-	(8,042)
Cash Provided by Operating Transactions	3,846,127	584,845
Capital Transactions		
Acquisition of Tangible Capital Assets	(1,108,521)	(1,487,561)
Proceeds on Disposal of Tangible Capital Assets	-	-
Cash (Applied to)/Provided by Capital Transactions	(1,108,521)	(1,487,561)
Investing Transactions		
Portfolio Investments (Increase)/Decrease	(1,081,542)	(533,613)
Cash Provided by (Applied to) Investing Transactions	(1,081,542)	(533,613)
Financing Transactions		
Debenture Debt Increase/(Decrease)	(232,343)	(221,187)
Other Borrowings Increase/(Decrease)	(28,275)	29,319
Cash Provided by (Applied to) Financing Transactions	(260,618)	(191,868)
Cash and Bank / Overdraft (Increase)/Decrease	1,395,446	(1,628,197)
Cash and Bank (Overdraft) at Beginning of Year	(62,727)	1,565,470
Cash and Bank (Overdraft) at End of Year	1,332,719	(62,727)

08-Feb-16

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2014

	Buildings and Leasehold Improvements										
	School	Non-School	School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	2014 TOTALS	2013 TOTALS
Tangible Capital Asset Cost											
Opening Cost, as previously reported	12,944,187	-	-	16,356	421,660	302,957	899,310	-	718,754	15,303,224	13,815,663
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	12,944,187	-	-	16,356	421,660	302,957	899,310	-	718,754	15,303,224	13,815,663
Add:											
Additions during the year	74,007	-	-	-	20,055	1,019,654	-	-	(5,195)	1,108,521	1,487,561
Less:											
Disposals and write downs	-	-	-	-	-	-	-	-	-	-	-
Closing Cost	13,018,194	-	-	16,356	441,715	1,322,611	899,310	-	713,559	16,411,745	15,303,224
Accumulated Amortization											
Opening, as previously reported	5,910,407	-	-	8,178	336,551	111,326		-		6,366,462	5,923,876
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	5,910,407	-	-	8,178	336,551	111,326		-		6,366,462	5,923,876
Add:											
Current period Amortization	431,053	-	-	5,452	33,935	143,334		-		613,774	442,586
Less:											
Accumulated Amortization on Disposals and Writedowns	-	-	-	-	-	-		-		-	-
Closing Accumulated Amortization	6,341,460	-	-	13,630	370,486	254,660		-		6,980,236	6,366,462
Net Tangible Capital Asset	6,676,734	-	-	2,726	71,229	1,067,951	899,310	-	713,559	9,431,509	8,936,762
Proceeds from Disposal of Capital Assets	-	-	-	-	-	-				-	-

* Includes network infrastructure.

1. Nature of organization and economic dependence

The Manitoba Institute of Trades and Technology is a public body that provides vocational training to adults and secondary students. The division is funded primarily by the Province of Manitoba. The Pembina Trails School Division contributed $935,853 (previous year $950,629) to the revenue recorded in 'Other School Division Revenue' on page 10: Operating Fund – Revenue Detail.

The Institute is exempt from income tax and operates as a registered charity.

The Institute is economically dependent on the Province for the majority of its revenue and capital financing requirements. Without this funding, continued operation of the Institute would be difficult.

2. Significant accounting policies

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

Reporting Entity and Consolidation

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the operating fund, capital fund, and special purpose fund of the Institute. The Institute reporting entity includes funds associated with the WTC Scholarship/ Trust Fund controlled by the Institute.

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

Basis of Accounting

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

Fund accounting

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

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

School generated funds

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

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

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

2. Significant accounting policies (continued)

Tangible capital assets

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

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

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

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

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

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

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

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

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

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

Employee future benefits

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

2. Significant accounting policies (continued)

Employee future benefits (continued)

The Institute does provide retirement benefits to non-certified personnel and other future benefits to its employees. These benefits include vacation and accumulated sick leave days. The Institute adopts the following policies with respect to accounting for these employee future benefits:

(i) Defined contribution / insured benefit plans

The Retirement Plan offered to non-certified staff is a money-purchase plan administered by the Manitoba Association of School Trustees (MAST). The plan requires the Institute to make a specific fixed contribution each period. The Institute does not assume any actuarial or investment risk in the future, nor responsibility to make further contributions.

(ii) Vacation Days

Non-certified permanent personnel accrue vacation entitlement for service in accordance with Institute policy. General practice is that most days are accumulated through the period July 1- June 30. The unused entitlement balance is recorded as a liability at year end.

Permanent certified personnel do not earn vacation entitlement, however they are paid over 12 months for services performed over ten months. The amount to be paid in July and August for the prior service year is set up as a liability at year end.

(iii) Accumulated Sick Days

The Institute offers sick leave to its employees which do not vest, but accumulate for use by the employee beyond the current period. For non-vesting accumulating sick days, the benefit costs are recognized, if deemed material, based on a projection of expected future utilization of sick time, discounted using net present value techniques. The total accrued benefit obligation is recorded as a liability at year end.

Use of estimates

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

3. Financial instruments

Measurement

Financial instruments are classified into one of the two measurement categories: (a) fair value; or (b) cost or amortized cost.

The Institute records its financial assets at cost, which include cash and bank, short term investments, due from government and accounts receivable. The Institute also records its financial liabilities at cost which include overdraft, accounts payable, accrued liabilities, employee future benefits, due to government, deferred revenue, debenture debt and other borrowings.

Gains and losses on financial instruments measured at fair value are recorded in accumulated surplus as re-measurement gains and losses until realized. Upon disposition of the financial instruments, the cumulative re-measurement gains and losses are reclassified to the consolidated statement of operations. Gains and losses on financial instruments measured at cost or amortized cost are recognized in the consolidated statement of operations in the period the gain or loss occurs.

The Institute did not incur any re-measurement gains and losses during the year (previous year $nil).

3. Financial instruments (continued)

Financial risk management

The Institute has exposure to the following risks from its financial instruments: credit risk and interest rate risk.

Credit risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments which potentially subject the Institute to credit risks consists principally of accounts receivable.

Due from government: The Institute is not exposed to significant credit risk as the balance is due from federal and provincial governments and other school divisions and payment in full is typically collected when it is due.

Accounts receivables: The Institute is not exposed to significant credit risk as the balance is due from a large client base and payment in full is typically collected when it is due. The Institute manages this credit risk through close monitoring of overdue accounts.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rate exposure relates to debenture debt and short term investments.

The interest rate risk on debenture debt is considered to be low because of their fixed interest rates. The interest rate risk on short term investments is considered low because of their short term nature.

4. Overdraft

The Institute has an authorized demand facility with the TD Bank of Canada of $1,000,000 (previous year $1,000,000) by way of overdraft and loan and is repayable on demand at TD Prime (interest is paid monthly in arrears).

5. Employee future benefits

Employee future benefits are benefits earned by employees in the current period, but will not be paid out until future periods.

The Institute sponsors one defined contribution benefit pension plan that is provided to all non-certified employees. The defined contribution insured plan requires eligible employees to contribute a percentage of their earnings based on their age at the start of each calendar year. Employees contribute from a low of 9% to a high of 11.65% less their contribution to the Canada Pension Plan. The Institute contributions equal the employee contributions to the plan. No pension liability is included in the financial statements other than late payment interest owing for the period.

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

Non-vested accumulated sick leave benefits are measured using net present value techniques on the expected future utilization of excess of sick benefits used over earned per year, to maximum entitlement. The impact of the estimated non-vested sick leave benefit cost for 2013-2014 is $9,237 (previous year $8,042). This is not material to the financial statements and has not been recorded.

6. Debenture debt

The debenture debt of the Institute is in the form of twenty-year debentures payable, principal and interest, in twenty equal yearly instalments and maturing at various dates from 2018 to 2029. Payment of principal and interest is funded entirely by grants from the Province of Manitoba, except for debenture debt on three self-funded capital projects which mature at various dates from 2018 to 2032. The debentures carry interest rates that range from 4.0% to 6.125%. Debenture interest expense payable as at June 30, 2014, 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
2015	$ 244,078	$ 198,729	$ 442,807
2016	256,424	186,383	442,807
2017	269,411	173,396	442,807
2018	279,146	163,661	442,807
2019	289,437	153,370	442,807
	$ 1,338,496	$ 875,539	$ 2,214,033

7. Tangible capital assets

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

	Gross Amount	Accumulated Amortization	**2014 Net Book Value**	2013 Net Book Value
Owned-tangible capital assets	$ 16,213,798	$ 6,970,339	**$ 9,243,459**	$ 8,936,762
Capital lease	197,947	9,897	**188,050**	-
	$ 16,411,745	$ 6,980,236	**$ 9,431,509**	$ 8,936,762

8. Accumulated surplus

The consolidated accumulated surplus is comprised of the following:

	2014	2013
Operating Fund		
Designated Surplus	**$ 2,007,667**	$ 1,946,833
Non-vested Sick Leave	**(8,042)**	(8,042)
Undesignated Surplus	**32,608**	24,816
	2,032,233	1,963,607
Capital Fund		
Reserve Accounts	**-**	-
Equity in Tangible Capital Assets	**5,378,313**	5,075,117
	5,378,313	5,075,117
Special Purpose Fund		
School Generated Funds	**-**	-
Other Special Purpose Funds	**6,483**	5,302
	6,483	5,302
Total Accumulated Surplus	**$ 7,417,029**	$ 7,044,026

8. Accumulated surplus (continued)

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

	2014	2013
Board approved appropriation by motion	$ 2,007,667	$ 1,946,833
School budget carryovers by board policy	-	-
Designated surplus	$ 2,007,667	$ 1,946,833

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

	2014	2013
Foundation-Scholarship	$ 6,483	$ 5,032
Other Special Purpose Funds	$ 6,483	$ 5,032

9. Interest received and paid

The Institute received interest during the year of $75,958 (previous year $83,704); interest paid during the year was $276,243 (previous year $259,167).

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

	2014	2013
Operating Fund		
Fiscal-short term loan, interest and bank charges	$ 57,027	$ 39,210
Capital Fund		
Debenture debt interest	208,766	219,957
Other interest	10,450	-
	$ 276,243	$ 259,167

The accrual portion of debenture debt interest expense of $36,843 (previous year $22,871) included under the Capital Fund-Debenture debt interest is offset by an accrual of the debt servicing grant from the Province of Manitoba.

10. Expenses by object

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

	Actual 2014	Budget 2014	Actual 2013
Salaries	$ 12,092,360	$ 11,529,012	$ 11,166,617
Employees benefits & allowances	1,273,036	1,229,504	1,150,934
Services	4,232,986	5,492,764	3,561,373
Supplies, materials & minor equipment	1,908,390	2,390,092	2,048,102
Interest	57,027	18,000	39,210
Bad debts	-	-	-
Payroll tax	125,345	124,960	119,377
Amortization	613,774	-	442,586
Other capital items	219,216	-	219,957
School generated funds	-	-	-
Other special purpose funds	7,620	-	7,714
Transfers	454,290	-	820,683
	$ 20,984,044	$ 20,784,332	$ 19,576,553

11. Contractual obligations

a) 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 was required to purchase a minimum number of program seats (training spaces), as follows:

- 30 full time program seats for the 2013-2014 school year.

In addition to these program seats the Louis Riel School Division had the right to purchase additional training spaces for any of the school years, subject to availability at MITT. The cost to be charged to these program seats will be based upon the residual cost per program seat. During the 2013-2014 school year, the Institute provided access to 27 (previous year 27) full time equivalent students from the Louis Riel School Division for a fee for these services of $342,300 (previous year 387,730).

b) The Institute has entered into an operating lease agreement for certain property used in operations for which the lease term is 15 years 3 months ending February 28, 2027. Under the terms of the lease agreement, minimum lease payments, excluding variable rent and charges, in each of the next five years are as follows:

2015	$ 385,475
2016	385,475
2017	393,475
2018	410,080
2019	410,080
	$ 1,948,585

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 2 to the consolidated financial statements.

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

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

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

Original Document Signed

Chairperson

Original Document Signed

Secretary-Treasurer

October 14, 2014

MNP LLP

Independent Auditors' Report

To the Board of Trustees of Mountain View School Division:

We have audited the accompanying consolidated financial statements of Mountain View School Division, which comprise the consolidated statement of financial position as at June 30, 2014, and the consolidated statements of revenue, expenses and accumulated surplus, change in net debt and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

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

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

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Mountain View School Division as at June 30, 2014 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.

Brandon, Manitoba
October 14, 2014

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.

Original Document Signed

Chairperson of the Board

Date

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2014	2013
	Financial Assets		
	Cash and Bank	-	-
	Due from - Provincial Government	3,348,178	1,219,844
	- Federal Government	59,887	321,059
	- Municipal Government	6,115,006	5,886,000
	- Other School Divisions	157,769	117,979
	- First Nations	161,969	34,754
	Accounts Receivable	127,498	116,222
	Accrued Investment Income	-	-
14	Portfolio Investments	39,549	40,218
		10,009,856	7,736,076
	Liabilities		
15	Overdraft	7,867,010	4,861,666
	Accounts Payable	1,722,467	1,348,177
	Accrued Liabilities	1,776,094	1,698,439
16	Employee Future Benefits	412,480	426,503
	Accrued Interest Payable	383,677	364,658
	Due to - Provincial Government	-	-
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
17	Deferred Revenue	89,479	828,749
19	Debenture Debt	16,936,553	15,735,865
10	Other Borrowings	1,869,988	2,089,996
	School Generated Funds Liability	5,778	13,713
		31,063,526	27,367,766
	Net Debt	(21,053,670)	(19,631,690)
	Non-Financial Assets		
11	Net Tangible Capital Assets (TCA Schedule)	23,124,476	20,946,479
	Inventories	541,672	591,554
	Prepaid Expenses	2,123,349	2,291,399
		25,789,497	23,829,432
12	**Accumulated Surplus**	4,735,827	4,197,742

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes			2014	2013
	Revenue			
	Provincial Government		28,314,479	27,545,508
	Federal Government		497,222	554,981
	Municipal Government	- Property Tax	9,963,001	9,575,010
		- Other	-	-
	Other School Divisions		503,197	426,225
	First Nations		275,314	288,793
	Private Organizations and Individuals		652,453	608,226
	Other Sources		124,463	136,214
	School Generated Funds		783,018	740,554
	Other Special Purpose Funds		-	-
			41,113,147	39,875,511
	Expenses			
	Regular Instruction		21,135,228	21,215,314
	Student Support Services		5,386,101	5,301,996
	Adult Learning Centres		-	-
	Community Education and Services		95,495	115,183
	Divisional Administration		1,199,383	1,151,994
	Instructional and Other Support Services		1,247,756	1,357,228
	Transportation of Pupils		3,095,633	2,835,910
	Operations and Maintenance		4,720,240	4,629,316
14	Fiscal	- Interest	954,039	951,115
		- Other	584,230	605,615
	Amortization		1,406,248	1,271,717
	Other Capital Items		-	-
	School Generated Funds		782,066	662,550
	Other Special Purpose Funds		-	-
			40,606,419	40,097,938
	Current Year Surplus (Deficit) before Non-vested Sick Leave		506,728	(222,427)
	Less: Non-vested Sick Leave Expense (Recovery)		(31,357)	22,361
	Net Current Year Surplus (Deficit)		538,085	(244,788)
	Opening Accumulated Surplus		4,197,742	4,442,530
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	-
		Other than Tangible Cap. Assets	-	-
		Non-vested sick leave - prior years	-	-
	Opening Accumulated Surplus, as adjusted		4,197,742	4,442,530
	Closing Accumulated Surplus		4,735,827	4,197,742

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2014

	2014	2013
Current Year Surplus (Deficit)	506,728	(222,427)
Amortization of Tangible Capital Assets	1,406,248	1,271,717
Acquisition of Tangible Capital Assets	(3,588,150)	(2,378,887)
(Gain) / Loss on Disposal of Tangible Capital Assets	(36,461)	(3,968)
Proceeds on Disposal of Tangible Capital Assets	40,366	15,000
	(2,177,997)	(1,096,138)
Inventories (Increase)/Decrease	49,882	(135,247)
Prepaid Expenses (Increase)/Decrease	168,050	(1,916,976)
	217,932	(2,052,223)
(Increase)/Decrease in Net Debt	(1,453,337)	(3,370,788)
Net Debt at Beginning of Year	(19,631,690)	(16,238,541)
Adjustments Other than Tangible Cap. Assets	31,357	(22,361)
	(19,600,333)	(16,260,902)
Net Debt at End of Year	(21,053,670)	(19,631,690)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2014

	2014	2013
Operating Transactions		
Current Year Surplus/(Deficit)	506,728	(222,427)
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	1,406,248	1,271,717
(Gain)/Loss on Disposal of Tangible Capital Assets	(36,461)	(3,968)
Employee Future Benefits Increase/(Decrease)	(14,023)	(3,798)
Due from Other Organizations (Increase)/Decrease	(2,263,173)	(308,502)
Accounts Receivable & Accrued Income (Increase)/Decrease	(11,276)	257,046
Inventories and Prepaid Expenses - (Increase)/Decrease	217,932	(2,052,223)
Due to Other Organizations Increase/(Decrease)	-	(2,000)
Accounts Payable & Accrued Liabilities Increase/(Decrease)	470,964	(1,039,501)
Deferred Revenue Increase/(Decrease)	(739,270)	(162,628)
School Generated Funds Liability Increase/(Decrease)	(7,935)	(20,136)
Adjustments Other than Tangible Cap. Assets	31,357	(22,361)
Cash Provided by Operating Transactions	(438,909)	(2,308,781)
Capital Transactions		
Acquisition of Tangible Capital Assets	(3,588,150)	(2,378,887)
Proceeds on Disposal of Tangible Capital Assets	40,366	15,000
Cash (Applied to)/Provided by Capital Transactions	(3,547,784)	(2,363,887)
Investing Transactions		
Portfolio Investments (Increase)/Decrease	669	(40,218)
Cash Provided by (Applied to) Investing Transactions	669	(40,218)
Financing Transactions		
Debenture Debt Increase/(Decrease)	1,200,688	(860,998)
Other Borrowings Increase/(Decrease)	(220,008)	2,089,996
Cash Provided by (Applied to) Financing Transactions	980,680	1,228,998
Cash and Bank / Overdraft (Increase)/Decrease	(3,005,344)	(3,483,888)
Cash and Bank (Overdraft) at Beginning of Year	(4,861,666)	(1,377,778)
Cash and Bank (Overdraft) at End of Year	(7,867,010)	(4,861,666)

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2014

	Buildings and Leasehold Improvements		School	Other	Furniture / Fixtures &	Computer Hardware &		Land	Assets Under	2014	2013
	School	Non-School	Buses	Vehicles	Equipment	Software *	Land	Improvements	Construction	TOTALS	TOTALS
Tangible Capital Asset Cost											
Opening Cost, as previously reported	40,405,141	2,626,963	5,679,465	524,091	2,252,824	242,835	570,392	91,681	2,582,010	54,975,402	52,662,247
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	40,405,141	2,626,963	5,679,465	524,091	2,252,824	242,835	570,392	91,681	2,582,010	54,975,402	52,662,247
Add: Additions during the year	1,078,616	-	316,387	92,781	79,558	104,268	-	184,978	1,731,562	3,588,150	2,378,887
Less: Disposals and write downs	-	-	431,583	73,221		-	-	-		504,804	65,732
Closing Cost	41,483,757	2,626,963	5,564,269	543,651	2,332,382	347,103	570,392	276,659	4,313,572	58,058,748	54,975,402
Accumulated Amortization											
Opening, as previously reported	26,321,758	987,468	3,797,971	395,488	2,221,729	242,835		61,674		34,028,923	32,811,906
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	26,321,758	987,468	3,797,971	395,488	2,221,729	242,835		61,674		34,028,923	32,811,906
Add: Current period Amortization	864,006	92,478	348,841	51,101	20,871	13,034		15,917		1,406,248	1,271,717
Less: Accumulated Amortization on Disposals and Writedowns	-	-	427,678	73,221	-	-		-		500,899	54,700
Closing Accumulated Amortization	27,185,764	1,079,946	3,719,134	373,368	2,242,600	255,869		77,591		34,934,272	34,028,923
Net Tangible Capital Asset	14,297,993	1,547,017	1,845,135	170,283	89,782	91,234	570,392	199,068	4,313,572	23,124,476	20,946,479
Proceeds from Disposal of Capital Assets	-	-	29,349	11,017		-				40,366	15,000

* Includes network infrastructure.

MOUNTAIN VIEW SCHOOL DIVISION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2014

1. Nature of Organization and Economic Dependence

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

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

2. Significant Accounting Policies

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

a) Reporting Entity and Consolidation

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

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

b) Trust funds

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

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

c) Basis of Accounting

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

d) Fund Accounting

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

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

e) School Generated Funds

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

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

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

f) Tangible Capital Assets

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

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

Asset Description	Capitalization Threshold ($)	Estimated Useful Life (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.

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. Other Investments

Other investments consist mainly of long-term guaranteed investment certificates and credit union surplus shares.

5. Overdraft

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

6. Employee Future Benefits

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

Non-vested accumulated sick leave benefits are measured using net present value techniques on the expected future utilization of excess of sick benefits used over earned per year, to maximum entitlement. The impact of the estimated non-vested sick leave benefit cost for 2013-2014 is a decrease of the liability in the amount of $31,357.

	Type of Plan		2014
Employee Future Benefit Liabilities (EFBL)			
Vacation accrual	defined contribution		$ 220,975
Non-vested sick leave	defined benefits		191,505
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			$ 412,480
Employee future benefit expense (EFB)			$ 14,022

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

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

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

7. Deferred Revenue

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

	Balance as at June 30, 2013	Additions in the period	Revenue recognized in the period	Balance as at June 30, 2014
Manitoba Textbook Bureau	$ 60	$ -	$ 60	$ -
Property Tax Credit	824,539	-	824,539	-
International Education Revenue	4,150	20,070	4,150	20,070
Playground donation	-	69,409	-	69,409
	$ 828,749	$ 89,479	$ 828,749	$ 89,479

8. School Generated Funds Liability

School Generated Funds Liability includes the non-controlled portion of school generated funds consolidated in the cash and bank balances in the amount of $5,778.

	2014
Parent council funds	$ -
Other parent group funds	-
Students council funds	5,778
Travel club funds	-
	$ 5,778

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, 2014 covers a period of twelve months from April 1, 2013 to March 31, 2014.

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 2015 to 2034. 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
2015	999,349	824,545	$ 1,823,894
2016	998,842	768,430	1,767,272
2017	1,008,158	714,505	1,722,663
2018	1,061,110	661,553	1,722,663
2019	1,099,799	605,704	1,705,503
	$ 5,167,258	$ 3,574,737	$ 8,741,995

10. Other Borrowings

Other borrowings are debts other than overdrafts or debentures. On May 8, 2012 Mountain View School Division entered into a loan agreement for $2,200,000 with the Royal Bank of Canada to finance the broadband internet project. The funds were advanced December 17, 2012. The term of the loan is 120 equal principal payments of $18,334 plus interest at a rate of prime minus 0.75%.

	2013	2014
Connectivity Loan	$ 2,089,996	$ 1,869,988
	$ 2,089,996	$ 1,869,988

2015	$ 220,008
2016	$ 220,008
2017	$ 220,008
2018	$ 220,008
2019	$ 220,008
Until Maturity	$ 769,948
	$ 1,869,988

11. Net Tangible Capital Assets

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

	Gross Amount	Accumulated Amortization	2014 Net Book Value
Owned-tangible capital assets	$ 58,058,748	$ 34,934,272	$ 23,124,476
Capital lease		-	-
	$ 58,058,748	$ 34,934,272	$ 23,124,476

12. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2014
Operating Fund	
Designated Surplus	-
Undesignated Surplus	1,661,699
Non-vested sick leave	(191,505)
	1,470,194
Capital Fund	
Reserve Accounts	353,335
Equity in Tangible Capital Assets	2,539,459
	2,892,794
Special Purpose Fund	
School Generated Funds	372,839
Other Special Purpose Funds	-
	372,839
Total Accumulated Surplus	$ 4,735,827

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.

	2014
Bus reserves	$ 78,335
Other reserves	275,000
Capital Reserve	$ 353,335

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

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

Education property tax or Special Levy is raised as the Division's contribution to the cost of providing public education for the students resident in the division. The Municipal Government-Property Tax shown on the consolidated revenue and expense statement is raised over the two calendar (tax) years; 40% from 2013 tax year and 60% from 2014 tax year. Below are the related revenue and receivable amounts:

	2014	2013
Revenue-Municipal Government-Property Tax	$ 9,963,001	$ 9,575,010
Receivable-Due from Municipal-Property Tax	$ 6,115,006	$ 5,886,000

14. Interest Received and Paid

The Division received interest during the year of $692 (previous year $58); interest paid during the year was $954,039 (previous year $951,115).

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

	2014
Operating Fund	
Fiscal-short term loan, interest and bank charges	$ 108,298
Interest on long-term debt	32,895
Capital Fund	
Debenture debt interest	812,846
	$ 954,039

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 2014	Budget 2014	Actual 2013
Salaries	$ 27,284,945	$ 27,891,407	$ 26,991,306
Employees benefits & allowances	2,608,102	2,318,014	2,321,246
Services	3,641,888	3,393,090	4,036,612
Supplies, materials & minor equipment	3,339,517	3,668,154	3,238,872
Interest	954,039	90,000	951,115
Bad debts	-	-	-
Payroll tax and transfers	589,614	589,794	624,520
Amortization	1,406,248	-	1,271,717
Other capital items	-	-	-
School generated funds	782,066	-	662,550
Other special purpose funds	-	-	-
	$ 40,606,419	$ 37,950,459	$ 40,097,938

16. Contractual Obligations

High Speed Connectivity Agreement

The Division has entered into a long term agreement with Manitoba Telephone System Inc. to provide high speed internet and wide area network connectivity for all community schools. The term of the agreement is ten years commencing July 1, 2013 with a one-time cost of $2,298,275. The agreement provides for fiber optic connectivity to the administration office, Barker School, DRCSS, Ethelbert School, Gilbert Plains Elementary and Collegiate, Goose Lake High, Grandview School, Roblin Elementary School, Winnipegosis Elementary and Collegiate. All remaining sites will receive high speed service through copper cable access.

17. Contingent Liabilities

There have been no legal actions initiated against the Division.

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.

Original Document Signed	Original Document Signed
Chairperson	Secretary - Treasurer

October 30, 2014

KENDALL & PANDYA

Chartered Accountants

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

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

* Operating as professional corporations

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of the
MYSTERY LAKE SCHOOL DISTRICT

Report on the Financial Statements
We have audited the Consolidated Statements of Financial Position, Revenue, Expenses and Accumulated Surplus, Change in Net Debt and Cash Flow of MYSTERY LAKE SCHOOL DISTRICT as at June 30, 2014 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, 2014 and its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

THOMPSON, MANITOBA

Kendall & Pandya

DATE | **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.

Original Document Signed

DATE | **CHAIRPERSON**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2014	2013
	Financial Assets		
	Cash and Bank	2,916,954	6,376,313
	Due from - Provincial Government	2,223,030	1,168,558
	- Federal Government	75,505	78,488
	- Municipal Government	4,572,455	4,553,372
	- Other School Divisions	-	-
	- First Nations	70,058	24,620
	Accounts Receivable	22,008	136,586
	Accrued Investment Income	25,370	13,082
4	Portfolio Investments	4,025,000	2,000,000
		13,930,380	14,351,019
	Liabilities		
	Overdraft	-	-
	Accounts Payable	202,656	306,381
	Accrued Liabilities	6,133,963	7,706,506
5	Employee Future Benefits	2,564,661	2,326,029
	Accrued Interest Payable	93,134	93,852
	Due to - Provincial Government	2,310	-
	- Federal Government	298	362
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
6	Deferred Revenue	494,756	1,186,929
8	Debenture Debt	7,228,453	7,253,124
	Other Borrowings	-	-
7	School Generated Funds Liability	212,231	220,234
		16,932,462	19,093,417
	Net Debt	(3,002,082)	(4,742,398)
	Non-Financial Assets		
9	Net Tangible Capital Assets (TCA Schedule)	13,412,792	12,889,484
	Inventories	97,155	116,622
	Prepaid Expenses	44,550	49,739
		13,554,497	13,055,845
11	**Accumulated Surplus**	10,552,415	8,313,447

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes			2014	2013
	Revenue			
	Provincial Government		31,489,125	31,167,478
	Federal Government		28,207	99,646
	Municipal Government	- Property Tax	5,920,975	5,794,496
		- Other	1,704,258	1,703,809
	Other School Divisions		197,925	187,334
	First Nations		260,490	298,800
	Private Organizations and Individuals		394,031	371,506
	Other Sources		233,036	216,478
	School Generated Funds		281,197	269,849
	Other Special Purpose Funds		-	-
			40,509,244	40,109,396
	Expenses			
	Regular Instruction		21,308,703	20,419,765
	Student Support Services		7,091,777	6,751,250
	Adult Learning Centres		-	-
	Community Education and Services		29,100	29,483
	Divisional Administration		1,599,385	1,767,514
	Instructional and Other Support Services		1,822,217	2,081,942
	Transportation of Pupils		287,301	266,747
	Operations and Maintenance		4,017,882	4,471,040
13	Fiscal	- Interest	402,428	394,952
		- Other	637,682	675,442
	Amortization		821,266	775,423
	Other Capital Items		-	-
	School Generated Funds		276,953	249,944
	Other Special Purpose Funds		-	-
			38,294,694	37,883,502
	Current Year Surplus (Deficit) before Non-vested Sick Leave		2,214,550	2,225,894
	Less: Non-vested Sick Leave Expense (Recovery)		(24,418)	(14,793)
	Net Current Year Surplus (Deficit)		2,238,968	2,240,687
	Opening Accumulated Surplus		8,313,447	6,072,760
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	-
		Other than Tangible Cap. Assets	-	-
		Non-vested sick leave - prior years	-	-
	Opening Accumulated Surplus, as adjusted		8,313,447	6,072,760
	Closing Accumulated Surplus		10,552,415	8,313,447

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2014

	2014	2013
Current Year Surplus (Deficit)	2,214,550	2,225,894
Amortization of Tangible Capital Assets	821,266	775,423
Acquisition of Tangible Capital Assets	(1,344,574)	(1,542,723)
(Gain) / Loss on Disposal of Tangible Capital Assets	-	-
Proceeds on Disposal of Tangible Capital Assets	-	-
	(523,308)	(767,300)
Inventories (Increase)/Decrease	19,467	(8,407)
Prepaid Expenses (Increase)/Decrease	5,189	(24,866)
	24,656	(33,273)
(Increase)/Decrease in Net Debt	1,715,898	1,425,321
Net Debt at Beginning of Year	(4,742,398)	(6,182,512)
Adjustments Other than Tangible Cap. Assets	24,418	14,793
	(4,717,980)	(6,167,719)
Net Debt at End of Year	(3,002,082)	(4,742,398)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2014

	2014	2013
Operating Transactions		
Current Year Surplus/(Deficit)	2,214,550	2,225,894
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	821,266	775,423
(Gain)/Loss on Disposal of Tangible Capital Assets	-	-
Employee Future Benefits Increase/(Decrease)	238,632	(181,251)
Due from Other Organizations (Increase)/Decrease	(1,116,010)	(113,060)
Accounts Receivable & Accrued Income (Increase)/Decrease	102,290	(143,171)
Inventories and Prepaid Expenses - (Increase)/Decrease	24,656	(33,273)
Due to Other Organizations Increase/(Decrease)	2,246	(254,585)
Accounts Payable & Accrued Liabilities Increase/(Decrease)	(1,676,986)	106,013
Deferred Revenue Increase/(Decrease)	(692,173)	170,987
School Generated Funds Liability Increase/(Decrease)	(8,003)	(38,839)
Adjustments Other than Tangible Cap. Assets	24,418	14,793
Cash Provided by Operating Transactions	(65,114)	2,528,931
Capital Transactions		
Acquisition of Tangible Capital Assets	(1,344,574)	(1,542,723)
Proceeds on Disposal of Tangible Capital Assets	-	-
Cash (Applied to)/Provided by Capital Transactions	(1,344,574)	(1,542,723)
Investing Transactions		
Portfolio Investments (Increase)/Decrease	(2,025,000)	(2,000,000)
Cash Provided by (Applied to) Investing Transactions	(2,025,000)	(2,000,000)
Financing Transactions		
Debenture Debt Increase/(Decrease)	(24,671)	372,669
Other Borrowings Increase/(Decrease)	-	-
Cash Provided by (Applied to) Financing Transactions	(24,671)	372,669
Cash and Bank / Overdraft (Increase)/Decrease	(3,459,359)	(641,123)
Cash and Bank (Overdraft) at Beginning of Year	6,376,313	7,017,436
Cash and Bank (Overdraft) at End of Year	2,916,954	6,376,313

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2014

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	2014 TOTALS	2013 TOTALS
	School	Non-School									
Tangible Capital Asset Cost											
Opening Cost, as previously reported	29,379,624	2,536,516	-	274,513	1,285,564	432,669	2,914,272	90,637	233,016	37,146,811	35,604,088
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	29,379,624	2,536,516	-	274,513	1,285,564	432,669	2,914,272	90,637	233,016	37,146,811	35,604,088
Add: Additions during the year	717,547	283,080	-	-	110,063	115,371	-	39,116	79,397	1,344,574	1,542,723
Less: Disposals and write downs	-	-	-	-	-	-	-	-	-	-	-
Closing Cost	30,097,171	2,819,596	-	274,513	1,395,627	548,040	2,914,272	129,753	312,413	38,491,385	37,146,811
Accumulated Amortization											
Opening, as previously reported	21,141,755	1,619,376	-	242,595	974,754	274,315		4,532		24,257,327	23,481,904
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	21,141,755	1,619,376	-	242,595	974,754	274,315		4,532		24,257,327	23,481,904
Add: Current period Amortization	573,420	53,857	-	14,323	107,968	60,679		11,019		821,266	775,423
Less: Accumulated Amortization on Disposals and Writedowns	-	-	-	-	-	-		-		-	-
Closing Accumulated Amortization	21,715,175	1,673,233	-	256,918	1,082,722	334,994		15,551		25,078,593	24,257,327
Net Tangible Capital Asset	8,381,996	1,146,363	-	17,595	312,905	213,046	2,914,272	114,202	312,413	13,412,792	12,889,484
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.

c) **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, 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
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, 2014, the pension obligation is not fully funded.

The plan has been amended where in the District is liable for the existing identified pensioners as of December 31, 2012.

The actuarial valuation has stated a deficiency of $1,332,000 as at June 30, 2013. The school district set up a provision for this amount in the 2013-2014 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 no funds set aside in Capital Reserves as at June 30, 2014.

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 $2,000,000. The line of credit is used as required when inflow of revenues do not match the outflow of expenses. It is generally been used in the latter half of the year as the payment from the City of Thompson for the Municipal Special Levy is not paid until November of each year. The District receives funding from the province on the 10^{th} and 25^{th} 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, 2014.

4. PORTFOLIO INVESTMENTS

The District has invested in short term flexible GICs in the amount of $4,025,000. The maturity date for the GICs are as follows:

GIC #1 - $2,000,000; invest rate 1.25% maturing December 18, 2014
GIC #2 - $2,025,000; invest rate 1.25% maturing December 22, 2014

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	2014
Sick Leave Buyout Teachers	Defined Contribution	$ 205,186
Early Leave Incentive Plan Teachers	Defined Contribution	2,267,767
Non-vested accumulated sick leave		91,708
		$2,564,661

6. DEFERRED REVENUE

Deferred revenue valued at $494,756 at June 30, 2014 consisted of the following:

a) Because of the change to PSAB effective the 2006 / 2007 financial reporting period, the purchases of playground equipment at Burntwood School, Deerwood School, 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 $161,898.

b) 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 $316,387.

c) The RDPC Grad committee donated funds to the District to be put towards the purchase and installation of a Digital Sign at RDPC. The asset is considered to have a useful life of ten years. In each of the ten years, one tenth of the value will be recorded as Revenue with an offsetting debit to deferred Revenue. The value of the donation was $18,300. The deferred revenue related to the digital signage is $16,470.

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 $212,231. The breakdown is as follows:

	2014	2013
Parent Council Fund	$ 21,601	$ 18,598
Playground Committees	2,690	2,690
Other Parent Group Funds	76,635	71,354
Student Funds	111,305	127,592
	$ 212,231	$220,234

8. DEBENTURE DEBT

Debenture debt is comprised of the following:

Interest Rate %	Maturity Date	Balance (Dollars)
8.625	October 31, 2015	$ 82,204
7.375	November 30, 2016	92,941
7.625	February 15, 2017	36,228
6.125	April 30, 2018	94,335
5.875	February 15, 2019	126,942
5.875	February 15, 2019	165,243
6.750	October 15, 2019	56,026
7.250	February 28, 2020	96,500
6.625	April 15, 2021	242,744
6.500	January 15, 2022	564,198
6.875	May 31, 2022	499,199
6.000	February 15, 2024	593,303
6.125	June 15, 2024	490,382
5.375	June 30, 2025	293,760
5.250	March 15, 2028	385,310
5.750	April 30, 2029	51,699
5.250	March 15, 2030	361,948
5.125	May 15, 2030	92,862
4.875	May 15, 2031	1,086,203
4.000	May 15, 2032	462,021
3.625	May 31, 2033	834,707
4.125	December 31, 2033	468,900
4.250	May 31, 2034	50,800
		$ 7,228,453

Debenture interest expense payable as at June 30, 2014, 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
2015	559,159	389,082	948,242
2016	593,115	355,127	948,242
2017	582,724	319,025	901,749
2018	567,481	284,647	852,128
2019	572,951	251,874	824,826
	$2,875,431	$1,599,755	$4,475,186

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	2014 Net Book Value	2013 Net Book Value
Owned Tangible Capital Assets	$38,491,385	$25,078,593	**$13,412,792**	$12,889,484

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:

2015	$ 37,545
2016	33,083
2017	33,683
2018	17,483
2019	17,483
	$ 139,277

11. ACCUMULATED SURPLUS

The consolidated accumulated surplus is comprised of the following:

	2014	2013
Operating Fund		
Designated Surplus	$ -	$ -
Undesignated Surplus	**4,509,093**	2,820,991
Less: adjustment on non-vested sick leave	-	-
	4,509,093	2,820,991
Capital Fund		
Reserve Accounts	$ -	$ 118,015
Equity in Tangible Capital Assets	**5,933,892**	5,269,255
	5,933,892	5,387,270
Special Purpose Fund		
School Generated Funds	$ **109,430**	$ 105,186
Other Special Purpose Funds	-	-
	109,430	105,186
Total Accumulated Surplus	**$10,552,415**	$8,313,447

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.

	2014	2013
Other Student Activity	**$ 109,430**	$ 105,186
Other Special Purpose Funds	-	-
	$ 109,430	$ 105,186

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 2013 tax year and 60% from 2014 tax year. The Municipal receivable and revenue does not include the Vale Grant the district receives. Below are the related revenue and receivable amounts:

		2014	2013
Revenue	Municipal Government Property Tax	**$ 5,920,975**	$5,794,496
Receivable	Due from Municipal Property Tax	**$ 4,572,455**	$4,553,372

13. INTEREST RECEIVED AND PAID

The District received interest during the year of $396,370 (2013-$367,602); interest paid during the year was $309,294 (2013-$301,100).

	2014	2013
Operating Fund		
Fiscal-short Term Loan, Interest and Bank Charges	**$ 1,738**	$ 1,569
Capital Fund		
Debenture Debt Interest	**400,690**	393,383
Other Interest	-	-
	$402,428	$394,952

The accrual portion of debenture debt interest expense of $93,134 (2013-$93,852) 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, 2014 was $26,151 (2013 - $21,151).

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, 2013 was $143,237. The liability for employee future benefits recorded at June 30, 2014 was decreased by $24,418 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 2 to the consolidated financial statements.

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

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

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

Original Document Signed

Chairperson

Original Document Signed

Secretary-Treasurer

October 30, 2014

MNP LLP

Independent Auditors' Report

To the Board of Trustees of Park West School Division:

We have audited the accompanying consolidated financial statements of Park West School Division, which comprise the consolidated statement of financial position as at June 30, 2014, and the consolidated statements of revenue, expenses and accumulated surplus, change in net debt and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

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

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

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Park West School Division as at June 30, 2014 and the consolidated results of its operations, consolidated changes in net debt and its consolidated cash flow for the year then ended in accordance with Canadian generally accepted accounting principles established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

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

Brandon, Manitoba
October 30, 2014

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.

Original Document Signed

Chairperson of the Board

Date

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2014	2013
	Financial Assets		
	Cash and Bank	-	-
	Due from - Provincial Government	1,833,094	1,230,309
	- Federal Government	117,683	104,574
	- Municipal Government	3,342,664	3,501,769
	- Other School Divisions	-	-
	- First Nations	2,015,856	327,401
	Accounts Receivable	93,122	78,045
	Accrued Investment Income	-	-
	Portfolio Investments	-	-
		7,402,419	5,242,098
	Liabilities		
4	Overdraft	5,762,923	2,706,357
	Accounts Payable	1,014,950	776,533
	Accrued Liabilities	-	-
	Employee Future Benefits	-	-
	Accrued Interest Payable	139,825	137,922
	Due to - Provincial Government	-	-
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
5	Deferred Revenue	-	447,304
6	Debenture Debt	7,198,259	6,558,443
	Other Borrowings	-	-
	School Generated Funds Liability	-	-
		14,115,957	10,626,559
	Net Debt	(6,713,538)	(5,384,461)
	Non-Financial Assets		
7	Net Tangible Capital Assets (TCA Schedule)	9,069,103	8,619,691
	Inventories	138,244	144,359
	Prepaid Expenses	243,966	81,281
		9,451,313	8,845,331
8	**Accumulated Surplus**	2,737,775	3,460,870

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes			2014	2013
	Revenue			
	Provincial Government		14,674,642	14,541,922
	Federal Government		21	7,597
	Municipal Government	- Property Tax	6,054,154	6,329,404
		- Other	-	-
	Other School Divisions		21,900	18,500
	First Nations		6,868,735	6,421,491
	Private Organizations and Individuals		21,000	21,400
	Other Sources		(11,445)	24,612
	School Generated Funds		1,156,294	1,193,939
	Other Special Purpose Funds		-	-
			28,785,301	28,558,865
	Expenses			
	Regular Instruction		15,786,286	14,742,783
	Student Support Services		3,395,937	3,324,480
	Adult Learning Centres		160,292	178,066
	Community Education and Services		116,719	72,909
	Divisional Administration		1,024,960	1,058,836
	Instructional and Other Support Services		678,573	652,981
	Transportation of Pupils		2,072,684	2,056,084
	Operations and Maintenance		3,436,435	3,065,867
10	Fiscal	- Interest	424,979	434,609
		- Other	406,548	385,737
	Amortization		792,950	727,894
	Other Capital Items		-	-
	School Generated Funds		1,163,202	1,122,574
	Other Special Purpose Funds		-	-
			29,459,565	27,822,820
	Current Year Surplus (Deficit) before Non-vested Sick Leave		(674,264)	736,045
	Less: Non-vested Sick Leave Expense (Recovery)		48,831	71,135
	Net Current Year Surplus (Deficit)		(723,095)	664,910
	Opening Accumulated Surplus		3,460,870	2,795,960
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	-
		Other than Tangible Cap. Assets	-	-
		Non-vested sick leave - prior years	-	-
	Opening Accumulated Surplus, as adjusted		3,460,870	2,795,960
	Closing Accumulated Surplus		2,737,775	3,460,870

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2014

	2014	2013
Current Year Surplus (Deficit)	(674,264)	736,045
Amortization of Tangible Capital Assets	792,950	727,894
Acquisition of Tangible Capital Assets	(1,361,104)	(707,090)
(Gain) / Loss on Disposal of Tangible Capital Assets	114,145	-
Proceeds on Disposal of Tangible Capital Assets	4,597	-
	(449,412)	20,804
Inventories (Increase)/Decrease	6,115	(17,451)
Prepaid Expenses (Increase)/Decrease	(162,685)	(30,085)
	(156,570)	(47,536)
(Increase)/Decrease in Net Debt	(1,280,246)	709,313
Net Debt at Beginning of Year	(5,384,461)	(6,022,639)
Adjustments Other than Tangible Cap. Assets	(48,831)	(71,135)
	(5,433,292)	(6,093,774)
Net Debt at End of Year	(6,713,538)	(5,384,461)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2014

	2014	2013
Operating Transactions		
Current Year Surplus/(Deficit)	(674,264)	736,045
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	792,950	727,894
(Gain)/Loss on Disposal of Tangible Capital Assets	114,145	-
Employee Future Benefits Increase/(Decrease)	-	-
Due from Other Organizations (Increase)/Decrease	(2,145,244)	(668,995)
Accounts Receivable & Accrued Income (Increase)/Decrease	(15,077)	48,293
Inventories and Prepaid Expenses - (Increase)/Decrease	(156,570)	(47,536)
Due to Other Organizations Increase/(Decrease)	-	-
Accounts Payable & Accrued Liabilities Increase/(Decrease)	240,320	50,768
Deferred Revenue Increase/(Decrease)	(447,304)	(153,188)
School Generated Funds Liability Increase/(Decrease)	-	-
Adjustments Other than Tangible Cap. Assets	(48,831)	(71,135)
Cash Provided by Operating Transactions	(2,339,875)	622,146
Capital Transactions		
Acquisition of Tangible Capital Assets	(1,361,104)	(707,090)
Proceeds on Disposal of Tangible Capital Assets	4,597	-
Cash (Applied to)/Provided by Capital Transactions	(1,356,507)	(707,090)
Investing Transactions		
Portfolio Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
Financing Transactions		
Debenture Debt Increase/(Decrease)	639,816	(418,958)
Other Borrowings Increase/(Decrease)	-	-
Cash Provided by (Applied to) Financing Transactions	639,816	(418,958)
Cash and Bank / Overdraft (Increase)/Decrease	(3,056,566)	(503,902)
Cash and Bank (Overdraft) at Beginning of Year	(2,706,357)	(2,202,455)
Cash and Bank (Overdraft) at End of Year	(5,762,923)	(2,706,357)

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2014

	Buildings and Leasehold Improvements		School	Other	Furniture /	Computer		Land	Assets	2014	2013
	School	Non-School	Buses	Vehicles	Fixtures & Equipment	Hardware & Software *	Land	Improvements	Under Construction	TOTALS	TOTALS
Tangible Capital Asset Cost											
Opening Cost, as previously reported	22,397,726	172,594	2,803,327	121,041	274,102	168,306	372,988	-	240,086	26,550,170	25,958,701
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	22,397,726	172,594	2,803,327	121,041	274,102	168,306	372,988	-	240,086	26,550,170	25,958,701
Add: Additions during the year	1,188,584	-	73,656	-	199,336	21,105	-	-	(121,577)	1,361,104	707,090
Less: Disposals and write downs	564,861	-	-	-	61,033	-	-	-	-	625,894	115,621
Closing Cost	23,021,449	172,594	2,876,983	121,041	412,405	189,411	372,988	-	118,509	27,285,380	26,550,170
Accumulated Amortization											
Opening, as previously reported	15,669,950	56,863	1,891,267	82,076	167,962	62,361		-		17,930,479	17,318,206
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	15,669,950	56,863	1,891,267	82,076	167,962	62,361		-		17,930,479	17,318,206
Add: Current period Amortization	516,875	6,904	157,612	12,136	54,709	44,714		-		792,950	727,894
Less: Accumulated Amortization on Disposals and Writedowns	446,119	-	-	-	61,033	-		-		507,152	115,621
Closing Accumulated Amortization	15,740,706	63,767	2,048,879	94,212	161,638	107,075		-		18,216,277	17,930,479
Net Tangible Capital Asset	7,280,743	108,827	828,104	26,829	250,767	82,336	372,988	-	118,509	9,069,103	8,619,691
Proceeds from Disposal of Capital Assets	4,597	-	-	-	-	-				4,597	-

* 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

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

d) Fund Accounting

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

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

e) School Generated Funds

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

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

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

f) Tangible Capital Assets

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

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

Asset Description	Capitalization Threshold ($)	Estimated Useful Life (years)
Land Improvements	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.

3. Conversion to PSAB

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

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

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

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

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

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

4. Overdraft

The Division has an authorized line of credit with Vanguard Credit Union of $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 $118,509 which will be submitted to PSFB for debenture funding. Overdrafts are secured by borrowing by-law.

5. Deferred Revenue

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

	Balance as at June 30, 2013	Additions in the period	Revenue recognized in the period	Balance as at June 30, 2014
Manitoba Textbook Bureau	$ -	$ 45,165	$ 45,165	$ -
Donated Capital Assets	-	-	-	-
Education Property Tax credit	447,304	1,110,335	1,557,639	-
	$ 447,304	$ 1,155,500	$ 1,602,804	$ -

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 2015 to 2034. Payment of principal and interest is funded entirely by grants from the Province of Manitoba. The debentures carry interest rates that range from 3.625% to 9.875%. Debenture interest expense payable as at June 30, 2014, 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
2015	$544,651	$344,302	$888,953
2016	479,237	307,741	786,978
2017	473,943	278,408	752,351
2018	502,074	250,277	752,351
2019	511,729	220,457	732,186
	$2,511,634	$1,401,185	$3,912,819

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	2014 Net Book Value
Owned-tangible capital assets	$27,285,380	$18,216,277	$9,069,103
Capital lease	-	-	-
	$27,285,380	$18,216,277	$9,069,103

8. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2014
Operating Fund	
Designated Surplus	151,302
Undesignated Surplus	251,468
	402,770
Capital Fund	
Reserve Accounts	320,905
Equity in Tangible Capital Assets	1,752,335
	2,073,240
Special Purpose Fund	
School Generated Funds	261,765
Other Special Purpose Funds	-
	261,765
Total Accumulated Surplus	$ 2,737,775

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.

	2014
Bus reserves	292,350
Other reserves	28,555
Capital Reserve	$320,905

School Generated Funds are externally restricted moneys for school use.

	2014
Foundation-Scholarship	-
Other – School Funds	261,765
Other Special Purpose Funds	261,765

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

Education property tax or Special Levy is raised as the Division's contribution to the cost of providing public education for the students resident in the division. The Municipal Government-Property Tax shown on the consolidated revenue and expense statement is raised over the two calendar (tax) years; 44.4% from 2013 tax year and 55.6% from 2014 tax year. Below are the related revenue and receivable amounts:

	2014	2013
Revenue-Municipal Government-Property Tax	$6,054,154	$6,329,404
Receivable-Due from Municipal-Property Tax	$3,342,664	$3,501,769

10. Interest Received and Paid

The Division received interest during the year of $2,442 (previous year $8,358); interest paid during the year was $424,979 (previous year $434,609).

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

	2014
Operating Fund	
Fiscal-short term loan, interest and bank charges	$39,917
Capital Fund	
Debenture debt interest	385,062
Other interest	
	$424,979

The accrual portion of debenture debt interest expense of $139,825 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 2014	Budget 2014	Actual 2013
Salaries	$ 19,056,309	$ 18,568,449	$ 17,910,786
Employees benefits & allowances	1,354,792	1,298,090	1,256,428
Services	4,045,733	3,765,537	3,985,133
Supplies, materials & minor equipment	2,089,556	1,979,478	1,898,281
Interest	424,979	56,500	434,609
Bad debts	-	-	-
Payroll tax	406,548	405,000	385,737
Amortization	792,950	-	727,894
Other capital items	-	-	-
School generated funds	1,163,202	-	1,122,574
Transfers	125,496	95,000	101,378
	$ 29,459,565	$ 26,168,054	$ 27,822,820

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, 2014, the amount of this special levy was $299,486 (2013 - $309,341). These amounts are not included in the Division's consolidated financial statements.

13. Additional Information

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

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

November 5, 2014

Grant Thornton LLP
Chartered Accountants
94 Commerce Drive
Winnipeg, MB R3P 0Z3

Dear Sirs:

We are providing this letter in connection with your audit of the consolidated financial statements of Pembina Trails School Division as of June 30, 2014, and for the year then ended, for the purpose of expressing an opinion as to whether the consolidated financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows of the Pembina Trails School Division in accordance with the Public Sector Accounting Board (PSAB).

We acknowledge that we have fulfilled our responsibilities for the preparation of the consolidated financial statements in accordance with the Canadian public sector accounting standards and for the design and implementation of internal controls to prevent and detect fraud and error. We have assessed the risk that the consolidated financial statements may be materially misstated as a result of fraud, and have determined such risk to be low. Further, we acknowledge that your examination was planned and conducted in accordance with Canadian generally accepted auditing standards (GAAS) so as to enable you to express an opinion on the consolidated financial statements. We understand that while your work includes an examination of the accounting system, internal controls and related data to the extent you considered necessary in the circumstances, it is not designed to identify, nor can it necessarily be expected to disclose, fraud, shortages, errors and other irregularities, should any exist.

Certain representations in this letter are described as being limited to matters that are material. An item is considered material, regardless of its monetary value, if it is probable that its omission from or misstatement in the consolidated financial statements would influence the decision of a reasonable person relying on the consolidated financial statements.

We confirm, to the best of our knowledge and belief, as of November 5, 2014, the following representations made to you during your audit.

Financial statements

1 The consolidated financial statements referred to above present fairly, in all material respects, the financial position of the entity as at June 30, 2014 and the results of its operations and its cash flows for the year then ended in accordance with the Canadian public sector accounting standards, as agreed to in the terms of the audit engagement.

Completeness of information

2 We have made available to you all financial records and related data and all minutes of the meetings of shareholders, directors, and committees of directors, as agreed in the terms of the audit engagement. Summaries of actions of recent meetings for which minutes have not yet been prepared have been provided to you. All significant board and committee actions are included in the summaries.

3 We have provided you with unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

4 There are no material transactions that have not been properly recorded in the accounting records underlying the consolidated financial statements.

5 We are unaware of any known or probable instances of non-compliance with the requirements of regulatory or governmental authorities, including their financial reporting requirements.

6 We are unaware of any violations or possible violations of laws or regulations the effects of which should be considered for disclosure in the consolidated financial statements or as the basis of recording a contingent loss.

7 We have disclosed to you all known deficiencies in the design or operation of internal control over financial reporting of which we are aware.

8 We have identified to you all known related parties and related party transactions, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements guarantees, non-monetary transactions and transactions for no consideration.

Fraud and error

9 We have no knowledge of fraud or suspected fraud affecting the entity involving management; employees who have significant roles in internal control; or others, where the fraud could have a non-trivial effect on the consolidated financial statements.

10 We have no knowledge of any allegations of fraud or suspected fraud affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.

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

Recognition, measurement and disclosure

12 We believe that the significant assumptions used by us in making accounting estimates, including those used in arriving at the fair values of financial instruments as measured and disclosed in the consolidated financial statements, are reasonable and appropriate in the circumstances.

13 We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities, both financial and non-financial, reflected in the consolidated financial statements.

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

15 The nature of all material measurement uncertainties has been appropriately disclosed in the consolidated financial statements, including all estimates where it is reasonably possible that the estimate will change in the near term and the effect of the change could be material to the consolidated financial statements.

16 All outstanding and possible claims, whether or not they have been discussed with legal counsel, have been disclosed to you and are appropriately reflected in the consolidated financial statements.

17 All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the consolidated financial statements.

18 All "off-balance sheet" financial instruments have been properly recorded or disclosed in the consolidated financial statements.

19 With respect to environmental matters:

a) at year end, there were no liabilities or contingencies that have not already been disclosed to you;

b) liabilities or contingencies have been recognized, measured and disclosed, as appropriate, in the consolidated financial statements; and

c) commitments have been measured and disclosed, as appropriate, in the consolidated financial statements.

20 The entity has satisfactory title to (or lease interest in) all assets, and there are no liens or encumbrances on the entity's assets nor has any been pledged as collateral.

21 We have disclosed to you, and the entity has complied with, all aspects of contractual agreements that could have a material effect on the consolidated financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

22 The Goods and Services Tax (GST) and Harmonized Sales Tax (HST) transactions recorded by the entity are in accordance with the federal and provincial regulations. The GST and HST liability/receivable amounts recorded by the entity are considered complete.

23 Employee future benefit costs, assets, and obligations have been determined, accounted for and disclosed in accordance with the requirements of PS 3250 *Retirement Benefits* and PS 3255 *Post-employment benefits, compensated absences and termination benefits of the Canadian Institute of Chartered Accountants* (CICA) Handbook Public Sector Accounting Handbook.

24 There have been no events subsequent to the balance sheet date up to the date hereof that would require recognition or disclosure in the consolidated financial statements. Further, there have been no events subsequent to the date of the comparative financial statements that would require adjustment of those financial statements and related notes.

Yours very truly,

PEMBINA TRAILS SCHOOL DIVISION

Original Document Signed

Secretary – Treasurer

Original Document Signed

Accounting Manager

Grant Thornton

Independent Auditors' Report

Grant Thornton LLP
94 Commerce Drive
Winnipeg, MB
R3P 0Z3

T (204) 944-0100
F (204) 957-5442
www.GrantThornton.ca

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, 2014, and the consolidated statement of revenue, expenses and accumulated surplus, changes in net debt, and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Pembina Trails School Division as at June 30, 2014, and the consolidated statement of revenue, expenses and accumulated surplus, changes in net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Grant Thornton LLP

Winnipeg, Manitoba
November 5, 2014

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.

Original Document Signed

Chairperson of the Board

Date

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes			2014	2013
	Financial Assets			
	Cash and Bank		-	5,743,589
	Due from	- Provincial Government	17,605,875	5,355,393
		- Federal Government	561,504	229,281
11		- Municipal Government	35,586,781	32,805,890
		- Other School Divisions	5,610	10,946
		- First Nations	-	-
	Accounts Receivable		369,752	288,265
	Accrued Investment Income		-	-
	Portfolio Investments		-	-
			54,129,522	44,433,364
	Liabilities			
3	Overdraft		17,179,049	-
	Accounts Payable		4,889,276	4,929,905
	Accrued Liabilities		734,370	821,682
4	Employee Future Benefits		1,922,607	1,880,102
	Accrued Interest Payable		762,645	637,126
	Due to	- Provincial Government	517,847	544,124
		- Federal Government	6,649,909	6,549,935
		- Municipal Government	98,740	109,433
		- Other School Divisions	50,882	38,576
		- First Nations	-	-
5	Deferred Revenue		2,138,870	9,884,432
6	Debenture Debt		33,501,790	25,262,992
7	Other Borrowings		17,980,740	13,985,243
8	School Generated Funds Liability		864,367	815,761
			87,291,092	65,459,311
	Net Debt		(33,161,570)	(21,025,947)
	Non-Financial Assets			
9	Net Tangible Capital Assets (TCA Schedule)		61,186,542	47,196,023
	Inventories		-	-
	Prepaid Expenses		492,913	444,892
			61,679,455	47,640,915
10	**Accumulated Surplus**		28,517,885	26,614,968

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes			2014	2013
	Revenue			
	Provincial Government		85,622,489	84,831,813
	Federal Government		73,941	14,871
11	Municipal Government	- Property Tax	59,483,258	54,787,741
		- Other	-	-
	Other School Divisions		697,450	748,402
	First Nations		36,092	75,000
	Private Organizations and Individuals		2,811,907	2,631,969
	Other Sources		740,518	804,869
	School Generated Funds		1,350,237	1,264,115
	Other Special Purpose Funds		-	-
			150,815,892	145,158,780
	Expenses			
	Regular Instruction		79,667,882	78,859,293
	Student Support Services		29,174,256	28,627,905
	Adult Learning Centres		-	-
	Community Education and Services		1,047,738	1,023,872
	Divisional Administration		4,463,566	4,474,782
	Instructional and Other Support Services		5,936,749	6,040,226
	Transportation of Pupils		2,554,424	2,361,085
	Operations and Maintenance		17,455,996	16,052,674
12	Fiscal	- Interest	1,557,126	1,363,038
		- Other	2,362,847	2,346,746
	Amortization		3,312,082	3,122,279
	Other Capital Items		-	1,194
	School Generated Funds		1,373,828	1,167,923
	Other Special Purpose Funds		-	-
			148,906,494	145,441,017
	Current Year Surplus (Deficit) before Non-vested Sick Leave		1,909,398	(282,237)
	Less: Non-vested Sick Leave Expense (Recovery)		6,481	157,935
	Net Current Year Surplus (Deficit)		1,902,917	(440,172)
	Opening Accumulated Surplus		26,614,968	27,055,140
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	-
		Other than Tangible Cap. Assets	-	-
		Non-vested sick leave - prior years	-	-
	Opening Accumulated Surplus, as adjusted		26,614,968	27,055,140
	Closing Accumulated Surplus		28,517,885	26,614,968

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2014

	2014	2013
Current Year Surplus (Deficit)	1,909,398	(282,237)
Amortization of Tangible Capital Assets	3,312,082	3,122,279
Acquisition of Tangible Capital Assets	(17,302,601)	(7,201,752)
(Gain) / Loss on Disposal of Tangible Capital Assets	-	-
Proceeds on Disposal of Tangible Capital Assets	-	-
	(13,990,519)	(4,079,473)
Inventories (Increase)/Decrease	-	-
Prepaid Expenses (Increase)/Decrease	(48,021)	(49,840)
	(48,021)	(49,840)
(Increase)/Decrease in Net Debt	(12,129,142)	(4,411,550)
Net Debt at Beginning of Year	(21,025,947)	(16,456,462)
Adjustments Other than Tangible Cap. Assets	(6,481)	(157,935)
	(21,032,428)	(16,614,397)
Net Debt at End of Year	(33,161,570)	(21,025,947)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2014

	2014	2013
Operating Transactions		
Current Year Surplus/(Deficit)	1,909,398	(282,237)
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	3,312,082	3,122,279
(Gain)/Loss on Disposal of Tangible Capital Assets	-	-
Employee Future Benefits Increase/(Decrease)	42,505	275,655
Due from Other Organizations (Increase)/Decrease	(15,358,260)	(1,639,995)
Accounts Receivable & Accrued Income (Increase)/Decrease	(81,487)	(9,041)
Inventories and Prepaid Expenses - (Increase)/Decrease	(48,021)	(49,840)
Due to Other Organizations Increase/(Decrease)	75,310	109,909
Accounts Payable & Accrued Liabilities Increase/(Decrease)	(2,422)	(301,164)
Deferred Revenue Increase/(Decrease)	(7,745,562)	213,075
School Generated Funds Liability Increase/(Decrease)	48,606	89,443
Adjustments Other than Tangible Cap. Assets	(6,481)	(157,935)
Cash Provided by Operating Transactions	(17,854,332)	1,370,149
Capital Transactions		
Acquisition of Tangible Capital Assets	(17,302,601)	(7,201,752)
Proceeds on Disposal of Tangible Capital Assets	-	-
Cash (Applied to)/Provided by Capital Transactions	(17,302,601)	(7,201,752)
Investing Transactions		
Portfolio Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
Financing Transactions		
Debenture Debt Increase/(Decrease)	8,238,798	3,174,681
Other Borrowings Increase/(Decrease)	3,995,497	2,996,949
Cash Provided by (Applied to) Financing Transactions	12,234,295	6,171,630
Cash and Bank / Overdraft (Increase)/Decrease	(22,922,638)	340,027
Cash and Bank (Overdraft) at Beginning of Year	5,743,589	5,403,562
Cash and Bank (Overdraft) at End of Year	(17,179,049)	5,743,589

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2014

	Buildings and Leasehold Improvements		School	Other	Furniture / Fixtures &	Computer Hardware &		Land	Assets Under	2014	2013
	School	Non-School	Buses	Vehicles	Equipment	Software *	Land	Improvements	Construction	TOTALS	TOTALS
Tangible Capital Asset Cost											
Opening Cost, as previously reported	86,735,365	5,603,537	4,254,251	674,180	5,698,441	1,719,208	3,089,170	1,551,191	2,019,281	111,344,624	104,161,332
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	86,735,365	5,603,537	4,254,251	674,180	5,698,441	1,719,208	3,089,170	1,551,191	2,019,281	111,344,624	104,161,332
Add: Additions during the year	6,169,038	100,313	282,912	-	149,806	26,942	7,401,008	448,877	2,723,705	17,302,601	7,201,752
Less: Disposals and write downs	-	-	-	-	-	61,964	-	-	-	61,964	18,460
Closing Cost	92,904,403	5,703,850	4,537,163	674,180	5,848,247	1,684,186	10,490,178	2,000,068	4,742,986	128,585,261	111,344,624
Accumulated Amortization											
Opening, as previously reported	52,068,553	3,136,713	2,626,851	558,180	3,868,962	1,452,811		436,531		64,148,601	61,044,782
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	52,068,553	3,136,713	2,626,851	558,180	3,868,962	1,452,811		436,531		64,148,601	61,044,782
Add: Current period Amortization	1,923,799	131,305	360,732	47,069	539,898	139,434		169,845		3,312,082	3,122,279
Less: Accumulated Amortization on Disposals and Writedowns	-	-	-	-	-	61,964		-		61,964	18,460
Closing Accumulated Amortization	53,992,352	3,268,018	2,987,583	605,249	4,408,860	1,530,281		606,376		67,398,719	64,148,601
Net Tangible Capital Asset	38,912,051	2,435,832	1,549,580	68,931	1,439,387	153,905	10,490,178	1,393,692	4,742,986	61,186,542	47,196,023
Proceeds from Disposal of Capital Assets	-	-	-	-	-	-				-	-

* Includes network infrastructure.

PEMBINA TRAILS SCHOOL DIVISION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - JUNE 30, 2014

1. Nature of Organization and Economic Dependence

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

The Division is economically dependent on the Province and on special levy for its revenue and capital financing requirements. Without these funding sources, the Division would not be able to continue its operations.

2. Significant Accounting Policies

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

a) Reporting Entity and Consolidation

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the operating fund, capital fund, and special purpose fund of the Division. The Division reporting entity includes school generated funds, and the Pembina Trails Education Support Fund, Pembina Trails Voices and InForm Net which are entities controlled by the Division. All inter-fund accounts and transactions are eliminated upon consolidation.

b) Basis of Accounting

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

c) Fund Accounting

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

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

d) Tangible Capital Assets

Tangible capital assets are non-financial assets that are used by the Division to provide services to the public and have an economic life beyond one fiscal year.

Tangible capital assets include land, buildings, buses, other vehicles, furniture and equipment, computers, capital leases, leasehold improvements, and assets under construction.

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

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

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

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

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

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

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

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

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

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal if not fully amortized. Assets under construction are not amortized until the date of substantial completion.

e) Employee Future Benefits

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

Manitoba School Board Association (MSBA) Pension Plan, Maternity and Parental Leave, Vacation Days, Sick Leave Retirement Benefit and Non-Vested Sick Leave. The Division adopted the following policies with respect to accounting for these employee future benefits:

(i) Defined contribution plan – MSBA Pension Plan

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

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

(ii) Defined employee future benefit plans – Maternity and Parental Leave

For benefit obligations that are event driven (non-vesting maternity and parental leave), the benefit costs are recognized and recorded only in the period when the event occurs. The employee future benefits liability is the total accrued benefit obligation; while the employee future benefit expense is the Division's contribution for the period.

(iii) Defined employee future benefit plans – Accumulated Vacation Days and Sick Leave Retirement Benefit

For benefit obligations that are vested and accumulate over the employees' length of service (vacation days and sick leave retirement benefit), the benefit costs are recognized and recorded as service is rendered by employees. The employee future benefits liability is the total accrued benefit obligation; while the employee future benefit expense is the Division's contribution for the period.

(iv) Defined employee future benefit plans – Non-Vested Sick Leave

For non-vesting accumulating sick days, the benefit costs are recognized based on a projection of expected future utilization of sick time (excess of days used over earned per year, to a maximum entitlement), discounted using net present value techniques. The employee future benefits liability is the total accrued benefit obligation; while the employee future benefit expense is the Division's contribution for the period.

f) School Generated Funds

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

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

Period end cash balances of all school generated funds are included in the Consolidated Statement of Financial Position. The uncontrolled portion of this amount is reflected in the School Generated Funds Liability account. Examples of uncontrolled school generated funds are specific purpose student fees and fund raising, school meal programs, scholarship funds, and parent or student council funds. Revenues and expenses of uncontrolled school generated funds are not included in the consolidated financial statements.

g) Capital Reserve

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

h) Use of Estimates

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

i) Financial instruments

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

3. Overdraft

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

4. Employee Future Benefits

The following employee future benefits are benefits earned by employees in the current period, but will not be paid out until future periods.

	Type of Plan	2014	2013
MSBA Pension Plan	Defined Contribution	$ -	$ -
Maternity and Parental Leave	Defined Benefit - Event Driven	137,194	181,323
Accumulated Vacation Days	Defined Benefit - Vesting	933,914	917,768
Sick Leave Retirement Benefit	Defined Benefit - Vesting	64,007	-
Non-Vested Sick Leave	Defined Benefit - Non-Vesting	787,492	781,011
		$ 1,922,607	**$ 1,880,102**

5. Deferred Revenue

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

	June 30, 2013	Additions	Recognized	June 30, 2014
Education Property Tax Credit	$ 8,005,573	$ -	$ 8,005,573	$ -
International Student Program Fees	862,101	1,021,005	862,101	1,021,005
Fibre Access Agreements	84,610	-	8,049	76,561
Externally Funded Programs	203,962	191,866	203,962	191,866
Donated Capital Assets	728,186	244,136	122,884	849,438
	$ 9,884,432	**$ 1,457,007**	**$ 9,202,569**	**$ 2,138,870**

6. Debenture Debt

The debenture debt of the Division is in the form of twenty-year debentures payable in twenty equal yearly installments of principal and interest and maturing at various dates from 2014 to 2034. Payment of principal and interest is funded entirely by grants from the Province of Manitoba. The debentures carry interest rates that range from 3.500% to 10.000%. Debenture interest expense payable as at June 30, 2014, 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
2014/15	$ 2,223,072	$ 1,617,090	$ 3,840,162
2015/16	2,119,153	1,485,120	3,604,273
2016/17	2,076,279	1,367,299	3,443,578
2017/18	2,132,970	1,256,341	3,389,311
2018/19	1,952,783	1,143,579	3,096,362
	$ 10,504,257	**$ 6,869,429**	**$ 17,373,686**

7. Other Borrowings

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

	2014	2013
Bankers Acceptances	$ 17,980,740	$ 13,985,243
	$ 17,980,740	**$ 13,985,243**

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 $864,367. The following is a breakdown of the account balance:

	2014	2013
Student Fees - Activities, Clubs, Trips	$ 411,851	$ 406,451
Student - Fees, Yearbooks, Agendas	156,571	170,337
Specific Purpose Fund Raising	47,445	43,214
Breakfast and Lunch Programs	199,627	143,932
Scholarship Funds	(924)	(7,356)
Parent/ Student Council Funds, Other	49,797	59,184
	$ 864,367	**$ 815,761**

9. Net Tangible Capital Assets

The Schedule of Tangible Capital Assets (TCA), page 23 of the financial statements, provides a breakdown of cost, accumulated amortization and net book value by class. The breakdown of the owned capital assets is as follows:

	Gross Amount	Accumulated Amortization	2014 Net Book Value
Owned Tangible Capital Assets	$ 128,585,261	$ 67,398,719	$ 61,186,542
	$ 128,585,261	**$ 67,398,719**	**$ 61,186,542**

10. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2014	2013
Operating Fund		
Designated Surplus	$ 1,376,803	$ 975,407
Undesignated Surplus	5,414,042	3,972,254
Non-Vested Sick Leave	(787,492)	(781,011)
	$ 6,003,353	**$ 4,166,650**
Related Entities		
Pembina Trails Education Support Fund	$ 154,163	$ 170,976
Pembina Trails Voices	82,187	121,199
InForm Net	(6,208)	12,388
	$ 230,142	**$ 304,563**
Capital Fund		
Reserve Accounts	$ 3,084,796	$ 2,648,203
Equity in Tangible Capital Assets	18,604,569	18,876,936
	$ 21,689,365	**$ 21,525,139**
Special Purpose Fund		
School Generated Funds	$ 595,025	$ 618,616
Other Special Purpose Funds	-	-
	$ 595,025	**$ 618,616**
Total Accumulated Surplus	**$ 28,517,885**	**$ 26,614,968**

Designated Surplus under the Operating Fund represents internally restricted amounts appropriated by the board or, in the case of school budget carryovers, by board policy. See page 5 of the financial statements for a breakdown of the Designated Surplus. Related entities are entities that are controlled by the Division and consolidated into the Operating fund.

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

School Generated Funds are externally restricted moneys for school use.

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

Education property tax or Special Levy is raised as the Division's contribution to the cost of providing public education for resident students in the Division. The Municipal Government-Property Tax shown on the consolidated revenue and expense is raised over the two calendar (tax) years; 40% from 2013 tax year and 60% from 2014 tax year. Below are the related revenue and receivable amounts:

	2014	2013
Revenue - Municipal Government Property Tax	**$ 59,483,258**	**$ 54,787,741**
Receivable - Due from Municipal Government Property Tax	$ 35,585,968	$ 32,805,890
Receivable - Due from Municipal Government Other	813	0
Total Receivable from Municipal Government	**$ 35,586,781**	**$ 32,805,890**

12. Interest Received and Paid

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

		2014		2013
Interest Received				
Operating Fund - Interest Earned	**$**	**136,539**	**$**	**148,023**
Interest Paid				
Operating Fund - Interest and Bank Charges	$	129,593	$	90,970
Capital Fund - Debenture Debt Interest		1,427,533		1,272,068
Total Interest Paid	**$**	**1,557,126**	**$**	**1,363,038**

13. Contractual Obligations

The Division has an agreement with First Student Canada for student transportation services for a term of 5 years ending in June 2016. The specific costs for these services are approximately $930,900 for 2014/15.

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, 2014 is $192,940.

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

In accordance with Section 190.1 of The Public Schools Act the Division is required to collect a special levy on behalf of la Division scolaire franco-manitobaine. The special levy for 2014 was $770,832 (2013 - $717,360). These amounts are not included in the Division's consolidated financial statements.

MANAGEMENT REPORT

Management's Responsibility for the Financial Statements

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

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

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

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

Original Document Signed

Chairperson

Original Document Signed

Secretary-Treasurer

October 14, 2014

MNP LLP

Independent Auditors' Report

To the Board of Trustees of Pine Creek School Division:

We have audited the accompanying consolidated financial statements of Pine Creek School Division, which comprise the consolidated statement of financial position as at June 30, 2014 and the consolidated statements of revenue, expenses and accumulated surplus, change in net debt and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

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

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

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Pine Creek School Division as at June 30, 2014 and the consolidated results of its operations, consolidated changes in net debt and its consolidated cash flow for the year then ended in accordance with Canadian generally accepted accounting principles established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

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

MNP LLP
Chartered Accountants

Brandon, Manitoba
October 14, 2014

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

Original Document Signed

Chairperson of the Board

Date

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2014	2013
	Financial Assets		
	Cash and Bank	-	-
	Due from - Provincial Government	819,852	382,659
	- Federal Government	53,314	60,076
	- Municipal Government	2,149,806	2,140,901
	- Other School Divisions	-	-
	- First Nations	28,025	29,025
	Accounts Receivable	55,270	13,806
	Accrued Investment Income	-	-
	Portfolio Investments	-	-
		3,106,267	2,626,467
	Liabilities		
3	Overdraft	746,570	170,033
	Accounts Payable	26,157	123,316
	Accrued Liabilities	1,208,841	1,108,348
4	Employee Future Benefits	23,415	18,005
	Accrued Interest Payable	64,900	61,438
	Due to - Provincial Government	-	-
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
5	Deferred Revenue	72,707	501,453
6	Debenture Debt	3,295,572	2,862,627
	Other Borrowings	-	-
	School Generated Funds Liability	-	-
		5,438,162	4,845,220
	Net Debt	(2,331,895)	(2,218,753)
	Non-Financial Assets		
7	Net Tangible Capital Assets (TCA Schedule)	4,910,752	4,937,242
	Inventories	-	-
	Prepaid Expenses	67,142	277,035
		4,977,894	5,214,277
8	**Accumulated Surplus**	2,645,999	2,995,524

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT
OF REVENUE, EXPENSES
AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes			2014	2013
	Revenue			
	Provincial Government		9,453,140	9,423,147
	Federal Government		-	-
	Municipal Government	- Property Tax	4,356,368	4,335,525
		- Other	-	-
	Other School Divisions		28,600	29,900
	First Nations		-	29,025
	Private Organizations and Individuals		-	11,294
	Other Sources		65,166	88,567
	School Generated Funds		295,196	300,773
	Other Special Purpose Funds		-	-
			14,198,470	14,218,231
	Expenses			
	Regular Instruction		8,057,283	7,972,331
	Student Support Services		1,423,252	1,507,279
	Adult Learning Centres		-	-
	Community Education and Services		12,341	10,401
	Divisional Administration		550,456	533,992
	Instructional and Other Support Services		505,507	443,796
	Transportation of Pupils		1,188,734	1,127,155
	Operations and Maintenance		1,563,749	1,545,206
10	Fiscal	- Interest	172,732	165,776
		- Other	178,142	207,743
	Amortization		547,507	530,708
	Other Capital Items		-	6,473
	School Generated Funds		342,882	289,957
	Other Special Purpose Funds		-	-
			14,542,585	14,340,817
	Current Year Surplus (Deficit) before Non-vested Sick Leave		(344,115)	(122,586)
	Less: Non-vested Sick Leave Expense (Recovery)		5,410	(14,034)
	Net Current Year Surplus (Deficit)		(349,525)	(108,552)
	Opening Accumulated Surplus		2,995,524	3,104,076
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	-
		Other than Tangible Cap. Assets	-	-
		Non-vested sick leave - prior years	-	-
	Opening Accumulated Surplus, as adjusted		2,995,524	3,104,076
	Closing Accumulated Surplus		2,645,999	2,995,524

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2014

	2014	2013
Current Year Surplus (Deficit)	(344,115)	(122,586)
Amortization of Tangible Capital Assets	547,507	530,708
Acquisition of Tangible Capital Assets	(521,017)	(893,992)
(Gain) / Loss on Disposal of Tangible Capital Assets	(5,310)	-
Proceeds on Disposal of Tangible Capital Assets	5,310	-
	26,490	(363,284)
Inventories (Increase)/Decrease	-	-
Prepaid Expenses (Increase)/Decrease	209,893	(229,661)
	209,893	(229,661)
(Increase)/Decrease in Net Debt	(107,732)	(715,531)
Net Debt at Beginning of Year	(2,218,753)	(1,517,256)
Adjustments Other than Tangible Cap. Assets	(5,410)	14,034
	(2,224,163)	(1,503,222)
Net Debt at End of Year	(2,331,895)	(2,218,753)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2014

	2014	2013
Operating Transactions		
Current Year Surplus/(Deficit)	(344,115)	(122,586)
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	547,507	530,708
(Gain)/Loss on Disposal of Tangible Capital Assets	(5,310)	-
Employee Future Benefits Increase/(Decrease)	5,410	(14,034)
Due from Other Organizations (Increase)/Decrease	(438,336)	(39,937)
Accounts Receivable & Accrued Income (Increase)/Decrease	(41,464)	31,087
Inventories and Prepaid Expenses - (Increase)/Decrease	209,893	(229,661)
Due to Other Organizations Increase/(Decrease)	-	(15,083)
Accounts Payable & Accrued Liabilities Increase/(Decrease)	6,796	(260,356)
Deferred Revenue Increase/(Decrease)	(428,746)	(7,820)
School Generated Funds Liability Increase/(Decrease)	-	-
Adjustments Other than Tangible Cap. Assets	(5,410)	14,034
Cash Provided by Operating Transactions	(493,775)	(113,648)
Capital Transactions		
Acquisition of Tangible Capital Assets	(521,017)	(893,992)
Proceeds on Disposal of Tangible Capital Assets	5,310	-
Cash (Applied to)/Provided by Capital Transactions	(515,707)	(893,992)
Investing Transactions		
Portfolio Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
Financing Transactions		
Debenture Debt Increase/(Decrease)	432,945	157,964
Other Borrowings Increase/(Decrease)	-	-
Cash Provided by (Applied to) Financing Transactions	432,945	157,964
Cash and Bank / Overdraft (Increase)/Decrease	(576,537)	(849,676)
Cash and Bank (Overdraft) at Beginning of Year	(170,033)	679,643
Cash and Bank (Overdraft) at End of Year	(746,570)	(170,033)

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2014

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	2014 TOTALS	2013 TOTALS
	School	Non-School									
Tangible Capital Asset Cost											
Opening Cost, as previously reported	11,717,579	477,552	2,646,399	189,840	118,059	85,209	75,334	-	-	15,309,972	14,415,980
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	11,717,579	477,552	2,646,399	189,840	118,059	85,209	75,334	-	-	15,309,972	14,415,980
Add: Additions during the year	11,522	-	386,196	-	123,299	-	-	-	-	521,017	893,992
Less: Disposals and write downs	-	-	182,679	-	-	-	-	-	-	182,679	-
Closing Cost	11,729,101	477,552	2,849,916	189,840	241,358	85,209	75,334	-	-	15,648,310	15,309,972
Accumulated Amortization											
Opening, as previously reported	7,965,625	281,193	1,892,066	111,398	62,551	59,897		-		10,372,730	9,842,022
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	7,965,625	281,193	1,892,066	111,398	62,551	59,897		-		10,372,730	9,842,022
Add: Current period Amortization	313,876	17,574	159,681	21,704	17,797	16,875		-		547,507	530,708
Less: Accumulated Amortization on Disposals and Writedowns	-	-	182,679	-	-	-		-		182,679	-
Closing Accumulated Amortization	8,279,501	298,767	1,869,068	133,102	80,348	76,772		-		10,737,558	10,372,730
Net Tangible Capital Asset	3,449,600	178,785	980,848	56,738	161,010	8,437	75,334	-	-	4,910,752	4,937,242
Proceeds from Disposal of Capital Assets	-	-	5,310	-	-	-				5,310	-

* 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 in the 2011/2012 fiscal year, expected future payment on non-vested accumulated sick leave benefits for employees based on estimated sick days that will be used over earned per year has been set up as a future benefit.

h) Capital Reserve

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

i) Use of Estimates

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

j) Financial instruments

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

3. Overdraft

The Division has an authorized line of credit with Austin Credit Union of $4,000,000 by way of overdrafts and is repayable on demand at prime less .25%; interest is paid monthly. Overdrafts are secured by borrowing by-law.

4. Employee Future Benefits

Employee Future Benefits are benefits earned by employees in the current period, but will not be paid out until future periods and include vacation accrual, supplemental employment and sick leave benefits. As well, expected future payment on non-vested accumulated sick leave benefits for employees based on estimated sick days that will be used over earned per year has been set up as a future benefit.

5. Deferred Revenue

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

	Balance as at June 30, 2013	Additions in the period	Revenue recognized in the period	Balance as at June 30, 2014
Manitoba Textbook Bureau	$ 0	$ 32,214	$ 32,214	$ 0
Education Property Tax Credit	$460,593	$ 0	$460,593	$ 0
International Tuition	$ 0	$ 0	$ 0	$ 0
Donated Capital Assets	$ 40,860	$ 35,467	$ 9,220	$ 67,107
Other special purpose funds	$ 0	$ 5,600	$ 0	$ 5,600
	$501,453	$ 73,281	$502,027	$ 72,707

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 2015 to 2034. 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 3.750% to 8.375%.

Debenture interest expense payable as at June 30, 2014, 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
2015	$216,012	$171,259	$387,271
2016	$228,482	$159,141	$387,623
2017	$241,704	$146,291	$387,995
2018	$249,630	$132,658	$382,288
2019	$248,283	$118,674	$366,957
	$1,184,111	$728,023	$1,912,134

7. Net Tangible Capital Assets

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

	Gross Amount	Accumulated Amortization	2014 Net Book Value
Owned-tangible capital assets	$15,648,310	$10,737,558	$4,910,752

8. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2014
Operating Fund	
Designated Surplus	$ 12,162
Undesignated Surplus	$ 714,020
Non Vested Sick Leave to date	($ 23,415)
	$ 702,767
Capital Fund	
Reserve Accounts	$ 412,469
Equity in Tangible Capital Assets	$1,467,349
	$1,879,818
Special Purpose Fund	
School Generated Funds	$ 63,414
Other Special Purpose Funds	$ 0
	$ 63,414
Total Accumulated Surplus	$ 2,645,999

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.

	2014
Board approved appropriation by motion	$ 0
School budget carryovers by board policy	$ 12,162
Designated surplus	$ 12,162

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.

	2014
Bus reserves	$412,469
Other reserves	$ 0
Capital Reserve	$412,469

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

Education property tax or Special Levy is raised as the Division's contribution to the cost of providing public education for the students resident in the division. The Municipal Government-Property Tax shown on the consolidated revenue and expense statement is raised over the two calendar (tax) years; 50% from 2013 tax year and 50% from 2014 tax year. Below are the related revenue and receivable amounts:

	2014	2013
Revenue–Municipal Government-Property Tax	$4,356,368	$4,335,525
Receivable-Due from Municipal-Property Tax	$2,149,806	$2,140,901

10. Interest Received and Paid

The Division received interest during the year of $7,248 (previous year $8,024); interest paid during the year was $172,732 (previous year $165,776).

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

	2014
Operating Fund	
Fiscal-short term loan, interest and bank charges	$ 8,458
Capital fund	
Debenture debt interest	$164,274
Other interest	$ 0
	$172,732

The accrual portion of debenture debt interest expense of $64,900 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 2014	Budget 2014	Actual 2013
Salaries	$ 9,869,499	$ 9,861,376	$ 9,667,301
Employees benefits & allowances	$ 697,698	$ 759,062	$ 726,863
Services	$ 1,325,072	$ 1,561,602	$ 1,320,092
Supplies, materials & minor equipment	$ 1,373,950	$ 1,052,279	$ 1,387,512
Interest	$ 172,732	$ 4,000	$ 165,776
Bad debts	$ 0	$ 0	$ 0
Payroll tax – and transfers	$ 213,245	$ 216,950	$ 246,135
Amortization	$ 547,507	$ 0	$ 530,708
Other capital items	$ 0	$ 0	$ 6,473
School generated funds	$ 342,882	$ 0	$ 289,957
Other special purpose funds	$ 0	$ 0	$ 0
	$14,542,585	$13,455,269	$14,340,817

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 public sector accounting standards established by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants. A summary of the significant accounting policies are described in Note 2 to the consolidated financial statements.

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

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

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

Original Document Signed

Chairperson

Original Document Signed

Secretary-Treasurer

October 9, 2014

BDO

Tel: 204 857 2856
Fax: 204 239 1664
Toll-free: 800 897 6246
www.bdo.ca

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, 2014, 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 **Portage la Prairie School Division** as at June 30, 2014, 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 9, 2014

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

Original Document Signed

Date

Chairperson

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2014	2013
	Financial Assets		
	Cash and Bank	-	-
	Due from - Provincial Government	2,422,416	1,058,306
	- Federal Government	126,217	162,001
	- Municipal Government	6,101,051	5,540,171
	- Other School Divisions	-	-
	- First Nations	477,671	268,947
	Accounts Receivable	58,179	81,868
	Accrued Investment Income	-	-
	Portfolio Investments	-	-
		9,185,534	7,111,293
	Liabilities		
3	Overdraft	3,003,936	1,411,595
	Accounts Payable	606,678	273,241
	Accrued Liabilities	3,582,037	3,458,126
4	Employee Future Benefits	-	-
	Accrued Interest Payable	127,483	130,577
	Due to - Provincial Government	-	-
	- Federal Government	416,069	408,860
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
5	Deferred Revenue	24,733	1,493,889
6	Debenture Debt	9,513,933	9,597,743
	Other Borrowings	-	-
7	School Generated Funds Liability	170,958	144,255
		17,445,827	16,918,286
	Net Debt	(8,260,293)	(9,806,993)
	Non-Financial Assets		
8	Net Tangible Capital Assets (TCA Schedule)	13,790,551	14,830,960
	Inventories	28,448	26,181
	Prepaid Expenses	15,265	33,528
		13,834,264	14,890,669
9	**Accumulated Surplus**	5,573,971	5,083,676

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes			2014	2013
	Revenue			
	Provincial Government		23,116,891	22,437,671
	Federal Government		-	-
10	Municipal Government	- Property Tax	11,545,200	10,447,237
		- Other	-	-
	Other School Divisions		180,593	199,042
	First Nations		1,024,133	928,773
	Private Organizations and Individuals		23,500	56,350
	Other Sources		141,251	131,469
	School Generated Funds		1,513,599	1,734,750
	Other Special Purpose Funds		-	-
			37,545,167	35,935,292
12	**Expenses**			
	Regular Instruction		19,606,410	18,830,974
	Student Support Services		6,380,842	6,221,649
	Adult Learning Centres		-	-
	Community Education and Services		48,936	44,580
	Divisional Administration		1,087,814	1,115,892
	Instructional and Other Support Services		1,192,545	1,137,269
	Transportation of Pupils		1,125,430	1,082,604
	Operations and Maintenance		3,702,014	3,660,834
11	Fiscal	- Interest	555,645	573,103
		- Other	575,819	559,788
	Amortization		1,305,709	1,218,279
	Other Capital Items		-	-
	School Generated Funds		1,473,708	1,731,607
	Other Special Purpose Funds		-	-
			37,054,872	36,176,579
	Current Year Surplus (Deficit) before Non-vested Sick Leave		490,295	(241,287)
	Less: Non-vested Sick Leave Expense (Recovery)		0	0
	Net Current Year Surplus (Deficit)		490,295	(241,287)
	Opening Accumulated Surplus		5,083,676	5,324,963
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	-
		Other than Tangible Cap. Assets	-	-
		Non-vested sick leave - prior years	-	-
	Opening Accumulated Surplus, as adjusted		5,083,676	5,324,963
	Closing Accumulated Surplus		5,573,971	5,083,676

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2014

	2014	2013
Current Year Surplus (Deficit)	490,295	(241,287)
Amortization of Tangible Capital Assets	1,305,709	1,218,279
Acquisition of Tangible Capital Assets	(265,300)	(1,406,066)
(Gain) / Loss on Disposal of Tangible Capital Assets	-	(5,152)
Proceeds on Disposal of Tangible Capital Assets	-	13,650
	1,040,409	(179,289)
Inventories (Increase)/Decrease	(2,267)	25,125
Prepaid Expenses (Increase)/Decrease	18,263	18,733
	15,996	43,858
(Increase)/Decrease in Net Debt	1,546,700	(376,718)
Net Debt at Beginning of Year	(9,806,993)	(9,430,275)
Adjustments Other than Tangible Cap. Assets	-	-
	(9,806,993)	(9,430,275)
Net Debt at End of Year	(8,260,293)	(9,806,993)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2014

	2014	2013
Operating Transactions		
Current Year Surplus/(Deficit)	490,295	(241,287)
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	1,305,709	1,218,279
(Gain)/Loss on Disposal of Tangible Capital Assets	-	(5,152)
Employee Future Benefits Increase/(Decrease)	-	-
Due from Other Organizations (Increase)/Decrease	(2,097,930)	(226,516)
Accounts Receivable & Accrued Income (Increase)/Decrease	23,689	(26,058)
Inventories and Prepaid Expenses - (Increase)/Decrease	15,996	43,858
Due to Other Organizations Increase/(Decrease)	7,209	(6,900)
Accounts Payable & Accrued Liabilities Increase/(Decrease)	454,254	(157,975)
Deferred Revenue Increase/(Decrease)	(1,469,156)	7,701
School Generated Funds Liability Increase/(Decrease)	26,703	40,636
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by Operating Transactions	(1,243,231)	646,586
Capital Transactions		
Acquisition of Tangible Capital Assets	(265,300)	(1,406,066)
Proceeds on Disposal of Tangible Capital Assets	-	13,650
Cash (Applied to)/Provided by Capital Transactions	(265,300)	(1,392,416)
Investing Transactions		
Portfolio Investments (Increase)/Decrease	-	13,679
Cash Provided by (Applied to) Investing Transactions	-	13,679
Financing Transactions		
Debenture Debt Increase/(Decrease)	(83,810)	(201,973)
Other Borrowings Increase/(Decrease)	-	-
Cash Provided by (Applied to) Financing Transactions	(83,810)	(201,973)
Cash and Bank / Overdraft (Increase)/Decrease	(1,592,341)	(934,124)
Cash and Bank (Overdraft) at Beginning of Year	(1,411,595)	(477,471)
Cash and Bank (Overdraft) at End of Year	(3,003,936)	(1,411,595)

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2014

	Buildings and Leasehold Improvements										
	School	Non-School	School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	2014 TOTALS	2013 TOTALS
Tangible Capital Asset Cost											
Opening Cost, as previously reported	32,704,755	338,037	1,847,490	58,503	642,928	873,408	270,186	-	990,765	37,726,072	36,366,472
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	32,704,755	338,037	1,847,490	58,503	642,928	873,408	270,186	-	990,765	37,726,072	36,366,472
Add: Additions during the year	1,012,318	-	101,200	-	93,474	-	-	-	(941,692)	265,300	1,406,066
Less: Disposals and write downs	-	-	-	-	-	-	-	-	-	-	46,466
Closing Cost	33,717,073	338,037	1,948,690	58,503	736,402	873,408	270,186	-	49,073	37,991,372	37,726,072
Accumulated Amortization											
Opening, as previously reported	20,556,848	338,037	1,482,969	34,275	434,664	48,319		-		22,895,112	21,714,801
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	20,556,848	338,037	1,482,969	34,275	434,664	48,319		-		22,895,112	21,714,801
Add: Current period Amortization	1,045,005	-	73,977	7,417	82,673	96,637		-		1,305,709	1,218,279
Less: Accumulated Amortization on Disposals and Writedowns	-	-	-	-	-	-		-		-	37,968
Closing Accumulated Amortization	21,601,853	338,037	1,556,946	41,692	517,337	144,956		-		24,200,821	22,895,112
Net Tangible Capital Asset	12,115,220	-	391,744	16,811	219,065	728,452	270,186	-	49,073	13,790,551	14,830,960
Proceeds from Disposal of Capital Assets	-	-	-	-	-	-				-	13,650

* Includes network infrastructure.

Portage la Prairie School Division
Notes to Consolidated Financial Statements
For the Year Ended June 30, 2014

1. Nature of Organization and Economic Dependence

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

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

2. Significant Accounting Policies

The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards established by PSAB of the 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. 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 1.75% (1.25% at June 30, 2014); interest is paid monthly. Overdrafts are secured by a borrowing by-law.

4. Employee Future Benefits

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

The employee future benefit expense is a part of the Employee Benefits and Allowances expense account which includes pension expense for the year of $393,580 (2013 - $403,405).

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, 2013	Additions in year	recognized in year	Balance as at June 30, 2014
Education Property Tax Credit (EPTC)	$ 1,468,500	$ 1,630,677	$ 3,099,177	$ 0
Manitoba Text Book Bureau	25,389	91,620	99,276	17,733
Other	0. 00	7,000	-	7,000
	$ 1,493,889	$ 1,729,297	$ 3,198,453	$ 24,773

6. Debenture Debt

	2014	2013
Supportable debenture	$ 6,312,185	$ 6,244,953
Non-supportable debenture	3,201,748	3,352,790
	$ 9,513,933	$ 9,597,743

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 2015 to 2034. Payment of principal and interest for the supportable debentures is funded entirely by grants from the Province of Manitoba. The debentures carry interest rates that range from 3.50% to 9.75%. Debenture interest expense payable as at June 30, 2014, 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.

2015	$ 831,244
2016	787,022
2017	743,794
2018	701,264
2019	701,264

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.

2015	$ 331,255
2016	331,255
2017	331,255
2018	331,255
2019	331,255

7. School Generated Funds Liability

School Generated Funds Liability includes the non-controlled portion of school generated funds. At June 30, 2014, an amount equal to $170,958 (2013 - $144,255) is included in cash and bank (overdraft) on the consolidated financial statement.

8. Net Tangible Capital Assets

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

9. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following.

	2014	2013
Operating Fund		
Designated Surplus	$ -	$ -
Undesignated Surplus	1,380,732	293,896
	$ 1,380,732	$ 293,896
Capital Fund		
Reserve Accounts	$ 125,000	$ 125,000
Equity in Tangible Capital Assets	3,733,865	4,370,297
	$ 3,858,865	$ 4,495,297
Special Purpose Fund		
School Generated Funds	$ 334,374	294,483
Other Special Purpose Funds	-	-
	$ 334,374	294,483
Total Accumulated Surplus	$ 5,573,971	$ 5,083,676

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.

	2014	2013
Yellowquill Regulation Track Reserve	$ 125,000	$ 125,000

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

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

Education property tax or Special Levy is raised as the Division's contribution to the cost of providing public education for the students resident in the Division. The Municipal Government-Property Tax shown on the consolidated revenue and expense is raised over the two calendar (tax) years; 48% from 2013 tax year and 52% from 2014 tax year. Below are the related revenue and receivable amounts.

	2014	2013
Revenue – Municipal Government – Property Tax	$ 11,545,200	10,477,237
Receivable – Due from Municipal – Property Tax	$ 6,101,051	5,540,171

11. Interest Received and Paid

The Division received interest during the year of $7,140 (2013 - $7,739) and interest paid during the year was $555,645 (2013 - $573,103).

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

	2014	2013
Operating Fund		
Fiscal-short term loan, interest and bank charges	$ 33,226	$ 34,433
Capital Fund		
Debenture interest	522,419	538,670
Other interest – non-supportable	-	-
	$ 555,645	$ 573,103

The accrual portion of debenture debt interest expense of $127,483 (2013 - $130,577) 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 2014	Actual 2013
Salaries	$ 26,685,979	$ 25,762,619
Employees benefits and allowances	1,870,329	1,770,199
Services	2,385,153	2,316,209
Supplies, materials and minor equipment	2,159,630	2,195,375
Interest	555,645	573,103
Payroll tax	575,819	559,788
Bad debts	-	-
Transfers	42,900	49,400
Amortization	1,305,709	1,218,279
School generated funds	1,473,708	1,731,607
	$ 37,054,872	$ 36,176,579

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

In accordance with Section 190.1 of The Public Schools Act, the Division is required to collect a special levy on behalf of la Division scolaire franco-manitobaine. As at June 30, 2013, the amount of this levy was $75,709 (2013 - $47,629). These amounts are not included in the Division's consolidated financial statements.

MANAGEMENT RESPONSIBILITY LETTER

The accompanying consolidated financial statements of Prairie Rose School Division are the responsibility of the Division's management and have been prepared in compliance with legislation, and in accordance with Canadian generally accepted accounting principles established by the Public Sector Accounting Board of The 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.

Original Document Signed	Original Document Signed
Chair	Secretary-Treasurer

November 3, 2014

CRAIG & ROSS
CHARTERED ACCOUNTANTS

October 27, 2014

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, 2014 and June 30, 2013, and the consolidated statements of revenue, expenses and accumulated surplus, change in net debt and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the consolidated financial position of Prairie Rose School Division as at June 30, 2014 and June 30, 2013 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.

NOV - 3 2014 | Original Document Signed

Date | Chairperson

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2014	2013
	Financial Assets		
	Cash and Bank	-	-
	Due from - Provincial Government	2,474,593	1,128,986
	- Federal Government	37,165	44,556
	- Municipal Government	5,360,784	5,054,571
	- Other School Divisions	-	-
	- First Nations	-	-
	Accounts Receivable	174,651	110,083
	Accrued Investment Income	-	-
	Portfolio Investments	-	-
		8,047,193	6,338,196
	Liabilities		
*	Overdraft	5,834,775	2,504,413
	Accounts Payable	1,028,235	1,009,680
	Accrued Liabilities	244,843	340,542
*	Employee Future Benefits	137,732	140,302
	Accrued Interest Payable	-	-
	Due to - Provincial Government	139,655	144,209
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
*	Deferred Revenue	13,520	803,357
*	Debenture Debt	6,315,779	6,855,643
*	Other Borrowings	487,010	525,905
	School Generated Funds Liability	25,676	27,239
		14,227,225	12,351,290
	Net Debt	(6,180,032)	(6,013,094)
	Non-Financial Assets		
*	Net Tangible Capital Assets (TCA Schedule)	11,461,865	11,509,608
	Inventories	-	-
	Prepaid Expenses	14,440	16,476
		11,476,305	11,526,084
*	**Accumulated Surplus**	5,296,273	5,512,990

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes			2014	2013
	Revenue			
	Provincial Government		17,826,007	17,633,546
	Federal Government		-	4,486
	Municipal Government	- Property Tax	9,255,092	8,736,971
		- Other	-	1,913
	Other School Divisions		73,950	55,900
	First Nations		-	-
	Private Organizations and Individuals		14,689	18,090
	Other Sources		417,210	144,946
	School Generated Funds		510,398	575,009
	Other Special Purpose Funds		56,621	219,012
			28,153,967	27,389,873
	Expenses			
	Regular Instruction		14,972,573	14,531,427
	Student Support Services		3,721,514	3,450,162
	Adult Learning Centres		258,719	255,428
	Community Education and Services		30,305	31,396
	Divisional Administration		1,004,800	972,163
	Instructional and Other Support Services		717,443	684,366
	Transportation of Pupils		2,073,494	1,794,227
	Operations and Maintenance		3,029,419	2,793,230
*	Fiscal	- Interest	419,343	440,160
		- Other	417,590	396,987
	Amortization		986,004	959,573
	Other Capital Items		-	-
	School Generated Funds		505,812	550,016
	Other Special Purpose Funds		236,239	17,196
			28,373,255	26,876,331
	Current Year Surplus (Deficit) before Non-vested Sick Leave		(219,288)	513,542
	Less: Non-vested Sick Leave Expense (Recovery)		(2,571)	46,591
	Net Current Year Surplus (Deficit)		(216,717)	466,951
	Opening Accumulated Surplus		5,512,990	5,046,039
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	-
		Other than Tangible Cap. Assets	-	-
		Non-vested sick leave - prior years	-	-
	Opening Accumulated Surplus, as adjusted		5,512,990	5,046,039
	Closing Accumulated Surplus		5,296,273	5,512,990

See accompanying notes to the Financial Statements

* NOTE REQUIRED

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2014

	2014	2013
Current Year Surplus (Deficit)	(219,288)	513,542
Amortization of Tangible Capital Assets	986,004	959,573
Acquisition of Tangible Capital Assets	(938,261)	(1,269,916)
(Gain) / Loss on Disposal of Tangible Capital Assets	-	(36,623)
Proceeds on Disposal of Tangible Capital Assets	-	38,723
	47,743	(308,243)
Inventories (Increase)/Decrease	-	-
Prepaid Expenses (Increase)/Decrease	2,036	41,942
	2,036	41,942
(Increase)/Decrease in Net Debt	(169,509)	247,241
Net Debt at Beginning of Year	(6,013,094)	(6,213,744)
Adjustments Other than Tangible Cap. Assets	2,571	(46,591)
	(6,010,523)	(6,260,335)
Net Debt at End of Year	(6,180,032)	(6,013,094)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2014

	2014	2013
Operating Transactions		
Current Year Surplus/(Deficit)	(219,288)	513,542
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	986,004	959,573
(Gain)/Loss on Disposal of Tangible Capital Assets	-	(36,623)
Employee Future Benefits Increase/(Decrease)	(2,570)	46,591
Due from Other Organizations (Increase)/Decrease	(1,644,429)	(309,414)
Accounts Receivable & Accrued Income (Increase)/Decrease	(64,568)	8,353
Inventories and Prepaid Expenses - (Increase)/Decrease	2,036	41,942
Due to Other Organizations Increase/(Decrease)	(4,554)	(23,332)
Accounts Payable & Accrued Liabilities Increase/(Decrease)	(77,144)	50,447
Deferred Revenue Increase/(Decrease)	(789,837)	3,598
School Generated Funds Liability Increase/(Decrease)	(1,563)	6,198
Adjustments Other than Tangible Cap. Assets	2,571	(46,591)
Cash Provided by Operating Transactions	(1,813,342)	1,214,284
Capital Transactions		
Acquisition of Tangible Capital Assets	(938,261)	(1,269,916)
Proceeds on Disposal of Tangible Capital Assets	-	38,723
Cash (Applied to)/Provided by Capital Transactions	(938,261)	(1,231,193)
Investing Transactions		
Portfolio Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
Financing Transactions		
Debenture Debt Increase/(Decrease)	(539,864)	(374,608)
Other Borrowings Increase/(Decrease)	(38,895)	(37,958)
Cash Provided by (Applied to) Financing Transactions	(578,759)	(412,566)
Cash and Bank / Overdraft (Increase)/Decrease	(3,330,362)	(429,475)
Cash and Bank (Overdraft) at Beginning of Year	(2,504,413)	(2,074,938)
Cash and Bank (Overdraft) at End of Year	(5,834,775)	(2,504,413)

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2014

	Buildings and Leasehold Improvements		School	Other	Furniture / Fixtures &	Computer Hardware &		Land	Assets Under	2014	2013
	School	Non-School	Buses	Vehicles	Equipment	Software *	Land	Improvements	Construction	TOTALS	TOTALS
Tangible Capital Asset Cost											
Opening Cost, as previously reported	21,462,468	748,070	3,977,496	73,158	118,754	1,464,087	106,884	151,993	166,501	28,269,411	27,399,191
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	21,462,468	748,070	3,977,496	73,158	118,754	1,464,087	106,884	151,993	166,501	28,269,411	27,399,191
Add: Additions during the year	430,694	48,293	96,953	51,585	26,140	73,050	-	-	211,546	938,261	1,269,916
Less: Disposals and write downs	-	-	-	-	-	-	-	-	-	-	399,696
Closing Cost	21,893,162	796,363	4,074,449	124,743	144,894	1,537,137	106,884	151,993	378,047	29,207,672	28,269,411
Accumulated Amortization											
Opening, as previously reported	13,131,960	264,096	2,713,379	72,356	40,266	504,307		33,439		16,759,803	16,197,826
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	13,131,960	264,096	2,713,379	72,356	40,266	504,307		33,439		16,759,803	16,197,826
Add: Current period Amortization	532,153	18,217	248,839	5,961	11,082	163,672		6,080		986,004	959,573
Less: Accumulated Amortization on Disposals and Writedowns	-	-	-	-	-	-		-		-	397,596
Closing Accumulated Amortization	13,664,113	282,313	2,962,218	78,317	51,348	667,979		39,519		17,745,807	16,759,803
Net Tangible Capital Asset	8,229,049	514,050	1,112,231	46,426	93,546	869,158	106,884	112,474	378,047	11,461,865	11,509,608
Proceeds from Disposal of Capital Assets	-	-	-	-	-	-				-	38,723

* Includes network infrastructure.

1. Nature of Organization and Economic Dependence

Prairie Rose School Division (the "Division") is a public body that provides education services to residents within its geographic boundaries. It is governed by a Board of Trustees acting under the authority of The Public Schools Act. The Division is funded mainly by grants from the Province of Manitoba (the "Province"), and a special levy on property located in the Division's geographic boundaries. The Division is exempt from income tax.

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

2. Significant Accounting Policies

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles as recommended by the Public Sector Accounting Board (PSAB) of the 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 Prairie Rose School Division Charitable Organization, a charitable organization controlled by the Division. All inter-fund balances and transactions have been eliminated upon consolidation.

b) Basis of Accounting

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

c) Fund Accounting

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

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

Trust funds and their related operations administered by the Division are not consolidated in these financial statements. The trust funds administered by the Division are presented in the Trust Funds Schedule.

d) School Generated Funds

School generated funds are 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.

2. Significant Accounting Policies - Continued

d) School Generated Funds - continued

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

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

e) Non-Financial Assets

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

f) Employee Future Benefits

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.

g) Tangible Capital Assets

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

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

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

2. Significant Accounting Policies - Continued

g) Tangible Capital Assets - continued

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

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

All land acquired prior to June 30, 1995 has been valued using information provided by the Crown Lands and Property Agency and adjusted by the Division where further information was available.

Donated assets are recorded at their estimated fair value upon acquisition.

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

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

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

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

h) Capital Reserve

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

i) Use of Estimates

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

j) Financial instruments

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

3. Overdraft

The Division has an authorized line of credit with Access Credit Union of $5,000,000 by way of overdrafts and is repayable on demand. The overdraft bears interest at the credit union prime lending rate less .50% and is paid monthly. The Division's overdraft exceeds the authorized line of credit by $1,031,873 at June 30, 2014. Overdrafts are secured by a first charge on any funds receivable from the Province of Manitoba.

4. Employee Future Benefits

Non-vested accumulated sick leave benefits are measured using net present value techniques on the expected future utilization of excess of sick benefits used over earned per year, to a maximum entitlement. The impact of the estimated non-vested sick leave benefit expense for 2013 / 2014 is $2,571 recovery (2012 / 2013 - $46,591 expense).

5. Deferred Revenue

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

6. Debenture Debt

The debenture debt of the Division is in the form of twenty-year debentures payable, principal and interest, in twenty equal yearly installments and maturing at various dates from 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, 2014 and 2013, 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:

2015	$ 939,217
2016	861,780
2017	818,928
2018	790,485
2019	669,448
	$4,079,858

7. Other Borrowings – Access Credit Union

Commercial loan, bearing interest at the Credit Union prime rate and repayable in blended monthly instalments of principal and interest of $4,300, final payment due February 1, 2030.	$ 487,010

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

8. Net Tangible Capital Assets

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

	Gross	Accumulated Amortization	2014 Net Book Value	2013 Net Book Value
Tangible capital assets	**$29,207,672**	**$17,745,807**	**$11,461,865**	$11,509,608

9. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2014	2013
Operating Fund		
Undesignated Surplus	**$ 569,342**	$ 805,993
Capital Fund		
Reserve Accounts	**286,462**	362,761
Equity in Tangible Capital Assets	**4,271,573**	4,000,308
	4,558,035	4,363,069
Special Purpose Fund		
School Generated Funds	**119,714**	115,128
Other Special Purpose Funds	**49,182**	228,800
	168,896	343,928
Total Accumulated Surplus	**$5,296,273**	$5,512,990

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

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

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

Education property tax or Special Levy is raised as the Division's contribution to the cost of providing public education for the students resident in the division. The Municipal Government-Property Tax shown on the consolidated revenue and expense is raised over the two calendar (tax) years; 42% from the 2013 tax year and 58% from the 2014 tax year. Below are the related revenue and receivable amounts:

	2014	2013
Revenue-Municipal Government-Property Tax	**$9,255,092**	$8,736,791
Receivable-Due from Municipal-Property Tax	**$5,360,784**	$5,054,571

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, 2014 the amount of this special levy was $399,361 (2013 - $399,842). These amounts are not included in the Division's financial statements.

11. Interest Expense

	2014	2013
Operating Fund		
Fiscal-short term loan, interest and bank charges	**$ 32,868**	$ 18,355
Capital Fund		
Debenture debt interest	**373,770**	408,163
Other borrowings – Access Credit Union	**12,705**	13,642
	$ 419,343	$ 440,160

The accrual portion of debenture debt interest expense of $125,471 (2013 - $140,842) included under the Capital Fund-Debenture debt interest, is offset by an accrual of the debt servicing grant from the Province of Manitoba.

12. Budget Figures and Non Financial Information

The 2014 budget figures, student enrolments (FRAME) and transportation statistics, full time equivalent personnel, and senior staff allocations are unaudited and have been presented for information purposes only.

MANAGEMENT REPORT
PS 1200.005-6 (Reference)

Management's Responsibility for the Financial Statements

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

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

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

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

Original Document Signed	Original Document Signed
Chairperson	Secretary-Treasurer

October 14th, 2014

MNP LLP

Independent Auditors' Report

To the Board of Trustees of Prairie Spirit School Division:

We have audited the accompanying consolidated financial statements of Prairie Spirit School Division, which comprise the consolidated statement of financial position as at June 30, 2014, and the consolidated statements of revenue, expenses and accumulated surplus, change in net debt and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

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

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

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Prairie Spirit School Division as at June 30, 2014 and the consolidated results of its operations, consolidated changes in net debt and its consolidated cash flow for the year then ended in accordance with Canadian generally accepted accounting principles established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

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

Brandon, Manitoba
October 14, 2014

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.

Original Document Signed

Chairperson of the Board

Date

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2014	2013
	Financial Assets		
	Cash and Bank	-	-
	Due from - Provincial Government	2,014,407	919,113
	- Federal Government	88,449	86,599
	- Municipal Government	5,378,936	5,066,820
	- Other School Divisions	11,493	-
	- First Nations	62,342	54,502
	Accounts Receivable	57,753	54,918
	Accrued Investment Income	-	-
	Portfolio Investments	-	-
		7,613,380	6,181,952
	Liabilities		
3	Overdraft	2,462,680	77,282
	Accounts Payable	1,881,862	2,559,636
	Accrued Liabilities	220,623	202,773
4	Employee Future Benefits	458,255	630,535
	Accrued Interest Payable	164,397	174,021
	Due to - Provincial Government	-	-
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
5	Deferred Revenue	1,706	129,382
6	Debenture Debt	6,862,799	6,531,969
7	Other Borrowings	1,300,000	1,600,000
	School Generated Funds Liability	70,414	66,093
		13,422,736	11,971,691
	Net Debt	(5,809,356)	(5,789,739)
	Non-Financial Assets		
9	Net Tangible Capital Assets (TCA Schedule)	12,796,148	12,389,133
	Inventories	-	-
	Prepaid Expenses	48,696	54,647
		12,844,844	12,443,780
10	**Accumulated Surplus**	7,035,488	6,654,041

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes			2014	2013
	Revenue			
	Provincial Government		18,403,279	18,242,104
	Federal Government		5,792	25,431
	Municipal Government	- Property Tax	9,460,110	8,914,991
		- Other	-	-
	Other School Divisions		19,500	29,250
	First Nations		298,336	349,758
	Private Organizations and Individuals		51,978	50,656
	Other Sources		253,837	134,957
	School Generated Funds		645,912	648,374
	Other Special Purpose Funds		-	-
			29,138,744	28,395,521
	Expenses			
	Regular Instruction		14,856,466	14,231,029
	Student Support Services		3,437,364	3,464,790
	Adult Learning Centres		-	-
	Community Education and Services		31,800	32,596
	Divisional Administration		847,153	878,244
	Instructional and Other Support Services		704,517	702,173
	Transportation of Pupils		2,543,941	2,388,507
	Operations and Maintenance		3,442,232	3,261,217
12	Fiscal	- Interest	435,476	470,437
		- Other	405,981	414,501
	Amortization		1,372,285	1,369,641
	Other Capital Items		-	-
	School Generated Funds		661,575	646,833
	Other Special Purpose Funds		-	-
			28,738,790	27,859,968
	Current Year Surplus (Deficit) before Non-vested Sick Leave		399,954	535,553
	Less: Non-vested Sick Leave Expense (Recovery)		18,507	13,633
	Net Current Year Surplus (Deficit)		381,447	521,920
	Opening Accumulated Surplus		6,654,041	6,132,121
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	-
		Other than Tangible Cap. Assets	-	-
		Non-vested sick leave - prior years	-	-
	Opening Accumulated Surplus, as adjusted		6,654,041	6,132,121
	Closing Accumulated Surplus		7,035,488	6,654,041

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2014

	2014	2013
Current Year Surplus (Deficit)	399,954	535,553
Amortization of Tangible Capital Assets	1,372,285	1,369,641
Acquisition of Tangible Capital Assets	(1,799,326)	(585,611)
(Gain) / Loss on Disposal of Tangible Capital Assets	(16,476)	-
Proceeds on Disposal of Tangible Capital Assets	36,502	-
	(407,015)	784,030
Inventories (Increase)/Decrease	-	-
Prepaid Expenses (Increase)/Decrease	5,951	(28,293)
	5,951	(28,293)
(Increase)/Decrease in Net Debt	(1,110)	1,291,290
Net Debt at Beginning of Year	(5,789,739)	(7,067,396)
Adjustments Other than Tangible Cap. Assets	(18,507)	(13,633)
	(5,808,246)	(7,081,029)
Net Debt at End of Year	(5,809,356)	(5,789,739)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2014

	2014	2013
Operating Transactions		
Current Year Surplus/(Deficit)	399,954	535,553
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	1,372,285	1,369,641
(Gain)/Loss on Disposal of Tangible Capital Assets	(16,476)	-
Employee Future Benefits Increase/(Decrease)	(172,280)	40,013
Due from Other Organizations (Increase)/Decrease	(1,428,593)	(262,424)
Accounts Receivable & Accrued Income (Increase)/Decrease	(2,835)	11,631
Inventories and Prepaid Expenses - (Increase)/Decrease	5,951	(28,293)
Due to Other Organizations Increase/(Decrease)	-	-
Accounts Payable & Accrued Liabilities Increase/(Decrease)	(669,548)	(283,931)
Deferred Revenue Increase/(Decrease)	(127,676)	(358,230)
School Generated Funds Liability Increase/(Decrease)	4,321	(6,534)
Adjustments Other than Tangible Cap. Assets	(18,507)	(13,633)
Cash Provided by Operating Transactions	(653,404)	1,003,793
Capital Transactions		
Acquisition of Tangible Capital Assets	(1,799,326)	(585,611)
Proceeds on Disposal of Tangible Capital Assets	36,502	-
Cash (Applied to)/Provided by Capital Transactions	(1,762,824)	(585,611)
Investing Transactions		
Portfolio Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
Financing Transactions		
Debenture Debt Increase/(Decrease)	330,830	(278,076)
Other Borrowings Increase/(Decrease)	(300,000)	(700,000)
Cash Provided by (Applied to) Financing Transactions	30,830	(978,076)
Cash and Bank / Overdraft (Increase)/Decrease	(2,385,398)	(559,894)
Cash and Bank (Overdraft) at Beginning of Year	(77,282)	482,612
Cash and Bank (Overdraft) at End of Year	(2,462,680)	(77,282)

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2014

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	2014 TOTALS	2013 TOTALS
	School	Non-School									
Tangible Capital Asset Cost											
Opening Cost, as previously reported	24,362,295	668,144	7,029,227	112,986	430,723	4,182,254	56,674	-	68,835	36,911,138	36,325,527
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	24,362,295	668,144	7,029,227	112,986	430,723	4,182,254	56,674	-	68,835	36,911,138	36,325,527
Add: Additions during the year	814,540	-	383,690	76,398	334,113	-	-	-	190,585	1,799,326	585,611
Less: Disposals and write downs	-	-	1,390,755	-	-	-	-	-	-	1,390,755	-
Closing Cost	25,176,835	668,144	6,022,162	189,384	764,836	4,182,254	56,674	-	259,420	37,319,709	36,911,138
Accumulated Amortization											
Opening, as previously reported	16,787,056	558,373	5,337,768	98,409	306,010	1,434,389		-		24,522,005	23,152,364
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	16,787,056	558,373	5,337,768	98,409	306,010	1,434,389		-		24,522,005	23,152,364
Add: Current period Amortization	589,228	14,299	333,081	19,053	57,488	359,136		-		1,372,285	1,369,641
Less: Accumulated Amortization on Disposals and Writedowns	-	-	1,370,729	-	-	-		-		1,370,729	-
Closing Accumulated Amortization	17,376,284	572,672	4,300,120	117,462	363,498	1,793,525		-		24,523,561	24,522,005
Net Tangible Capital Asset	7,800,551	95,472	1,722,042	71,922	401,338	2,388,729	56,674	-	259,420	12,796,148	12,389,133
Proceeds from Disposal of Capital Assets	-	-	36,502	-	-	-				36,502	-

* 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 2015 to 2034. Payment of principal and interest is funded entirely by grants from the Province of Manitoba. The debentures carry interest rates that range from 3.625% to 9.875%. Debenture interest expense payable as at June 30, 2014, 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:

2015	$ 632,423
2016	605,149
2017	617,520
2018	601,967
2019	594,588
	$ 3,051,647

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, 2014 had a remaining balance of $1,300,000. 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 $70,414 ($66,093 in 2013).

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	2014 Net Book Value	2013 Net Book Value
Owned-tangible capital assets	$ 37,319,709	$24,523,561	$ 12,796,148	$ 12,389,133
Capital lease	-	-	-	-
	$ 37,319,709	$24,523,561	$ 12,796,148	$ 12,389,133

10. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2014	2013
Operating Fund		
Designated Surplus	$ -	$ 161,590
Undesignated Surplus	1,201,848	1,123,561
Non vested sick leave to date	(127,832)	(109,325)
	1,074,016	1,175,826
Capital Fund		
Reserve Accounts	1,341,720	1,217,883
Equity in Tangible Capital Assets	4,464,939	4,089,856
	5,806,659	5,307,739
Special Purpose Fund		
School Generated Funds	154,813	170,476
Other Special Purpose Funds	-	-
	154,813	170,476
Total Accumulated Surplus	$ 7,035,488	$ 6,654,041

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 2013 tax year and 57% from 2014 tax year. Below are the related revenue and receivable amounts:

	2014	2013
Revenue-Municipal Government-Property Tax	$9,460,110	$8,914,991
Receivable-Due from Municipal-Property Tax	$5,378,936	$5,066,820

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, 2014, the amount of this special levy was $729,064 (2013: $671,252). These amounts are not included in the Division's financial statements in 2014.

12. Interest Received and Paid

The Division received interest during the year of $9,966 (2013: $17,998); interest paid during the year was $435,476 (2013: $470,437).

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

	2014	2013
Operating Fund		
Fiscal-short term loan, interest and bank charges	$ 16,824	$ 9,990
Capital Fund		
Tower infrastructure capital loan	36,932	50,720
Debenture debt interest	381,720	409,727
	$ 435,476	$ 470,437

The accrual portion of debenture debt interest expense of $164,397 (2013: $174,021) 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 2014	Budget 2014	Actual 2013
Salaries	$ 18,751,112	$ 19,104,900	$ 18,243,315
Employees benefits and allowances	1,792,289	1,466,700	1,610,691
Services	2,937,951	2,606,800	2,657,254
Supplies, materials and minor equipment	2,276,462	2,687,900	2,309,920
Interest	435,476	30,000	470,437
Bad debts	-	-	-
Payroll tax	405,981	375,000	414,501
Transfers	105,659	810,188	137,376
Amortization	1,372,285		1,369,641
Other capital services, supplies, and materials	-		-
School generated funds	661,575		646,833
Other special purpose funds	-	-	-
	$ 28,738,790	$ 27,081,488	$ 27,859,968

14. Budget Figures and Non Financial Information

The 2014 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 $344,219.

RED RIVER VALLEY SCHOOL DIVISION
DIVISION SCOLAIRE VALLÉE de la RIVIÈRE-ROUGE
233 Main Street, P.O. Box 400, Morris, MB R0G 1K0
Ph. 204.746.2317 • Fax 204.746.2785 • Email: rrvsd@rrvsd.ca

MANAGEMENT REPORT

Management's Responsibility for the Consolidated Financial Statements

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

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

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

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

Original Document Signed

Secretary-Treasurer

October 6, 2014

That each of us will be life long learners

BDO

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

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

Independent Auditor's Report

To the Chairperson and Board of Trustees of **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, 2014, and the consolidated statement of revenue, expenses and accumulated surplus, statement of change in net debt and statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

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

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

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **Red River Valley School Division** as at June 30, 2014, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

BDO Canada LLP

Chartered Accountants

Winnipeg, Manitoba
October 6, 2014

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

Original Document Signed

Date

Chairperson

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2014	2013
	Financial Assets		
	Cash and Bank	-	-
	Due from - Provincial Government	3,326,895	1,776,829
	- Federal Government	97,654	129,401
11	- Municipal Government	5,697,237	5,027,130
	- Other School Divisions	147,997	181,078
	- First Nations	-	-
	Accounts Receivable	68,688	43,843
	Accrued Investment Income	-	-
	Portfolio Investments	-	-
		9,338,471	7,158,281
	Liabilities		
3	Overdraft	6,195,173	3,439,933
	Accounts Payable	421,170	1,439,553
	Accrued Liabilities	253,595	285,232
4	Employee Future Benefits	146,690	111,766
	Accrued Interest Payable	244,669	215,432
	Due to - Provincial Government	12,407	8,413
	- Federal Government	8,554	9,923
	- Municipal Government	14,205	23,209
	- Other School Divisions	287,378	242,713
	- First Nations	-	-
5	Deferred Revenue	1,137,066	1,116,406
6	Debenture Debt	12,738,683	10,687,708
7	Other Borrowings	9,782	45,099
8	School Generated Funds Liability	15,248	39,638
		21,484,620	17,665,025
	Net Debt	(12,146,149)	(10,506,744)
	Non-Financial Assets		
9	Net Tangible Capital Assets (TCA Schedule)	18,935,018	16,929,324
	Inventories	127,948	129,109
	Prepaid Expenses	85,402	91,240
		19,148,368	17,149,673
10	**Accumulated Surplus**	7,002,219	6,642,929

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes			2014	2013
	Revenue			
	Provincial Government		17,360,228	16,432,213
	Federal Government		11,261	20,870
11	Municipal Government	- Property Tax	9,503,985	8,398,030
		- Other	-	-
	Other School Divisions		672,837	765,239
	First Nations		-	-
	Private Organizations and Individuals		194,171	182,934
	Other Sources		120,277	114,487
	School Generated Funds		581,663	683,125
	Other Special Purpose Funds		-	-
			28,444,422	26,596,898
13	**Expenses**			
	Regular Instruction		14,743,931	14,205,057
	Student Support Services		3,646,225	3,405,935
	Adult Learning Centres		-	-
	Community Education and Services		36,807	30,010
	Divisional Administration		967,767	971,168
	Instructional and Other Support Services		569,966	532,663
	Transportation of Pupils		2,455,591	2,401,723
	Operations and Maintenance		2,762,930	2,553,705
12	Fiscal	- Interest	669,126	574,556
		- Other	393,867	389,435
	Amortization		1,179,521	1,060,578
	Other Capital Items		54,402	-
	School Generated Funds		570,075	672,880
	Other Special Purpose Funds		-	-
			28,050,208	26,797,710
	Current Year Surplus (Deficit) before Non-vested Sick Leave		394,214	(200,812)
4	Less: Non-vested Sick Leave Expense (Recovery)		34,924	34,065
	Net Current Year Surplus (Deficit)		359,290	(234,877)
	Opening Accumulated Surplus		6,642,929	6,877,806
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	-
		Other than Tangible Cap. Assets	-	-
		Non-vested sick leave - prior years	-	-
	Opening Accumulated Surplus, as adjusted		6,642,929	6,877,806
10	**Closing Accumulated Surplus**		7,002,219	6,642,929

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2014

	2014	2013
Current Year Surplus (Deficit)	394,214	(200,812)
Amortization of Tangible Capital Assets	1,179,521	1,060,578
Acquisition of Tangible Capital Assets	(3,226,082)	(4,485,758)
(Gain) / Loss on Disposal of Tangible Capital Assets	(18,865)	3,543
Proceeds on Disposal of Tangible Capital Assets	59,732	6,181
	(2,005,694)	(3,415,456)
Inventories (Increase)/Decrease	1,161	2,892
Prepaid Expenses (Increase)/Decrease	5,838	3,096
	6,999	5,988
(Increase)/Decrease in Net Debt	(1,604,481)	(3,610,280)
Net Debt at Beginning of Year	(10,506,744)	(6,862,399)
Adjustments Other than Tangible Cap. Assets	(34,924)	(34,065)
	(10,541,668)	(6,896,464)
Net Debt at End of Year	(12,146,149)	(10,506,744)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2014

	2014	2013
Operating Transactions		
Current Year Surplus/(Deficit)	394,214	(200,812)
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	1,179,521	1,060,578
(Gain)/Loss on Disposal of Tangible Capital Assets	(18,865)	3,543
Employee Future Benefits Increase/(Decrease)	34,924	34,065
Due from Other Organizations (Increase)/Decrease	(2,155,345)	(432,469)
Accounts Receivable & Accrued Income (Increase)/Decrease	(24,845)	1,905
Inventories and Prepaid Expenses - (Increase)/Decrease	6,999	5,988
Due to Other Organizations Increase/(Decrease)	38,286	(1,357,965)
Accounts Payable & Accrued Liabilities Increase/(Decrease)	(1,020,783)	316,012
Deferred Revenue Increase/(Decrease)	20,660	(1,305)
School Generated Funds Liability Increase/(Decrease)	(24,390)	16,662
Adjustments Other than Tangible Cap. Assets	(34,924)	(34,065)
Cash Provided by Operating Transactions	(1,604,548)	(587,863)
Capital Transactions		
Acquisition of Tangible Capital Assets	(3,226,082)	(4,485,758)
Proceeds on Disposal of Tangible Capital Assets	59,732	6,181
Cash (Applied to)/Provided by Capital Transactions	(3,166,350)	(4,479,577)
Investing Transactions		
Portfolio Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
Financing Transactions		
Debenture Debt Increase/(Decrease)	2,050,975	3,099,558
Other Borrowings Increase/(Decrease)	(35,317)	(31,086)
Cash Provided by (Applied to) Financing Transactions	2,015,658	3,068,472
Cash and Bank / Overdraft (Increase)/Decrease	(2,755,240)	(1,998,968)
Cash and Bank (Overdraft) at Beginning of Year	(3,439,933)	(1,440,965)
Cash and Bank (Overdraft) at End of Year	(6,195,173)	(3,439,933)

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2014

	Buildings and Leasehold Improvements										
	School	Non-School	School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	2014 TOTALS	2013 TOTALS
Tangible Capital Asset Cost											
Opening Cost, as previously reported	21,538,657	1,236,802	4,319,285	244,541	879,683	402,181	563,070	102,488	4,833,328	34,120,035	29,769,020
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	21,538,657	1,236,802	4,319,285	244,541	879,683	402,181	563,070	102,488	4,833,328	34,120,035	29,769,020
Add: Additions during the year	4,727,509	-	573,915	15,487	499,240	7,530	-	36,075	(2,633,674)	3,226,082	4,485,758
Less: Disposals and write downs	-	-	138,442	32,899	53,310	-	-	-		224,651	134,743
Closing Cost	26,266,166	1,236,802	4,754,758	227,129	1,325,613	409,711	563,070	138,563	2,199,654	37,121,466	34,120,035
Accumulated Amortization											
Opening, as previously reported	12,944,795	611,521	2,609,048	202,353	608,122	194,282		20,590		17,190,711	16,255,152
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	12,944,795	611,521	2,609,048	202,353	608,122	194,282		20,590		17,190,711	16,255,152
Add: Current period Amortization	596,191	33,680	321,653	15,044	123,875	77,025		12,053		1,179,521	1,060,578
Less: Accumulated Amortization on Disposals and Writedowns	-	-	97,575	32,899	53,310	-		-		183,784	125,019
Closing Accumulated Amortization	13,540,986	645,201	2,833,126	184,498	678,687	271,307		32,643		18,186,448	17,190,711
Net Tangible Capital Asset	12,725,180	591,601	1,921,632	42,631	646,926	138,404	563,070	105,920	2,199,654	18,935,018	16,929,324
Proceeds from Disposal of Capital Assets	-	-	56,732	3,000	-	-				59,732	6,181

* Includes network infrastructure.

1. Nature of Organization and Economic Dependence

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

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

2. Significant Accounting Policies

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

Reporting Entity and Consolidation

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

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

Trust Funds

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

3. Bank Overdraft

The Division has an authorized line of credit for its operations of $7,000,000 by way of overdrafts and is repayable on demand at prime less 0.65% (2.35% at June 30, 2014); interest is paid monthly. As at June 30, 2014, the Division's operating line of credit was utilized.

The Division also has an authorized line of credit, temporarily, for capital projects of $3,000,000 by way of overdrafts and is repayable on demand at prime less 0.65% (2.35% at June 30, 2014); interest is paid monthly. Overdrafts are secured by borrowing by-laws. As at June 30, 2014, the Division's line of credit was utilized.

4. Employee Future Benefits

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

The employee future benefit expense is a part of the Employee Benefits and Allowances expense which includes pension expense for the year of $313,793 ($314,265 in 2013).

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 $34,924 ($34,065 in 2013).

5. Deferred Revenue

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

	Balance as at June 30, 2013	Additions in year	Revenue recognized in year	Balance as at June 30, 2014
Education Property Tax Credit (EPTC)	$ 807,047	2,048,530	2,036,165	819,412
Tax Incentive Grant	276,857	691,503	691,759	276,601
Other	32,502	8,551	-	41,053
	$ 1,116,406	2,748,584	2,727,924	1,137,066

6. Debenture Debt

The debenture debt of the Division is in the form of twenty-year debentures payable, principal and interest, in twenty equal yearly instalments and maturing at various dates from fiscal years ending 2015 to 2034. 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 9.75%. Debenture interest expense payable as at June 30, 2014, 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:

2015	$ 1,657,642
2016	1,598,064
2017	1,514,996
2018	1,313,179
2019	1,278,288

7. Other Borrowings

Other borrowings are debts other than overdrafts or debentures. This includes financing for the acquisition of a board office. The Board office loan has 2.35% interest per annum, is due in fiscal year 2015 and bears monthly payment of $3,000 principal and interest.

8. School Generated Funds Liability

School Generated Funds Liability represents the non-controlled portion of school generated funds. At June 30, 2014, an amount equal to the liability or $15,248 ($39,638 at June 30, 2013) is included in overdraft on the Consolidated Statement of Financial Position.

9. 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).

10. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2014	2013
Operating Fund		
Designated Surplus	$ 617,010	914,652
Undesignated Surplus	585,290	386,198
Non-vested Sick Leave	(146,690)	(111,766)
	$ 1,055,610	1,189,084
Capital Fund		
Reserve Accounts	$ 86,298	432,490
Equity in Tangible Capital Assets	5,689,865	4,862,497
	$ 5,776,163	5,294,987
Special Purpose Fund		
School Generated Funds	$ 170,446	158,858
Other Special Purpose Funds	-	-
	$ 170,446	158,858
Total Accumulated Surplus	$ 7,002,219	6,642,929

Designated Surplus under the Operating Fund represents internally restricted amounts appropriated by the Board of Trustees or, in the case of school budget carryovers, by Board policy. The details of Designated Surplus are disclosed on Page 5 of the consolidated financial statements.

Reserve Accounts under the Capital Fund represents internally restricted reserves for specific purposes approved by the Board of Trustees and PSFB. 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.

	2014	2013
Bus Reserve	$ 22,781	69,894
Vocational Programming Reserve	63,517	362,596
Capital Reserve	$ 86,298	432,490

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 2013 tax year and 60% from 2014 tax year. Below are the related revenue and receivable amounts:

	2014	2013
Revenue – Municipal Government – Property Tax	$ 9,503,985	8,398,030
Receivable – Due from Municipal – Property Tax	$ 5,697,237	5,027,130

12. Interest Received and Paid

The Division received interest during the year of $3,156 ($12,370 in 2013); interest paid during the year was $669,126 ($574,556 in 2013).

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

	2014	2013
Operating Fund		
Fiscal-short term loan, interest and bank charges	$ 59,547	71,164
Capital Fund		
Debenture interest	608,896	501,079
Other interest	683	2,313
	$ 669,126	574,556

The accrual portion of debenture debt interest expense of $244,669 ($215,432 in 2013) 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:

	2014	2013
Salaries	$18,468,356	18,209,436
Employees benefits and allowances	1,552,143	1,364,096
Services	2,597,497	2,291,938
Supplies, materials and minor equipment	2,153,479	1,893,353
Interest	669,126	574,556
Payroll tax	393,867	389,351
Bad debt	-	84
Transfers	411,742	341,438
Amortization	1,179,521	1,060,578
Other Capital Items	54,402	-
School generated funds	570,075	672,880
	$28,050,208	26,797,710

14. 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.

15. Contingent Liability

Claims have been filed against the Division for incidents that arose in the ordinary course of operations. In the opinion of management, the outcomes of the claims, now pending, are not determinable. Claims are being defended in conjunction with the Division's insurers. Should any loss result from the resolution of this claim, such loss will be charged to operations in the year of resolution.

MANAGEMENT REPORT

Management's Responsibility for the Financial Statements

The accompanying consolidated financial statements of River East Transcona School Division are the responsibility of the Division's management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of The 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 LLP, independent external auditors appointed by the Board. The accompanying Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Division's consolidated financial statements.

Original Document Signed	Original Document Signed
Chairperson Peter Kotyk	Secretary-Treasurer Vince Mariani

Deloitte.

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

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of River East Transcona School Division

We have audited the following financial statements of River East Transcona School Division (the "Division") as at June 30, 2014, 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, 2014 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 LLP

Chartered Accountants
Winnipeg, Manitoba
October 14, 2014

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes			2014	2013
	Financial Assets			
	Cash and Bank		-	9,959,895
	Due from	- Provincial Government	18,555,838	4,284,648
		- Federal Government	363,290	292,764
		- Municipal Government	30,284,017	28,546,371
		- Other School Divisions	2,253	1,042
		- First Nations	21,400	28,487
	Accounts Receivable		163,541	91,253
	Accrued Investment Income		-	-
	Portfolio Investments		-	-
			49,390,339	43,204,460
	Liabilities			
*	Overdraft		14,565,472	-
	Accounts Payable		1,806,204	1,033,094
	Accrued Liabilities		14,974,686	14,622,486
*	Employee Future Benefits		1,328,921	1,022,229
	Accrued Interest Payable		948,861	1,001,334
	Due to	- Provincial Government	6,083	11,016
		- Federal Government	22,978	17,851
		- Municipal Government	-	-
		- Other School Divisions	-	-
		- First Nations	-	-
*	Deferred Revenue		1,551,636	10,003,829
*	Debenture Debt		35,983,405	36,804,570
*	Other Borrowings		3,639,779	4,542,936
	School Generated Funds Liability		1,310,037	1,317,441
			76,138,062	70,376,786
	Net Debt		(26,747,723)	(27,172,326)
	Non-Financial Assets			
*	Net Tangible Capital Assets (TCA Schedule)		62,675,299	64,297,771
	Inventories		-	-
	Prepaid Expenses		421,248	459,670
			63,096,547	64,757,441
*	**Accumulated Surplus**		36,348,824	37,585,115

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes			2014	2013
	Revenue			
	Provincial Government		125,334,416	124,658,239
	Federal Government		400,235	109,686
	Municipal Government	- Property Tax	50,478,832	47,637,925
		- Other	-	-
	Other School Divisions		954,504	931,342
	First Nations		64,377	84,288
	Private Organizations and Individuals		2,079,360	3,058,819
	Other Sources		476,380	476,826
	School Generated Funds		696,629	882,375
	Other Special Purpose Funds		-	-
			180,484,733	177,839,500
	Expenses			
	Regular Instruction		96,663,840	94,986,363
	Student Support Services		32,357,156	31,556,239
	Adult Learning Centres		980,623	1,021,822
	Community Education and Services		1,386,702	1,293,230
	Divisional Administration		5,076,950	4,930,773
	Instructional and Other Support Services		7,055,147	6,905,609
	Transportation of Pupils		3,773,808	3,569,896
	Operations and Maintenance		21,689,487	19,411,179
*	Fiscal	- Interest	2,179,846	2,282,830
		- Other	2,902,994	2,854,095
	Amortization		6,302,933	6,145,771
	Other Capital Items		469,618	73,882
	School Generated Funds		753,462	767,111
	Other Special Purpose Funds		-	-
			181,592,566	175,798,800
	Current Year Surplus (Deficit) before Non-vested Sick Leave		(1,107,833)	2,040,700
	Less: Non-vested Sick Leave Expense (Recovery)		128,458	187,160
	Net Current Year Surplus (Deficit)		(1,236,291)	1,853,540
	Opening Accumulated Surplus		37,585,115	35,731,575
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	-
		Other than Tangible Cap. Assets	-	-
		Non-vested sick leave - prior years	-	-
	Opening Accumulated Surplus, as adjusted		37,585,115	35,731,575
	Closing Accumulated Surplus		36,348,824	37,585,115

See accompanying notes to the Financial Statements

* NOTE REQUIRED

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2014

	2014	2013
Current Year Surplus (Deficit)	(1,107,833)	2,040,700
Amortization of Tangible Capital Assets	6,302,933	6,145,771
Acquisition of Tangible Capital Assets	(4,680,461)	(6,620,918)
(Gain) / Loss on Disposal of Tangible Capital Assets	(2,713)	(5,758)
Proceeds on Disposal of Tangible Capital Assets	2,713	5,758
	1,622,472	(475,147)
Inventories (Increase)/Decrease	-	-
Prepaid Expenses (Increase)/Decrease	38,422	(68,791)
	38,422	(68,791)
(Increase)/Decrease in Net Debt	553,061	1,496,762
Net Debt at Beginning of Year	(27,172,326)	(28,481,928)
Adjustments Other than Tangible Cap. Assets	(128,458)	(187,160)
	(27,300,784)	(28,669,088)
Net Debt at End of Year	(26,747,723)	(27,172,326)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2014

	2014	2013
Operating Transactions		
Current Year Surplus/(Deficit)	(1,107,833)	2,040,700
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	6,302,933	6,145,771
(Gain)/Loss on Disposal of Tangible Capital Assets	(2,713)	(5,758)
Employee Future Benefits Increase/(Decrease)	306,692	121,537
Due from Other Organizations (Increase)/Decrease	(16,073,486)	(771,283)
Accounts Receivable & Accrued Income (Increase)/Decrease	(72,288)	99,765
Inventories and Prepaid Expenses - (Increase)/Decrease	38,422	(68,791)
Due to Other Organizations Increase/(Decrease)	194	20,229
Accounts Payable & Accrued Liabilities Increase/(Decrease)	1,072,837	(826,227)
Deferred Revenue Increase/(Decrease)	(8,452,193)	(513,632)
School Generated Funds Liability Increase/(Decrease)	(7,404)	140,421
Adjustments Other than Tangible Cap. Assets	(128,458)	(187,160)
Cash Provided by Operating Transactions	(18,123,297)	6,195,572
Capital Transactions		
Acquisition of Tangible Capital Assets	(4,680,461)	(6,620,918)
Proceeds on Disposal of Tangible Capital Assets	2,713	5,758
Cash (Applied to)/Provided by Capital Transactions	(4,677,748)	(6,615,160)
Investing Transactions		
Portfolio Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
Financing Transactions		
Debenture Debt Increase/(Decrease)	(821,165)	1,229,231
Other Borrowings Increase/(Decrease)	(903,157)	(831,322)
Cash Provided by (Applied to) Financing Transactions	(1,724,322)	397,909
Cash and Bank / Overdraft (Increase)/Decrease	(24,525,367)	(21,679)
Cash and Bank (Overdraft) at Beginning of Year	9,959,895	9,981,574
Cash and Bank (Overdraft) at End of Year	(14,565,472)	9,959,895

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2014

	Buildings and Leasehold Improvements		School	Other	Furniture / Fixtures &	Computer Hardware &		Land	Assets Under	2014	2013
	School	Non-School	Buses	Vehicles	Equipment	Software *	Land	Improvements	Construction	TOTALS	TOTALS
Tangible Capital Asset Cost											
Opening Cost, as previously reported	115,717,537	6,537,137	6,188,213	417,447	4,560,264	14,509,059	1,878,287	2,802,823	535,810	153,146,577	148,865,469
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	115,717,537	6,537,137	6,188,213	417,447	4,560,264	14,509,059	1,878,287	2,802,823	535,810	153,146,577	148,865,469
Add: Additions during the year	860,417	-	405,292	43,840	256,236	682,943	-	-	2,431,733	4,680,461	6,620,918
Less: Disposals and write downs	-	-	-	61,553	1,234,215	1,335,630	-	-	-	2,631,398	2,339,810
Closing Cost	116,577,954	6,537,137	6,593,505	399,734	3,582,285	13,856,372	1,878,287	2,802,823	2,967,543	155,195,640	153,146,577
Accumulated Amortization											
Opening, as previously reported	70,726,259	3,210,794	3,792,877	291,647	3,194,353	6,170,539		1,462,337		88,848,806	85,042,845
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	70,726,259	3,210,794	3,792,877	291,647	3,194,353	6,170,539		1,462,337		88,848,806	85,042,845
Add: Current period Amortization	2,858,448	219,093	477,843	46,196	445,776	1,975,295		280,282		6,302,933	6,145,771
Less: Accumulated Amortization on Disposals and Writedowns	-	-	-	61,553	1,234,215	1,335,630		-		2,631,398	2,339,810
Closing Accumulated Amortization	73,584,707	3,429,887	4,270,720	276,290	2,405,914	6,810,204		1,742,619		92,520,341	88,848,806
Net Tangible Capital Asset	42,993,247	3,107,250	2,322,785	123,444	1,176,371	7,046,168	1,878,287	1,060,204	2,967,543	62,675,299	64,297,771
Proceeds from Disposal of Capital Assets	-	-	1,500	1,213	-	-				2,713	5,758

* 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, if deemed material, based on a projection of expected future utilization of sick time, discounted using not present value techniques.

Under the Pension Plan for Non-Teaching Employees of Public School Boards in Manitoba, the Division's contribution equals the employee's contributions to the plan. No responsibility is assumed by the Division to make any further contributions.

An employee future benefit liability is accrued for maternity and parental leave top up payments, a self insured benefit obligation that is event driven. The benefit costs are recognized and recorded only in the period the event occurred.

h) Capital Reserve

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

i) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from the estimates. Changes in estimates are recorded in the accounting period in which these changes are determined.

j) Financial Instruments

The Division’s financial instruments include cash, accounts receivable, due to/from governments, other schools and First Nations, accounts payable, accrued liabilities and long-term debt.

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

3. EMPLOYEE FUTURE BENEFITS

An employee future benefit liability of $340,096 (2013 - $161,861) has been accrued as at June 30, 2014 relating to maternity and parental leave top up payments. The employee future benefit expense is a part of the Employee Benefits and Allowances expense account.

Non-vested accumulated sick leave benefits are measured using net present value techniques of the expected future utilization of excess of sick benefits used over earned per year, to maximum entitlement. The impact of the estimated non-vested sick leave benefit is $988,825 (2013 - $860,367).

During the year ended June 30, 2014, the employer contributions to the Pension Plan for Non-Teaching Employees of Public School Boards in Manitoba amounted to $1,848,728 (2013 - $1,835,491). This amount has been expensed in the Division's financial statements for the year ended June 30, 2014.

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, 2013	Additions in the period	Revenue Recognized in the period	Balance as at June 30, 2014
Province of Manitoba – EPTC*	$ 8,576,904	$ -	$ 8,576,904	**$ -**
Province of Manitoba- Other	73,037	186,212	145,969	**113,280**
Tuition Fees	590,482	652,061	590,482	**652,061**
Donated Capital Asset	649,265	131,422	133,852	**646,835**
Miscellaneous	114,141	214,669	189,350	**139,460**
	$ 10,003,829	$ 1,184,364	$ 9,636,557	**$1,551,636**

*EPTC = Education Property Tax Credit

5. SCHOOL GENERATED FUNDS LIABILITY

School Generated Funds Liability includes the non-controlled portion of school generated funds consolidated in the cash and bank balances in the amount of $1,310,037 (2013 - $1,317,441).

6. DEBENTURE DEBT

The debenture debt of the Division is in the form of twenty-year debentures payable, principal and interest, in equal yearly installments and maturing at various dates from 2014 to 2034. Payment of principal and interest is funded entirely by grants from the Province of Manitoba. The debentures carry interest rates that range from 3.625% to 10.00%. Debenture interest expense payable as at June 30, 2014, 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
2015	$ 2,636,328	$ 2,010,686	$ 4,647,014
2016	2,550,159	1,879,751	4,429,910
2017	2,432,041	1,758,566	4,190,607
2018	2,475,649	1,650,481	4,126,130
2019	2,321,113	1,540,433	3,861,546
	$ 12,415,290	$ 8,839,917	$ 21,255,207

7. OTHER BORROWINGS

Other borrowings are debts other than overdrafts and includes obligations related to capital leases and debentures for self-funded capital projects.

Capital lease loans have interest rates ranging from 1.56% to 3.87% per annum and have lease terms that expire between 2015 to 2018. 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
2015	$ 972,687	$ 62,967	$ 1,035,654
2016	823,722	36,637	860,359
2017	406,950	12,825	419,775
2018	34,173	1,000	35,173
2019	-	-	-
	$ 2,237,532	$ 113,429	$ 2,350,961

7. OTHER BORROWINGS (continued)

The debentures for self-funded capital projects are in the form of twenty year debt payable, principal and interest in equal yearly installments and maturing in 2021. These self-funded debentures carry interest rates of 6.875%. The principal and interest repayments for the debentures in the next five years are:

	Principal	Interest	Total
2015	$ 137,290	$ 96,405	$ 233,695
2016	146,729	86,966	233,695
2017	156,816	76,879	233,695
2018	167,598	66,097	233,695
2019	179,120	54,575	233,695
	$ 787,553	$ 380,922	$ 1,168,475

8. NET TANGIBLE CAPITAL ASSETS

The Schedule of Tangible Capital Assets (TCA), page 23 of the audited financial statements, provides a breakdown of cost, accumulated amortization and net book value by asset class. The amount of interest capitalized in the period included in Assets under Construction was $8,752 (2013 - $1,929). 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, 2014 are $8,140,301, $5,311,062 and $2,829,239 respectively.

9. ACCUMULATED SURPLUS

The consolidated accumulated surplus is comprised of the following:

	2014	2013
Operating Fund		
Designated Surplus	**$ 3,925,308**	$ 4,378,211
Undesignated Surplus	**4,006,194**	5,131,261
Non-Vested Sick Leave	**(988,825)**	(860,367)
	$ 6,942,677	$ 8,649,105
Capital Fund		
Reserve Accounts	**$ 7,846,001**	$ 6,497,646
Equity in Tangible Capital Assets	**21,221,113**	22,042,498
	$ 29,067,114	$ 28,540,144
Special Purpose Fund		
School Generated Funds	**$ 339,033**	$ 395,866
Total Accumulated Surplus	**$ 36,348,824**	$ 37,585,115

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

9. ACCUMULATED SURPLUS (continued)

	2014	2013
Board approved appropriation by motion	**$ 2,905,774**	$ 3,508,707
School budget carryovers by board policy	**1,019,534**	869,504
Designated surplus	**$ 3,925,308**	$ 4,378,211

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.

	2014	2013
Bus reserve	**$ 115,406**	$ 219,198
Other reserve	**7,730,595**	6,278,448
Capital reserve	**$ 7,846,001**	$ 6,497,646

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

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

Education property tax or Special Levy is raised as the Division's contribution to the cost of providing public education for the student's resident in the division. The Municipal Government-Property Tax shown on the consolidated revenue and expense is raised over the two calendar (tax) years; 40% from 2013 tax year and 60% from 2014 tax year. Below are the related revenue and receivable amounts:

	2014	2013
Revenue-Municipal Government-Property Tax	**$ 50,478,832**	$ 47,637,925
Receivable-Due from Municipal Government-Property Tax	**$ 30,284,017**	$ 28,546,371

11. INTEREST RECEIVED AND PAID

The Division received interest during the year of $166,099 (2013 - $154,195).

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

	2014	2013
Operating Fund		
Fiscal-Short Term Loan, Interest and Bank Charges	**$ 20,842**	$ 14,597
Capital Fund		
Debenture Debt Interest	**$ 2,081,334**	$ 2,154,602
Interest on Obligation under Capital Lease	**76,058**	112,008
Other Interest	**1,612**	1,623
	$ **2,159,004**	$ 2,268,233

The accrued portion of debenture debt interest expense at June 30, 2014 of $948,861 (2013- $1,001,334) 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 2014	Budget 2014	Actual 2013
Salaries	**$ 136,220,793**	$135,687,432	$133,228,781
Employees benefits & allowances	**9,980,497**	9,383,000	9,652,170
Services	**13,696,377**	12,920,297	12,723,192
Supplies, materials, minor equipment	**8,492,938**	6,646,937	7,559,712
Interest	**2,179,846**	60,000	2,282,830
School Divisions	**548,218**	-	474,208
Other operating expenses	**44,890**	37,300	37,048
Payroll tax	**2,902,994**	2,850,000	2,854,095
Amortization	**6,302,933**	-	6,145,771
Other capital items	**469,618**	-	73,882
School generated funds	**753,462**	-	767,111
	$ 181,592,566	$167,584,966	$175,798,800

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, 2014, the amount of this special levy was $1,009,942 (2013 - $865,802). These amounts are not included in the Division’s consolidated financial statements.

14. TRUST FUND

The Division administers the following trust funds, which are not reflected in the financial statements:

		2014		2013
Scholarship Funds				
Balance, beginning of year	**$**	**296,757**	$	303,232
Cash contributions received during the year		**11,165**		12,650
Interest income		**3,047**		3,092
Scholarships awarded		**(21,040)**		(22,217)
Balance, end of year	**$**	**289,929**	$	296,757
Assets				
Cash and investments	**$**	**289,929**	$	296,757

15. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

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

Credit Risk

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

		2014		2013
Cash	**$**	**-**	$	9,959,895
Due from – Provincial Government		**18,555,838**		4,284,648
– Federal Government		**363,290**		292,764
– Municipal Government		**30,284,017**		28,546,371
– Other School Divisions		**2,253**		1,042
– First Nations		**21,400**		28,487
Accounts Receivable		**163,541**		91,253

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

15. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk

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

	Due < 1 year	**Due > 1 year, < 2 years**	**Due > 2 years, < 3 years**	**Due > 3 years, <4 years**	**Due > 4 years, < 5 years**	**Due > 5 years**
Overdraft	$14,565,472	$ -	$ -	$ -	$ -	$ -
Accounts Payable	1,806,204	-	-	-	-	-
Accrued Liabilities	14,974,686	-	-	-	-	-
Due to Governments	29,061	-	-	-	-	-
Debenture Debt	2,636,328	2,550,159	2,432,041	2,475,649	2,321,113	23,568,115
Other Borrowings	1,109,977	970,451	563,766	201,771	179,120	614,694

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

Interest Rate Risk

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

MANAGEMENT REPORT

Management's Responsibility for the Financial Statements

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

The preparation of 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 consolidat~~ed~~ financial statements.

Original Document Signed

Original Document Signed

Chairperson

Secretary-Treasurer

November 5, 2014

MNP LLP

Independent Auditors' Report

To the Board of Trustees of Rolling River School Division

We have audited the accompanying consolidated financial statements of Rolling River School Division, which comprise the consolidated statement of financial position as at June 30, 2014, and the consolidated statements of revenue, expenses and accumulated surplus, change in net debt and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

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

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

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Rolling River School Division as at June 30, 2014 and the consolidated results of its operations, consolidated changes in net debt and its consolidated cash flow for the year then ended in accordance with Canadian generally accepted accounting principles established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

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

MNP LLP
Chartered Accountants

Brandon, Manitoba
November , 2014

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

Original Document Signed

Chairperson of the Board

Date

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2014	2013
	Financial Assets		
	Cash and Bank	-	83,410
	Due from - Provincial Government	2,024,458	803,652
	- Federal Government	79,098	84,320
	- Municipal Government	4,402,970	4,087,638
	- Other School Divisions	-	-
	- First Nations	358,755	319,778
	Accounts Receivable	91,804	153,937
	Accrued Investment Income	-	-
	Portfolio Investments	-	-
		6,957,085	5,532,735
	Liabilities		
3	Overdraft	3,391,802	-
	Accounts Payable	841,114	599,061
	Accrued Liabilities	257,027	1,889,130
4	Employee Future Benefits	62,021	54,264
	Accrued Interest Payable	146,679	165,800
	Due to - Provincial Government	1,777	2,189
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
5	Deferred Revenue	-	289,906
6	Debenture Debt	6,406,100	6,424,881
	Other Borrowings	-	-
	School Generated Funds Liability	-	-
		11,106,520	9,425,231
	Net Debt	(4,149,435)	(3,892,496)
	Non-Financial Assets		
7	Net Tangible Capital Assets (TCA Schedule)	10,254,415	8,858,370
	Inventories	-	-
	Prepaid Expenses	695,816	909,585
		10,950,231	9,767,955
8	**Accumulated Surplus**	6,800,796	5,875,459

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes			2014	2013
	Revenue			
	Provincial Government		14,651,470	14,442,187
	Federal Government		29,315	28,284
	Municipal Government	- Property Tax	7,649,650	7,109,597
		- Other	-	-
	Other School Divisions		72,605	64,415
	First Nations		1,172,444	1,017,963
	Private Organizations and Individuals		39,415	60,298
	Other Sources		149,389	76,614
	School Generated Funds		594,268	608,472
	Other Special Purpose Funds		-	-
			24,358,556	23,407,830
	Expenses			
	Regular Instruction		12,780,991	12,068,422
	Student Support Services		2,762,483	2,793,459
	Adult Learning Centres		115,224	115,037
	Community Education and Services		31,932	22,309
	Divisional Administration		894,874	872,470
	Instructional and Other Support Services		715,010	705,955
	Transportation of Pupils		1,530,328	1,537,568
	Operations and Maintenance		2,414,851	2,364,177
10	Fiscal	- Interest	369,884	401,882
		- Other	370,587	317,789
	Amortization		847,011	799,382
	Other Capital Items		24,760	-
	School Generated Funds		567,527	620,451
	Other Special Purpose Funds		-	-
			23,425,462	22,618,901
	Current Year Surplus (Deficit) before Non-vested Sick Leave		933,094	788,929
	Less: Non-vested Sick Leave Expense (Recovery)		7,757	4,780
	Net Current Year Surplus (Deficit)		925,337	784,149
	Opening Accumulated Surplus		5,875,459	5,091,310
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	-
		Other than Tangible Cap. Assets	-	-
		Non-vested sick leave - prior years	-	-
	Opening Accumulated Surplus, as adjusted		5,875,459	5,091,310
	Closing Accumulated Surplus		6,800,796	5,875,459

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2014

	2014	2013
Current Year Surplus (Deficit)	933,094	788,929
Amortization of Tangible Capital Assets	847,011	799,382
Acquisition of Tangible Capital Assets	(2,243,056)	(930,112)
(Gain) / Loss on Disposal of Tangible Capital Assets	-	-
Proceeds on Disposal of Tangible Capital Assets	-	-
	(1,396,045)	(130,730)
Inventories (Increase)/Decrease	-	-
Prepaid Expenses (Increase)/Decrease	213,769	(741,877)
	213,769	(741,877)
(Increase)/Decrease in Net Debt	(249,182)	(83,678)
Net Debt at Beginning of Year	(3,892,496)	(3,804,038)
Adjustments Other than Tangible Cap. Assets	(7,757)	(4,780)
	(3,900,253)	(3,808,818)
Net Debt at End of Year	(4,149,435)	(3,892,496)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2014

	2014	2013
Operating Transactions		
Current Year Surplus/(Deficit)	933,094	788,929
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	847,011	799,382
(Gain)/Loss on Disposal of Tangible Capital Assets	-	-
Employee Future Benefits Increase/(Decrease)	7,757	4,780
Due from Other Organizations (Increase)/Decrease	(1,569,893)	(15,787)
Accounts Receivable & Accrued Income (Increase)/Decrease	62,133	(85,171)
Inventories and Prepaid Expenses - (Increase)/Decrease	213,769	(741,877)
Due to Other Organizations Increase/(Decrease)	(412)	(41,571)
Accounts Payable & Accrued Liabilities Increase/(Decrease)	(1,409,171)	1,102,486
Deferred Revenue Increase/(Decrease)	(289,906)	(79,037)
School Generated Funds Liability Increase/(Decrease)	-	-
Adjustments Other than Tangible Cap. Assets	(7,757)	(4,780)
Cash Provided by (Applied to) Operating Transactions	(1,213,375)	1,727,354
Capital Transactions		
Acquisition of Tangible Capital Assets	(2,243,056)	(930,112)
Proceeds on Disposal of Tangible Capital Assets	-	-
Cash Provided by (Applied to) Capital Transactions	(2,243,056)	(930,112)
Investing Transactions		
Portfolio Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
Financing Transactions		
Debenture Debt Increase/(Decrease)	(18,781)	(221,961)
Other Borrowings Increase/(Decrease)	-	-
Cash Provided by (Applied to) Financing Transactions	(18,781)	(221,961)
Cash and Bank / Overdraft (Increase)/Decrease	(3,475,212)	575,281
Cash and Bank (Overdraft) at Beginning of Year	83,410	(491,871)
Cash and Bank (Overdraft) at End of Year	(3,391,802)	83,410

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2014

	Buildings and Leasehold Improvements		School	Other	Furniture / Fixtures &	Computer Hardware &		Land	Assets Under	2014	2013
	School	Non-School	Buses	Vehicles	Equipment	Software *	Land	Improvements	Construction	TOTALS	TOTALS
Tangible Capital Asset Cost											
Opening Cost, as previously reported	19,061,118	107,000	3,241,566	360,016	257,857	62,615	153,468	-	533,867	23,777,507	22,847,395
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	19,061,118	107,000	3,241,566	360,016	257,857	62,615	153,468	-	533,867	23,777,507	22,847,395
Add: Additions during the year	963,059	915,730	315,383	70,667	17,129	14,758	-	-	(53,670)	2,243,056	930,112
Less: Disposals and write downs	-	-	-	-	-	-	-	-	-	-	-
Closing Cost	20,024,177	1,022,730	3,556,949	430,683	274,986	77,373	153,468	-	480,197	26,020,563	23,777,507
Accumulated Amortization											
Opening, as previously reported	12,328,137	84,338	1,998,950	315,333	168,898	23,481		-		14,919,137	14,119,755
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	12,328,137	84,338	1,998,950	315,333	168,898	23,481		-		14,919,137	14,119,755
Add: Current period Amortization	534,295	14,122	231,925	23,282	25,888	17,499		-		847,011	799,382
Less: Accumulated Amortization on Disposals and Writedowns	-	-	-	-	-	-		-		-	-
Closing Accumulated Amortization	12,862,432	98,460	2,230,875	338,615	194,786	40,980		-		15,766,148	14,919,137
Net Tangible Capital Asset	7,161,745	924,270	1,326,074	92,068	80,200	36,393	153,468	-	480,197	10,254,415	8,858,370
Proceeds from Disposal of Capital Assets	-	-	-	-	-	-				-	-

* Includes network infrastructure.

1. Nature of Organization and Economic Dependence

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

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

2. Significant Accounting Policies

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

a) Reporting Entity and Consolidation

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

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

b) Trust funds

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

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

c) Basis of Accounting

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

d) Fund Accounting

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

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

e) School Generated Funds

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

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

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

f) Tangible Capital Assets

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

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

Asset Description	Capitalization Threshold ($)	Estimated Useful Life (years)
Land	N/A	N/A
Land Improvements **(1)**	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.

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

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

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

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal if not fully amortized.
Assets under construction are not amortized until the date of substantial completion. Interest on funds used to finance school buildings under construction is capitalized for the periods preceding the date of substantial completion.

g) Employee Future Benefits

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

However, the Division provides other future benefits to its employees. These benefits include supplemental employment benefits and sick leave. These benefits are event driven and the costs are recognized when the event becomes known. Effective with the 2009/2010 fiscal year, expected future payment of non vested accumulated sick leave benefits for employees based on estimated sick days that will be used over earned per year has been set up as a future benefit.

h) Capital Reserve

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

i) Use of Estimates

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

j) Financial instruments

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

3. Overdraft

The Division has an authorized line of credit with Minnedosa Credit Union of $6,500,000 by way of overdrafts and is repayable on demand at prime less 0.75%, interest is paid monthly. Overdrafts are secured by borrowing by law.

4. Employee Future Benefits

Employee future benefits are benefits earned by employees in the current period, but will not be paid out until future periods. Expected future payment of non vested accumulated sick leave benefits for employees based on estimated sick days that will be used over earned per year has been set up as a future benefit.

Non-vested accumulated sick leave benefits are measured using net present value techniques on the expected future utilization of excess of sick benefits used over earned per year, to maximum entitlement. The impact of the estimated non-vested sick leave benefits cost for 2013/14 is an increase of the liability in the amount of $7,757.

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 9.00% 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.

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, 2013	Additions in the period	Revenue recognized in the period	Balance as at June 30, 2014
Manitoba Textbook Bureau	$ -	$ -	$ -	$ -
General Support Grant	-		-	-
Education Property Tax Credit	289,906	-	289,906	-
	$ 289,906	$ -	$ 289,906	$ -

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 2015 to 2034. 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 3.75 % to 10.0 %. Debenture interest expense payable as at June 30, 2014, 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
2014/15	$ 671,856	$ 356,231
2015/16	527,106	309,734
2016/17	558,244	278,595
2017/18	537,240	245,518
2018/19	542,550	214,761
	$ 2,836,996	$ 1,404,839

7. Net Tangible Capital Assets

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

	Gross Amount	Accumulated Amortization	2014 Net Book Value
Owned-tangible capital assets	$ 26,020,563	$ 15,766,148	$ 10,254,415
Capital lease	-	-	-
	$ 26,020,563	$ 15,766,148	$ 10,254,415

8. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2014
Operating Fund	
Designated Surplus	-
Undesignated Surplus	764,528
Non-vested sick leave	(62,021)
	702,507
Capital Fund	
Reserve Accounts	2,491,017
Equity in Tangible Capital Assets	3,415,619
	5,906,636
Special Purpose Fund	
School Generated Funds	191,653
Other Special Purpose Funds	
	191,653
Total Accumulated Surplus	$ 6,800,796

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.

	2014
Board approved appropriation by motion	
School budget carryovers by board policy	-
Designated surplus	$ -

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

	2014
Bus reserves	709,572
Other reserves	1,781,445
($220,000 Software; $339,270 Division Office Renovations, $92,175 Web Page Program, $400,000 High School Water & Sewer, $300,000 Divisional Unified Communications, $180,000 Gym Floor Replacement, $250,000 Dust Collector)	
Capital Reserve	$ 2,491,017

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

	2014
Foundation-Scholarship	-
Other - *Specify*	-
Other Special Purpose Funds	$ -

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

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

Education property tax or Special Levy is raised as the Division's contribution to the cost of providing public education for the students who reside in the division. The Municipal Government-Property Tax shown on the consolidated statement of revenue and expense is raised over the two calendar (tax) years; 42.3% from 2013 tax year and 57.7% from 2014 tax year. Below are the related revenue and receivable amounts:

	2014	2013
Revenue-Municipal Government-Property Tax	$ 7,649,650	$ 7,109,597
Receivable-Due from Municipal-Property Tax	$ 4,402,970	$ 4,087,638

10. Interest Received and Paid

The Division received interest during the year of $15,928 (previous year $27,487); interest paid during the year was $369,884 (previous year $401,882).

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

		2014
Operating Fund		
Fiscal-short term loan, interest and bank charges	$	15,060
Capital Fund		
Debenture debt interest		354,824
Other interest		-
	$	369,884

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 $146,679 included under the Capital Fund-Debenture debt interest is offset by an accrual of the debt servicing grant from the Province of Manitoba.

11. Allowance for Doubtful Accounts

All receivables presented on the consolidated statement of financial position are net of an allowance for doubtful accounts. Below is the total allowance for doubtful accounts as at June 30, 2014:

	2014
Allowance for doubtful accounts deducted from Receivable below:	
Due from First Nations	
Accounts Receivable	
	NIL
Bad debts expense (included in fiscal-Other)	NIL

12. Expenses by object

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

	Actual 2014	Budget 2014	Actual 2013
Salaries	$ 15,847,663	$ 16,290,615	$ 15,549,987
Employees benefits & allowances	1,248,911	1,219,140	1,150,903
Services	1,894,512	1,887,135	1,801,360
Supplies, materials & minor equipment	2,016,269	1,691,000	1,708,511
Interest	369,884	105,000	401,882
Transfers	238,338	293,250	268,636
Payroll tax	370,587	375,500	317,789
Amortization	847,011		799,382
Other capital items	24,760		
School generated funds	567,527		620,451
Other special purpose funds			
	$ 23,425,462	$ 21,861,640	$ 22,618,901

13. Budget Figures and Non Financial Information

The 2014 budget figures, transportation statistics, full time equivalent personnel and senior staff allocations are unaudited and have been presented for information purposes only.

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

In accordance with Section 190.1 of The Public Schools Act the Division is required to collect a special levy on behalf of la Division scolaire franco-manitobaine. As at June 30, 2014, the amount of this special levy was $40,257 (previous year $35,100). These amounts are not included in the Division's consolidated financial statements.

15. High Speed Connectivity Agreement

The Division has entered into a long term service agreement with Westman Communications Group to provide high speed internet and wide area network service for the majority of schools and the Division Offices in the division. The initial term of the agreement is 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 eight payments (87%) in the amount of $1,086,000 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 when the project installation is complete.

Rivière Seine River

Seine River School Division • 475-A Senez St. • Lorette MB • R0A 0Y0 • 204 878-4713 • 204 878-4717(fax) • www.srsd.mb.ca

MANAGEMENT REPORT

Management's Responsibility for the Consolidated Financial Statements

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

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

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

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

Original Document Signed

Paul Ilchena, Secretary-Treasurer

October 14, 2014

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

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

Independent Auditor's Report

To the Chairperson and Board of Trustees of 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, 2014, 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, 2014, 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 14, 2014

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.

Original Document Signed

Date

Chairperson

Seine River School Division

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes			2014	2013
	Financial Assets			
	Cash and Bank		-	-
	Due from	- Provincial Government	3,717,444	1,098,298
		- Federal Government	139,527	139,779
		- Municipal Government	7,529,651	7,156,646
		- Other School Divisions	-	-
		- First Nations	-	-
	Accounts Receivable		85,465	70,991
	Accrued Investment Income		-	-
	Portfolio Investments		-	-
			11,472,087	8,465,714
	Liabilities			
3	Overdraft		6,588,006	1,678,474
	Accounts Payable		1,837,599	1,221,986
	Accrued Liabilities		398,389	417,306
4	Employee Future Benefits		208,826	131,976
	Accrued Interest Payable		589,310	605,762
	Due to	- Provincial Government	142,106	154,725
		- Federal Government	2,068,828	1,941,212
		- Municipal Government	69,816	54,565
		- Other School Divisions	-	-
		- First Nations	-	-
5	Deferred Revenue		4,398	1,790,730
6	Debenture Debt		27,907,861	28,367,338
	Other Borrowings		-	-
	School Generated Funds Liability		28,801	15,559
			39,843,940	36,379,633
	Net Debt		(28,371,853)	(27,913,919)
	Non-Financial Assets			
8	Net Tangible Capital Assets (TCA Schedule)		36,373,724	35,813,854
	Inventories		-	-
8	Prepaid Expenses		712,906	122,511
			37,086,630	35,936,365
9	**Accumulated Surplus**		8,714,777	8,022,446

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes			2014	2013
	Revenue			
	Provincial Government		35,613,332	33,361,515
	Federal Government		4,861	22,181
10	Municipal Government	- Property Tax	10,990,895	10,382,545
		- Other	-	-
	Other School Divisions		288,980	267,222
	First Nations		55,640	30,288
	Private Organizations and Individuals		43,450	38,109
	Other Sources		77,705	(1,161,698)
	School Generated Funds		1,035,646	1,005,133
	Other Special Purpose Funds		-	-
			48,110,509	43,945,295
12	**Expenses**			
	Regular Instruction		23,939,690	22,508,660
	Student Support Services		7,711,600	7,390,890
	Adult Learning Centres		293,136	305,358
	Community Education and Services		179,371	122,166
	Divisional Administration		1,411,835	1,391,761
	Instructional and Other Support Services		1,416,595	1,201,412
	Transportation of Pupils		2,967,277	2,542,792
	Operations and Maintenance		4,359,874	4,026,811
11	Fiscal	- Interest	1,415,268	1,414,153
		- Other	705,614	665,365
	Amortization		1,906,023	1,650,553
	Other Capital Items		-	7,787
7	School Generated Funds		1,035,045	970,586
	Other Special Purpose Funds		-	-
			47,341,328	44,198,294
	Current Year Surplus (Deficit) before Non-vested Sick Leave		769,181	(252,999)
4	Less: Non-vested Sick Leave Expense (Recovery)		76,850	5,491
	Net Current Year Surplus (Deficit)		692,331	(258,490)
	Opening Accumulated Surplus		8,022,446	8,280,936
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	-
		Other than Tangible Cap. Assets	-	-
		Non-vested sick leave - prior years	-	-
	Opening Accumulated Surplus, as adjusted		8,022,446	8,280,936
9	**Closing Accumulated Surplus**		8,714,777	8,022,446

See accompanying notes to the Financial Statements

Seine River School Division

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2014

	2014	2013
Current Year Surplus (Deficit)	769,181	(252,999)
Amortization of Tangible Capital Assets	1,906,023	1,650,553
Acquisition of Tangible Capital Assets	(2,465,893)	(5,251,555)
(Gain) / Loss on Disposal of Tangible Capital Assets	(8,400)	1,265,307
Proceeds on Disposal of Tangible Capital Assets	8,400	1,500
	(559,870)	(2,334,195)
Inventories (Increase)/Decrease	-	-
Prepaid Expenses (Increase)/Decrease	(590,395)	350,997
	(590,395)	350,997
(Increase)/Decrease in Net Debt	(381,084)	(2,236,197)
Net Debt at Beginning of Year	(27,913,919)	(25,672,231)
Adjustments Other than Tangible Cap. Assets	(76,850)	(5,491)
	(27,990,769)	(25,677,722)
Net Debt at End of Year	(28,371,853)	(27,913,919)

Seine River School Division

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2014

	2014	2013
Operating Transactions		
Current Year Surplus/(Deficit)	769,181	(252,999)
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	1,906,023	1,650,553
(Gain)/Loss on Disposal of Tangible Capital Assets	(8,400)	1,265,307
Employee Future Benefits Increase/(Decrease)	76,850	5,491
Due from Other Organizations (Increase)/Decrease	(2,991,899)	1,007,736
Accounts Receivable & Accrued Income (Increase)/Decrease	(14,474)	(28,234)
Inventories and Prepaid Expenses - (Increase)/Decrease	(590,395)	350,997
Due to Other Organizations Increase/(Decrease)	130,248	205,499
Accounts Payable & Accrued Liabilities Increase/(Decrease)	580,244	(266,400)
Deferred Revenue Increase/(Decrease)	(1,786,332)	(26,344)
School Generated Funds Liability Increase/(Decrease)	13,242	(19,725)
Adjustments Other than Tangible Cap. Assets	(76,850)	(5,491)
Cash Provided by Operating Transactions	(1,992,562)	3,886,390
Capital Transactions		
Acquisition of Tangible Capital Assets	(2,465,893)	(5,251,555)
Proceeds on Disposal of Tangible Capital Assets	8,400	1,500
Cash (Applied to)/Provided by Capital Transactions	(2,457,493)	(5,250,055)
Investing Transactions		
Portfolio Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
Financing Transactions		
Debenture Debt Increase/(Decrease)	(459,477)	2,175,713
Other Borrowings Increase/(Decrease)	-	-
Cash Provided by (Applied to) Financing Transactions	(459,477)	2,175,713
Cash and Bank / Overdraft (Increase)/Decrease	(4,909,532)	812,048
Cash and Bank (Overdraft) at Beginning of Year	(1,678,474)	(2,490,522)
Cash and Bank (Overdraft) at End of Year	(6,588,006)	(1,678,474)

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2014

	Buildings and Leasehold Improvements		School	Other	Furniture / Fixtures &	Computer Hardware &		Land	Assets Under	2014	2013
	School	Non-School	Buses	Vehicles	Equipment	Software *	Land	Improvements	Construction	TOTALS	TOTALS
Tangible Capital Asset Cost											
Opening Cost, as previously reported	49,865,282	3,062,701	5,242,998	142,968	713,272	472,021	451,886	-	44,502	59,995,630	56,425,506
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	49,865,282	3,062,701	5,242,998	142,968	713,272	472,021	451,886	-	44,502	59,995,630	56,425,506
Add: Additions during the year	1,002,423	-	832,514	20,824	103,804	-	-	40,533	465,795	2,465,893	5,251,555
Less: Disposals and write downs	-	-	253,272	-	-	21,970	-	-	-	275,242	1,681,431
Closing Cost	50,867,705	3,062,701	5,822,240	163,792	817,076	450,051	451,886	40,533	510,297	62,186,281	59,995,630
Accumulated Amortization											
Opening, as previously reported	18,937,661	809,224	3,418,187	109,565	546,426	360,713		-		24,181,776	22,945,847
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	18,937,661	809,224	3,418,187	109,565	546,426	360,713		-		24,181,776	22,945,847
Add: Current period Amortization	1,330,520	96,510	365,613	12,463	52,426	46,464		2,027		1,906,023	1,650,553
Less: Accumulated Amortization on Disposals and Writedowns	-	-	253,272	-	-	21,970		-		275,242	414,624
Closing Accumulated Amortization	20,268,181	905,734	3,530,528	122,028	598,852	385,207		2,027		25,812,557	24,181,776
Net Tangible Capital Asset	30,599,524	2,156,967	2,291,712	41,764	218,224	64,844	451,886	38,506	510,297	36,373,724	35,813,854
Proceeds from Disposal of Capital Assets	-	-	8,400	-	-	-				8,400	1,500

* Includes network infrastructure.

1. Nature of Organization and Economic Dependence

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

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

2. Significant Accounting Policies

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

Reporting Entity and Consolidation

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

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

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

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

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

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

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

Employee Future Benefits

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

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

Defined Contribution Pension Plan

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

Defined Benefit/Self-Insured Employee Future Benefit Plans

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

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

Capital Reserve

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

Use of Estimates

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

3. Bank Overdraft

The Division has an authorized line of credit for a maximum of $7,500,000 by way of overdrafts and is repayable on demand at prime less 0.75% (effective rate of 2.25% at June 30, 2014); interest is paid monthly. Overdrafts are secured by a borrowing by-law.

4. Employee Future Benefits

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

The employee future benefit expense is a part of the Employee Benefits and Allowances expense account, which includes pension expense for the year of $365,809 ($352,232 in 2013).

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 $76,850 ($5,491 in 2013).

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, 2013	Additions in year	Revenue recognized in year	Balance as at June 30, 2014
Education Property Tax Credit (EPTC)	$ 1,786,032	2,629,925	4,415,957	-
Other	4,698	-	300	4,398
	$ 1,790,730	2,629,925	4,416,257	4,398

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 2014 to 2034. 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 3.50% to 10.00%. Debenture interest expense payable as at June 30, 2014, 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:

2015	$ 3,285,914
2016	3,204,750
2017	3,011,089
2018	2,852,301
2019	2,614,617

7. School Generated Funds Liability

School Generated Funds Liability includes the non-controlled portion of school generated funds. At June 30, 2014, an amount equal to the liability or $28,801 ($15,559 at June 30, 2013) is included in overdraft on the Consolidated Statement of Financial Position.

8. Net Tangible Capital Assets

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

9. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2014	2013
Operating Fund		
Designated Surplus	$ 214,922	237,600
Undesignated	1,424,811	1,257,758
Non-vested Sick Leave	(208,826)	(131,976)
	1,430,907	1,363,382
Capital Fund		
Reserve Accounts	79,506	479,993
Equity in Tangible Capital Assets	6,914,703	5,890,011
	6,994,209	6,370,004
Special Purpose Fund		
School Generated Funds	289,661	289,060
Other School Generated Funds	-	-
	289,661	289,060
Total Accumulated Surplus	$ 8,714,777	8,022,446

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:

	2014	2013
School budget carryovers by board policy	$ 79,476	118,936
Various projects	135,446	118,664
Designated surplus	$ 214,922	237,600

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

	2014	2013
Bus Reserve	$ 26,453	426,940
Board Office Roof Replacement Reserve	53,053	53,053
Capital Reserve	$ 79,506	479,993

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

Education property tax or Special Levy is raised as the Division's contribution to the cost of providing public education for the students' resident in the division. The Municipal Government - Property Tax shown on the consolidated revenue and expense is raised over the two calendar (tax) years; 42% from 2013 tax year and 58% from 2014 tax year. Below are the related revenue and receivable amounts:

	2014	2013
Revenue – Municipal Government – Property Tax	$ 10,990,895	10,382,545
Receivable – Due from Municipal – Property Tax	$ 7,529,651	7,156,646

11. Interest Received and Paid

The Division received interest during the year of $3,651 ($5,018 in 2013); interest paid during the year was $1,415,268 ($1,414,153 in 2013).

Interest expense for the year ended June 30, 2014 is comprised of the following:

	2014	2013
Operating Fund		
Fiscal-short term loan, interest and bank charges	$ 38,623	24,187
Capital Fund		
Debenture interest	1,376,645	1,389,966
Other interest	-	-
	$ 1,415,268	1,414,153

The accrual portion of debenture debt interest expense of $589,310 ($605,762 in 2013) included under the Capital Fund - Debenture debt interest is offset by an accrual of the debt servicing grant from the Province of Manitoba of $589,310 as at June 30, 2014 ($605,762 in 2013).

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:

	2014	2013
Salaries	$ 32,489,636	30,719,658
Employees benefits and allowances	2,805,076	2,443,402
Services	3,510,176	3,105,992
Supplies, materials and minor equipment	2,817,884	2,639,465
Interest	1,415,268	1,414,153
Payroll tax	705,614	665,365
Amortization	1,906,023	1,650,553
Transfers	656,606	581,333
Other capital items	-	7,787
School generated funds	1,035,045	970,586
Non-vested sick leave expense (recovery)	76,850	5,491
	$ 47,418,178	44,203,785

13. 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 is exposed to credit risk from the potential non-payment of accounts receivable. However, the majority of the receivables are from local, provincial and federal governments, and therefore, the credit risk is minimal. The carrying amounts of the financial instruments approximate their carrying values, unless otherwise noted.

14. Commitments

The Division has equipment lease agreements. Future annual minimum operating lease commitments are as follows for the fiscal years ending:

2015	$ 322,784
2016	150,773
2017	80,881
2018	45,250

The overdraft balance presented on the consolidated statement of financial position includes an amount of $521,473 relating to the purchase and establishment of the Bus/Maintenance Facility acquired in fiscal year end 2009 and an amount of $271,610 relating to the Energy Savings Retrofit project completed in fiscal year end 2011. These amounts will be recovered from future operating budget appropriations by transfers from the Operating Fund to the Capital Fund. The planned annual appropriation is $75,000 for the Bus/Maintenance Facility and $39,000 for the Energy Savings Retrofit project until the entire balance has been recovered. The annual appropriations may change in the future based on available funding.

15. Trust Funds

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

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.

Original Document Signed	Original Document Signed
Chairperson	Secretary-Treasurer

November 3, 2014

KPMG LLP
Suite 2000 - One Lombard Place
Winnipeg MB R3B 0X3
Canada

Telephone (204) 957-1770
Fax (204) 957-0808
Internet www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees

We have audited the accompanying consolidated financial statements of Seven Oaks School Division, which comprise the consolidated statement of financial position as at June 30, 2014, the consolidated statements of revenue, expenses and accumulated surplus, change in net debt and cash flow for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information. These consolidated financial statements have been prepared to comply with the Public Schools Act.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Seven Oaks School Division as at June 30, 2014, and its consolidated results of operations, its consolidated change in net debt and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Other Matters

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

KPMG LLP

Chartered Accountants

November 3, 2014
Winnipeg, Canada

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

Original Document Signed

Chairperson of the Board | Date

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2014	2013
	Financial Assets		
	Cash and Bank	-	-
	Due from - Provincial Government	13,372,562	6,024,484
	- Federal Government	502,822	261,981
	- Municipal Government	18,692,622	17,894,651
	- Other School Divisions	394	648
	- First Nations	434,300	386,400
	Accounts Receivable	630,478	161,270
	Accrued Investment Income	-	-
	Portfolio Investments	-	-
		33,633,178	24,729,434
	Liabilities		
*	Overdraft	21,998,755	6,065,191
	Accounts Payable	7,065,029	6,521,912
	Accrued Liabilities	1,185,075	1,283,029
*	Employee Future Benefits	422,895	549,571
	Accrued Interest Payable	1,137,286	965,040
	Due to - Provincial Government	384,534	436,190
	- Federal Government	265,068	231,442
	- Municipal Government	96,334	104,700
	- Other School Divisions	68,842	68,067
	- First Nations	-	-
*	Deferred Revenue	138,040	5,036,457
*	Debenture Debt	57,301,488	42,298,185
*	Other Borrowings	9,603,813	8,131,996
	School Generated Funds Liability	461,699	457,301
		100,128,858	72,149,081
	Net Debt	(66,495,680)	(47,419,647)
	Non-Financial Assets		
*	Net Tangible Capital Assets (TCA Schedule)	108,538,206	86,508,212
	Inventories	-	-
	Prepaid Expenses	182,169	267,535
		108,720,375	86,775,747
*	**Accumulated Surplus**	42,224,695	39,356,100

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes			2014	2013
	Revenue			
	Provincial Government		90,960,045	86,330,165
	Federal Government		628,944	155,570
	Municipal Government	- Property Tax	31,216,201	29,864,934
		- Other	-	500
	Other School Divisions		1,108,396	1,100,643
	First Nations		525,200	379,200
	Private Organizations and Individuals		1,095,425	1,038,797
	Other Sources		357,720	289,854
	School Generated Funds		118,196	171,398
	Other Special Purpose Funds		-	-
			126,010,127	119,331,061
	Expenses			
	Regular Instruction		69,063,996	65,134,775
	Student Support Services		20,726,279	20,800,523
	Adult Learning Centres		820,718	738,060
	Community Education and Services		1,443,237	1,214,067
	Divisional Administration		3,249,964	3,356,734
	Instructional and Other Support Services		4,595,347	3,982,238
	Transportation of Pupils		3,560,924	3,373,874
	Operations and Maintenance		10,869,061	10,745,025
*	Fiscal	- Interest	2,885,199	2,655,277
		- Other	1,922,514	1,957,621
	Amortization		3,964,266	3,632,474
	Other Capital Items		51,054	95,217
	School Generated Funds		115,649	128,723
	Other Special Purpose Funds		-	-
			123,268,208	117,814,608
	Current Year Surplus (Deficit) before Non-vested Sick Leave		2,741,919	1,516,453
	Less: Non-vested Sick Leave Expense (Recovery)		(126,676)	(36,919)
	Net Current Year Surplus (Deficit)		2,868,595	1,553,372
	Opening Accumulated Surplus		39,356,100	37,802,728
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	-
		Other than Tangible Cap. Assets	-	-
		Non-vested sick leave - prior years	-	-
	Opening Accumulated Surplus, as adjusted		39,356,100	37,802,728
	Closing Accumulated Surplus		42,224,695	39,356,100

See accompanying notes to the Financial Statements

* NOTE REQUIRED

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2014

	2014	2013
Current Year Surplus (Deficit)	2,741,919	1,516,453
Amortization of Tangible Capital Assets	3,964,266	3,632,474
Acquisition of Tangible Capital Assets	(25,833,303)	(10,687,971)
(Gain) / Loss on Disposal of Tangible Capital Assets	(176,296)	(133,911)
Proceeds on Disposal of Tangible Capital Assets	15,339	190,989
	(22,029,994)	(6,998,419)
Inventories (Increase)/Decrease	-	-
Prepaid Expenses (Increase)/Decrease	85,366	(9,021)
	85,366	(9,021)
(Increase)/Decrease in Net Debt	(19,202,709)	(5,490,987)
Net Debt at Beginning of Year	(47,419,647)	(41,965,579)
Adjustments Other than Tangible Cap. Assets	126,676	36,919
	(47,292,971)	(41,928,660)
Net Debt at End of Year	(66,495,680)	(47,419,647)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2014

	2014	2013
Operating Transactions		
Current Year Surplus/(Deficit)	2,741,919	1,516,453
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	3,964,266	3,632,474
(Gain)/Loss on Disposal of Tangible Capital Assets	(176,296)	(133,911)
Employee Future Benefits Increase/(Decrease)	(126,676)	(36,919)
Due from Other Organizations (Increase)/Decrease	(8,434,536)	(1,442,895)
Accounts Receivable & Accrued Income (Increase)/Decrease	(469,208)	81,256
Inventories and Prepaid Expenses - (Increase)/Decrease	85,366	(9,021)
Due to Other Organizations Increase/(Decrease)	(25,621)	23,269
Accounts Payable & Accrued Liabilities Increase/(Decrease)	617,409	(572,751)
Deferred Revenue Increase/(Decrease)	(4,898,417)	88,552
School Generated Funds Liability Increase/(Decrease)	4,398	(104,104)
Adjustments Other than Tangible Cap. Assets	126,676	36,919
Cash Provided by Operating Transactions	(6,590,720)	3,079,322
Capital Transactions		
Acquisition of Tangible Capital Assets	(25,833,303)	(10,687,971)
Proceeds on Disposal of Tangible Capital Assets	15,339	190,989
Cash (Applied to)/Provided by Capital Transactions	(25,817,964)	(10,496,982)
Investing Transactions		
Portfolio Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
Financing Transactions		
Debenture Debt Increase/(Decrease)	15,003,303	2,558,732
Other Borrowings Increase/(Decrease)	1,471,817	(483,971)
Cash Provided by (Applied to) Financing Transactions	16,475,120	2,074,761
Cash and Bank / Overdraft (Increase)/Decrease	(15,933,564)	(5,342,899)
Cash and Bank (Overdraft) at Beginning of Year	(6,065,191)	(722,292)
Cash and Bank (Overdraft) at End of Year	(21,998,755)	(6,065,191)

Seven Oaks School Division 08-Feb-16

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2014

	Buildings and Leasehold Improvements		School	Other	Furniture /	Computer		Land	Assets	2014	2013
	School	Non-School	Buses	Vehicles	Fixtures & Equipment	Hardware & Software *	Land	Improvements	Under Construction	TOTALS	TOTALS
Tangible Capital Asset Cost											
Opening Cost, as previously reported	101,710,406	2,177,320	4,486,421	401,237	1,585,957	1,471,312	13,065,220	886,397	7,127,815	132,912,085	122,622,364
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	101,710,406	2,177,320	4,486,421	401,237	1,585,957	1,471,312	13,065,220	886,397	7,127,815	132,912,085	122,622,364
Add: Additions during the year	4,718,503	-	391,028	32,058	85,295	2,696,291	-	-	18,566,568	26,489,743	10,687,971
Less: Disposals and write downs	-	-	242,055	35,209	63,212	711,371	-	-	-	1,051,847	398,250
Closing Cost	106,428,909	2,177,320	4,635,394	398,086	1,608,040	3,456,232	13,065,220	886,397	25,694,383	158,349,981	132,912,085
Accumulated Amortization											
Opening, as previously reported	40,017,965	1,562,444	2,749,639	244,615	1,050,805	730,694		47,711		46,403,873	43,112,571
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	40,017,965	1,562,444	2,749,639	244,615	1,050,805	730,694		47,711		46,403,873	43,112,571
Add: Current period Amortization	2,978,894	48,487	323,204	60,790	174,581	289,670		88,640		3,964,266	3,632,474
Less: Accumulated Amortization on Disposals and Writedowns	-	-	242,055	35,209	63,212	215,888		-		556,364	341,172
Closing Accumulated Amortization	42,996,859	1,610,931	2,830,788	270,196	1,162,174	804,476		136,351		49,811,775	46,403,873
Net Tangible Capital Asset	63,432,050	566,389	1,804,606	127,890	445,866	2,651,756	13,065,220	750,046	25,694,383	108,538,206	86,508,212
Proceeds from Disposal of Capital Assets	-	-	2,933	331	-	12,075				15,339	190,989

* Includes network infrastructure.

1. **Nature of organization and economic dependence:**

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

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

2. **Significant accounting policies:**

The significant accounting policies of the Division include:

(a) Reporting entity and consolidation:

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

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

(b) Basis of accounting:

These consolidated financial statements are prepared by management in accordance with Canadian public sector accounting standards. Revenues and expenditures are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they are earned and measurable; expenditures are recognized as they are incurred and measurable as a result of the receipt of goods and services acquired in the period whether or not payment has been made or invoices received.

2. Significant accounting policies (continued):

(c) Trust funds:

The Division administers various trust funds. Trust funds and their related operations are not included in the consolidated financial statements as they are not owned or controlled by the Division.

The Division holds funds in trust (amounts contributed in trust) for the following organizations:

Maples Youth Activity Centre	$	2,934
Kildonan Youth Activity Centre		33,389
Seven Oaks Parents in Support of Aboriginal Education		(15,049)
Elwick Village & Resource Centre Inc.		28,741
	$	50,015

The amounts contributed by the Division will be reimbursed by these organizations.

(d) Fund accounting:

The Division records financial transactions in separate funds as defined by Financial Reporting and Accounting in Manitoba Education (FRAME).

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

(e) Deferred revenue:

Certain amounts are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the delivery of specific services and transactions. These amounts are recognized as revenue in the fiscal year the related expenditures are incurred or services performed.

2. Significant accounting policies (continued):

(f) Tangible capital assets:

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

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

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.

2. Significant accounting policies (continued):

(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.

(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. Significant items subject to estimates include the carrying amount of capital assets. Actual results could differ from those estimates.

(k) Financial instruments:

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

2. Significant accounting policies (continued):

(l) Future accounting pronouncements:

In March 2010, the Public Sector Accounting Board (PSAB) approved Section PS 3260, Liability for Contaminated Sites for fiscal years beginning on or after April 1, 2014. The objective of this accounting standard addresses when these obligations meet the definition of a liability; recognition and measurement criteria; and any unique disclosure requirements.

The Division intends to adopt PS 3260 in its financial statements for the annual period beginning on July 1, 2014. The impact of the adoption of this standard is being evaluated and is not known or reasonably estimable at this time.

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

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

3. Overdraft:

The Division has authorized revolving lines of credit with the Royal Bank of Canada (RBC) of $20,000,000 by way of overdrafts and letters of guarantee. The Division also has a $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, 2014 is a decrease of $126,676 (2013 - decrease of $36,919). At June 30, 2014, the Division has recorded an estimated liability of $ 422,895 (2013 - $549,571) in respect of these benefits.

The significant assumptions adopted in measuring the non-vested accumulated sick leave benefit liability include a discount rate of 5 percent (2013 - 5 percent) and a rate of salary increase of 2 percent to 3 percent (2013 - 2 percent to 2.9 percent).

5. Commitments:

On May 15, 2014, the Division received approval from the Province of Manitoba for the construction of a new French Immersion School to be named École Rivière-Rouge School. The project is in the design phase and the projected completion date of construction is September, 2016.

On February 29, 2014, the Division received approval from the Public Schools Finance Board to proceed with the self-funded purchase of the building at 630-640 Jefferson Avenue to relocate the MET School classrooms from Garden City Collegiate. The purchase price of the building was $700,000, and renovations are projected to cost $1,100,000 with a projected completion date of February, 2015.

On September 19, 2012, the Division received approval from the Public Schools Finance Board to proceed with the self-funded Maples Collegiate Commons project. The projected completion date is November, 2014 and the estimated cost is $8,000,000.

On September 1, 2011, the Public Schools Finance Board approved the construction of a new stand-alone childcare facility at the Victory School Site. Construction commenced in 2013 and the projected completion date is July, 2014. The project cost was $2,187,400.

In April 2011, the premier provided his government's approval of the construction of a new school in Amber Trails at a cost of $25,167,000. The project will be funded 95 percent by the province and 5 percent locally by the School Division. Construction commenced in 2013 and the projected completion date is January, 2015.

6. Deferred revenue:

	Balance, June 30, 2013	Additions in the period	Revenue recognized in the period	Balance, June 30, 2014
Education property tax credit	$ 4,870,016	$ –	$ 4,870,016	$ –
Bus pass fees	34,560	32,425	34,560	32,425
Other special purpose funds:				
Wayfinders Program	79,142	7,248	61,130	25,260
Capital - play structures	2,194	–	2,194	–
My Camp	22,500	23,475	22,500	23,475
Summer school fees	19,480	15,700	19,480	15,700
LIFT Grant	1,437	2,138	1,437	2,138
School Grants	3,167	13,686	3,167	13,686
CVE Fees	3,000	3,900	3,000	3,900
Community Schools Initiative	961	–	961	–
Employment Grant	–	5,456	–	5,456
Non-resident Fee	–	16,000	–	16,000
	$ 5,036,457	$ 120,028	$ 5,018,445	$ 138,040

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, 2014, school funds held in the Special Purpose Fund totaled $632,931 (2013 - $625,986).

The school generated funds liability of $461,699 at June 30, 2014 (2013 - $457,301) 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 2014 to 2034. Payment of principal and interest is funded entirely by grants from the Province of Manitoba. The debentures carry interest rates that range from 3.5 percent to 10.5 percent. The debenture principal and interest repayments in the next five years and thereafter are:

	Principal	Interest	Total
2015	$ 3,139,330	$ 2,827,379	$ 5,966,709
2016	3,058,458	2,645,732	5,704,190
2017	2,981,065	2,477,813	5,458,878
2018	2,994,891	2,321,259	5,316,150
2019	3,096,428	2,166,795	5,263,223
Thereafter	42,031,316	13,703,766	55,735,082
	$ 57,301,488	$ 26,142,744	$ 83,444,232

During 2014, the Division had submitted claims for capital projects to the Public Schools Finance Board totaling $17,446,200 (2013 - $4,726,900) and received debenture proceeds of this amount in 2014.

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
2015	$ 43,113	$ 1,886	$ 44,999

9. Other borrowings (continued):

(b) Garden City Collegiate Link Loan, and Fiber Network Loan:

The Garden City Collegiate Link loan is a 5.20 percent fixed rate term loan from RBC Life Insurance Company which is repayable over 20 years. The purpose of the loan was to fund the construction of the Garden City Collegiate Link and Garden City Collegiate renovation project.

The Fiber Network loan is a 3.63 percent fixed rate term loan from RBC Life Insurance Company which is repayable over 10 years. The purpose of the loan was to fund the construction of a divisional fiber network. Principal and interest payments in the next five years and thereafter are as follows:

	Principal	Interest	Total
2015	$ 495,653	$ 457,422	$ 953,075
2016	519,376	433,699	953,075
2017	544,265	408,810	953,075
2018	570,376	382,699	953,075
2019	597,772	355,303	953,075
Thereafter	6,833,258	1,842,068	8,675,326
	$ 9,560,700	$ 3,880,001	$ 13,440,701

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	$ 156,343,941	$ 48,100,248	$ 108,243,693
Capital leases	2,006,040	1,711,527	294,513
	$ 158,349,981	$ 49,811,775	$ 108,538,206

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. As of June 30, 2014, there was one trustee of the Division sitting on the Foundation's Board.

During fiscal 2014, the Division provided a grant to the Foundation in the amount of $21,000 (2013 - $16,000).

13. Interest paid:

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

	2014	2013
Operating Fund:		
Overdraft interest	$ 40,031	$ 19,037
Capital Fund:		
Debenture debt interest - PSFB funded	2,408,645	2,207,640
Lease interest	4,195	3,229
Loan interest	432,328	425,371
	$ 2,885,199	$ 2,655,277

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.

Original Document Signed	Original Document Signed
__________________	__________________
Chairperson	Secretary-Treasurer

October 8, 2014

MNP LLP

Independent Auditors' Report

To the Board of Trustees of Southwest Horizon School Division:

We have audited the accompanying consolidated financial statements of Southwest Horizon School Division, which comprise the consolidated statement of financial position as at June 30, 2014, and the consolidated statements of revenue, expenses and accumulated surplus, change in net debt and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

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

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

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Southwest Horizon School Division as at June 30, 2014 and the consolidated results of its operations, consolidated changes in net debt and its consolidated cash flow for the year then ended in accordance with Canadian generally accepted accounting principles established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

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

MNP LLP
Chartered Accountants

Brandon, Manitoba
October 8, 2014

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

Original Document Signed

Chairperson of the Board

Date

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2014	2013
	Financial Assets		
	Cash and Bank	-	-
	Due from - Provincial Government	1,815,467	1,364,317
	- Federal Government	162,269	165,227
	- Municipal Government	4,796,089	4,505,005
	- Other School Divisions	-	-
	- First Nations	-	-
	Accounts Receivable	81,583	339,728
	Accrued Investment Income	-	-
	Portfolio Investments	-	-
		6,855,408	6,374,277
	Liabilities		
4	Overdraft	5,128,795	4,442,209
	Accounts Payable	902,598	994,395
	Accrued Liabilities	259,721	125,269
	Employee Future Benefits	-	-
	Accrued Interest Payable	354,552	365,531
	Due to - Provincial Government	-	-
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
5	Deferred Revenue	9,696	402,271
6	Debenture Debt	15,233,405	15,661,398
7	Other Borrowings	1,419,270	1,099,964
	School Generated Funds Liability	-	-
		23,308,037	23,091,037
	Net Debt	(16,452,629)	(16,716,760)
	Non-Financial Assets		
8	Net Tangible Capital Assets (TCA Schedule)	18,865,874	18,727,374
	Inventories	156,008	126,216
	Prepaid Expenses	1,194,305	1,106,613
		20,216,187	19,960,203
9	**Accumulated Surplus**	3,763,558	3,243,443

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes			2014	2013
	Revenue			
	Provincial Government		13,939,134	13,793,705
	Federal Government		-	-
	Municipal Government	- Property Tax	8,885,809	8,354,021
		- Other	10,912	10,912
	Other School Divisions		101,650	118,667
	First Nations		-	-
	Private Organizations and Individuals		560	2,730
	Other Sources		87,867	113,886
	School Generated Funds		468,886	481,069
	Other Special Purpose Funds		-	-
			23,494,818	22,874,990
	Expenses			
	Regular Instruction		11,368,865	10,787,828
	Student Support Services		2,620,034	2,675,148
	Adult Learning Centres		-	-
	Community Education and Services		59,767	66,205
	Divisional Administration		827,273	834,372
	Instructional and Other Support Services		696,584	866,184
	Transportation of Pupils		1,998,065	1,893,338
	Operations and Maintenance		2,407,510	2,098,679
11	Fiscal	- Interest	931,450	948,653
		- Other	315,991	318,330
	Amortization		1,229,402	1,149,970
	Other Capital Items		-	-
	School Generated Funds		472,452	470,918
	Other Special Purpose Funds		-	-
12			22,927,393	22,109,625
	Current Year Surplus (Deficit) before Non-vested Sick Leave		567,425	765,365
13	Less: Non-vested Sick Leave Expense (Recovery)		(3,258)	0
	Net Current Year Surplus (Deficit)		570,683	765,365
	Opening Accumulated Surplus		3,243,443	2,478,078
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	-
		Other than Tangible Cap. Assets	-	-
		Non-vested sick leave - prior years	(50,568)	-
	Opening Accumulated Surplus, as adjusted		3,192,875	2,478,078
	Closing Accumulated Surplus		3,763,558	3,243,443

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2014

	2014	2013
Current Year Surplus (Deficit)	567,425	765,365
Amortization of Tangible Capital Assets	1,229,402	1,149,970
Acquisition of Tangible Capital Assets	(1,367,902)	(647,569)
(Gain) / Loss on Disposal of Tangible Capital Assets	(5,000)	(4,500)
Proceeds on Disposal of Tangible Capital Assets	5,000	4,500
	(138,500)	502,401
Inventories (Increase)/Decrease	(29,792)	(40,978)
Prepaid Expenses (Increase)/Decrease	(87,692)	(945,533)
	(117,484)	(986,511)
(Increase)/Decrease in Net Debt	311,441	281,255
Net Debt at Beginning of Year	(16,716,760)	(16,998,015)
Adjustments Other than Tangible Cap. Assets	(47,310)	-
	(16,764,070)	(16,998,015)
Net Debt at End of Year	(16,452,629)	(16,716,760)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2014

	2014	2013
Operating Transactions		
Current Year Surplus/(Deficit)	567,425	765,365
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	1,229,402	1,149,970
(Gain)/Loss on Disposal of Tangible Capital Assets	(5,000)	(4,500)
Employee Future Benefits Increase/(Decrease)	-	-
Due from Other Organizations (Increase)/Decrease	(739,276)	(396,187)
Accounts Receivable & Accrued Income (Increase)/Decrease	258,145	(152,571)
Inventories and Prepaid Expenses - (Increase)/Decrease	(117,484)	(986,511)
Due to Other Organizations Increase/(Decrease)	-	-
Accounts Payable & Accrued Liabilities Increase/(Decrease)	31,676	139,213
Deferred Revenue Increase/(Decrease)	(392,575)	43,728
School Generated Funds Liability Increase/(Decrease)	-	-
Adjustments Other than Tangible Cap. Assets	(47,310)	-
Cash Provided by Operating Transactions	785,003	558,507
Capital Transactions		
Acquisition of Tangible Capital Assets	(1,367,902)	(647,569)
Proceeds on Disposal of Tangible Capital Assets	5,000	4,500
Cash (Applied to)/Provided by Capital Transactions	(1,362,902)	(643,069)
Investing Transactions		
Portfolio Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
Financing Transactions		
Debenture Debt Increase/(Decrease)	(427,993)	249,845
Other Borrowings Increase/(Decrease)	319,306	931,839
Cash Provided by (Applied to) Financing Transactions	(108,687)	1,181,684
Cash and Bank / Overdraft (Increase)/Decrease	(686,586)	1,097,122
Cash and Bank (Overdraft) at Beginning of Year	(4,442,209)	(5,539,331)
Cash and Bank (Overdraft) at End of Year	(5,128,795)	(4,442,209)

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2014

	Buildings and Leasehold Improvements		School	Other	Furniture / Fixtures &	Computer Hardware &		Land	Assets Under	2014	2013
	School	Non-School	Buses	Vehicles	Equipment	Software *	Land	Improvements	Construction	TOTALS	TOTALS
Tangible Capital Asset Cost											
Opening Cost, as previously reported	26,670,173	739,763	4,012,759	151,591	1,194,620	76,472	308,940	-	1,675,006	34,829,324	34,231,370
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	26,670,173	739,763	4,012,759	151,591	1,194,620	76,472	308,940	-	1,675,006	34,829,324	34,231,370
Add:											
Additions during the year	1,728,254	506,510	277,667	21,338	29,510	72,463	-	-	(1,267,840)	1,367,902	647,569
Less:											
Disposals and write downs	-	-	32,500	-	-	-	-	-	-	32,500	49,615
Closing Cost	28,398,427	1,246,273	4,257,926	172,929	1,224,130	148,935	308,940	-	407,166	36,164,726	34,829,324
Accumulated Amortization											
Opening, as previously reported	11,935,677	696,884	2,774,924	92,848	533,536	68,081		-		16,101,950	15,001,595
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	11,935,677	696,884	2,774,924	92,848	533,536	68,081		-		16,101,950	15,001,595
Add:											
Current period Amortization	778,593	11,880	252,794	17,973	153,510	14,652		-		1,229,402	1,149,970
Less:											
Accumulated Amortization on Disposals and Writedowns	-	-	32,500	-	-	-		-		32,500	49,615
Closing Accumulated Amortization	12,714,270	708,764	2,995,218	110,821	687,046	82,733		-		17,298,852	16,101,950
Net Tangible Capital Asset	15,684,157	537,509	1,262,708	62,108	537,084	66,202	308,940	-	407,166	18,865,874	18,727,374
Proceeds from Disposal of Capital Assets	-	-	5,000	-	-	-				5,000	4,500

* Includes network infrastructure.

SOUTHWEST HORIZON SCHOOL DIVISION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2014

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.

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 2013-2014 is a recovery of $3,258.

3. Conversion to PSAB

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

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

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

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

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

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

4. Overdraft

The Division has an authorized line of credit and bankers' acceptance note with Royal Bank of Canada of $6,500,000 by way of overdrafts and is repayable at prime less .75% interest paid monthly. Included in the overdraft are capital projects totaling approximately $407,166 which will be submitted to PSFB for debenture funding. Overdrafts are secured by borrowing by-laws.

5. Deferred Revenue

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

	Balance as at June 30, 2013	Additions in the period	Revenue recognized in the period	Balance as at June 30, 2014
Green Team Grant	$8,982	$9,196	$8,982	$9,196
Waskada Fitness Centre Rent		500		500
Pierson School Science Grant	1,000		1,000	-
Special Levy & Tax Incentive Grant	392,289		392,289	-
	$402,271	**$9,696**	**$402,271**	**$9,696**

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 2015 to 2034. 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 10.0%. Debenture interest expense payable as at June 30, 2014, is accrued and recorded in Accrued Interest Payable, and a grant in an amount equal to the interest accrued on provincially funded debentures is recorded in Due from the Provincial Government.

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

Year	Principal	Interest	Total
2015	$1,040,107	$806,471	$1,846,579
2016	1,099,702	746,877	1,846,579
2017	1,134,507	683,751	1,818,258
2018	1,192,771	619,377	1,812,148
2019	1,260,511	551,637	1,812,148
	$5,727,598	**$3,408,113**	**$9,135,711**

7. Other Borrowings

Other borrowings are debts other than overdrafts or debentures. This includes a loan to install and implement a private fully managed wide area network and for the construction of a division office in Souris, Manitoba.

The wide-area network loan is a 10 year loan, bears an interest rate of prime less .75%, and has annual principal payments of $110,004. The payments to the end of the term are:

	Principal Payments	Estimated Interest	Total
2015	$110,004	$19,250	$129,254
2016	110,004	16,500	126,504
2017	110,004	13,750	123,754
2018	110,004	10,999	121,003
2019	110,004	8,249	118,253
Thereafter	357,473	8,248	365,721
	$907,493	$76,996	$984,489

The loan for the construction of the division office in Souris, Manitoba is a 10 year loan in the amount of $550,000, bears an interest rate of prime less .75%, and has annual blended payments of principal and interest of $62,923. The payments to the end of the term are:

	Principal Payments	Estimated Interest	Total
2015	$51,527	$11,396	$62,923
2016	52,686	10,237	62,923
2017	53,871	9,052	62,923
2018	55,083	7,840	62,923
2019	56,323	6,600	62,923
Thereafter	242,287	13,440	255,727
	$511,777	$58,565	$570,342

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	2014 Net Book Value
Owned Tangible Capital Assets	$36,164,726	$17,298,852	$18,865,874
Capital Lease	-	-	-
	$36,164,726	$17,298,852	$18,865,874

9. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2014
Operating Fund	
Designated Surplus	-
Undesignated Surplus	$746,948
	$746,948
Capital Fund	
Reserve Accounts	$498,670
Equity in Tangible Capital Assets	2,335,404
	$2,834,074
Special Purpose Fund	
School Generated Funds	$182,536
Other Special Purpose Funds	-
	$182,536
Total Accumulated Surplus	$3,763,558

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.

	2014
Bus Reserve	$198,670
School Building Reserve	150,000
Non-School Building Reserve	75,000
Computer Reserve	75,000
Capital Reserve	$498,670

School Generated Funds and Other Special Purpose Funds are externally restricted moneys for school use. School Generated Funds includes the controlled portion of school generated funds consolidated in the cash and bank balances in the amount of $182,536

	2014
Foundation - Scholarship	$0
Other – School Funds	182,536
Other Special Purpose Funds	$182,536

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 2013 tax year and 54% from 2014 tax year. Below are the related revenue and receivable amounts:

	2014	2013
Revenue-Municipal Government-Property Tax	$ 8,885,809	$ 8,354,021
Receivable-Due from Municipal-Property Tax	$ 4,796,089	$ 4,505,005

11. Interest Received and Paid

The Division received interest during the year of $168, (previous year $492); interest paid during the year was $931,450, (previous year $948,653).

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

	2014
Operating Fund	
Fiscal-short term loan, interest and bank charges	$100,600
Capital Fund	
Debenture debt interest	830,850
Other interest	
	$931,450

The accrual portion of debenture debt interest expense of $354,552 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 2014	Budget 2014	Actual 2013
Salaries	$14,514,705	$14,862,825	$14,137,456
Employees benefits & allowances	1,159,475	1,113,500	1,094,672
Services	2,322,833	2,166,006	2,102,028
Supplies, materials & minor equipment	1,831,883	2,011,643	1,772,084
Interest	931,450	125,000	948,653
Transfers	149,202	107,000	115,514
Payroll tax	315,991	270,000	318,330
Amortization	1,229,402	-	1,149,970
Other capital items		-	
School generated funds	472,452	-	470,918
Other special purpose funds		-	-
	$22,927,393	$20,655,974	$22,109,625

13. Restatement of Opening Accumulated Surplus

Restatement of Opening Accumulated Surplus is comprised of:

	2014
Operating Fund	
Employee Future Benefits	50,568
Capital Fund	
Tangible Capital Assets	-
Accumulated Amortization	-
	-
Special Purpose Fund	
School Generated Funds	-
Other Special Purpose Funds	-
	-
Total Restatement of Opening Accumulated Surplus	$ 50,568

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 of $50,568 has been recorded to comply with PSA standards that 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 benefits. The resulting decrease to the Operating Fund Accumulated Surplus at July 1, 2013 was $50,568 and accrued liabilities were increased by $50,568. The net change for June 30, 2014 was an Employee Future Benefit recovery of $3,258.

pwc

October 14, 2014

Independent Auditor's Report

To the Board of Trustees of
St. James-Assiniboia School Division

We have audited the accompanying financial statements of St. James-Assiniboia School Division, which comprise the statement of financial position as at June 30, 2014 and the statements of revenue, expenses and accumulated surplus, change in net debt and cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of St. James-Assiniboia School Division as at June 30, 2014 and the results of its operations, changes in its net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

PricewaterhouseCoopers LLP

Chartered Accountants

PricewaterhouseCoopers LLP
One Lombard Place, Suite 2300, Winnipeg, Manitoba, Canada R3B 0X6
T: +1 204 926 2400, F: +1 204 944 1020

I hereby certify that the preceding report has been presented to the members of the Board of St. James-Assiniboia School Division.

Original Document Signed

Date   Chairperson

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2014	2013
	Financial Assets		
	Cash and Bank	-	3,681,183
	Due from - Provincial Government	10,199,062	3,327,506
	- Federal Government	114,393	85,297
	- Municipal Government	20,137,090	18,763,273
	- Other School Divisions	-	-
	- First Nations	27,847	20,603
	Accounts Receivable	76,785	377,987
	Accrued Investment Income	-	-
	Portfolio Investments	-	-
		30,555,177	26,255,849
	Liabilities		
*	Overdraft	6,815,702	-
	Accounts Payable	7,759,228	4,741,261
	Accrued Liabilities	5,110,549	5,057,157
*	Employee Future Benefits	1,911,238	1,725,924
	Accrued Interest Payable	252,471	223,526
	Due to - Provincial Government	-	-
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
*	Deferred Revenue	911,759	6,726,448
*	Debenture Debt	16,273,454	14,261,404
	Other Borrowings	-	-
	School Generated Funds Liability	189,925	184,212
		39,224,326	32,919,932
	Net Debt	(8,669,149)	(6,664,083)
	Non-Financial Assets		
*	Net Tangible Capital Assets (TCA Schedule)	43,207,074	40,540,295
	Inventories	-	-
	Prepaid Expenses	445,944	427,529
		43,653,018	40,967,824
*	**Accumulated Surplus**	34,983,869	34,303,741

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes		2014	2013
	Revenue		
	Provincial Government	59,088,346	58,738,644
	Federal Government	-	1,236
	Municipal Government - Property Tax	37,045,033	34,490,097
	- Other	-	-
	Other School Divisions	755,777	769,792
	First Nations	147,984	145,958
	Private Organizations and Individuals	2,412,949	2,531,284
	Other Sources	891,610	1,206,969
	School Generated Funds	778,572	896,776
	Other Special Purpose Funds	-	-
		101,120,271	98,780,756
	Expenses		
	Regular Instruction	54,648,215	53,245,654
	Student Support Services	19,841,412	19,187,562
	Adult Learning Centres	-	-
	Community Education and Services	1,100,013	923,518
	Divisional Administration	3,260,459	3,209,447
	Instructional and Other Support Services	3,396,556	3,380,158
	Transportation of Pupils	1,861,222	1,755,399
	Operations and Maintenance	9,885,730	9,946,679
*	Fiscal - Interest	836,451	816,725
	- Other	1,600,638	1,580,730
	Amortization	3,033,237	2,768,754
	Other Capital Items	84,467	5,944
	School Generated Funds	719,086	901,669
	Other Special Purpose Funds	-	-
		100,267,486	97,722,239
	Current Year Surplus (Deficit) before Non-vested Sick Leave	852,785	1,058,517
	Less: Non-vested Sick Leave Expense (Recovery)	172,657	92,401
	Net Current Year Surplus (Deficit)	680,128	966,116
	Opening Accumulated Surplus	34,303,741	33,337,625
	Adjustments: Tangible Cap. Assets and Accum. Amort.	-	-
	Other than Tangible Cap. Assets	-	-
		-	-
	Opening Accumulated Surplus, as adjusted	34,303,741	33,337,625
	Closing Accumulated Surplus	34,983,869	34,303,741

See accompanying notes to the Financial Statements

* NOTE REQUIRED

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2014

	2014	2013
Current Year Surplus (Deficit)	852,785	1,058,517
Amortization of Tangible Capital Assets	3,033,237	2,768,754
Acquisition of Tangible Capital Assets	(5,714,816)	(3,472,195)
(Gain) / Loss on Disposal of Tangible Capital Assets	4,109	-
Proceeds on Disposal of Tangible Capital Assets	10,691	-
	(2,666,779)	(703,441)
Inventories (Increase)/Decrease	-	-
Prepaid Expenses (Increase)/Decrease	(18,415)	(38,925)
	(18,415)	(38,925)
(Increase)/Decrease in Net Debt	(1,832,409)	316,151
Net Debt at Beginning of Year	(6,664,083)	(6,887,833)
Adjustments Other than Tangible Cap. Assets	(172,657)	(92,401)
	(6,836,740)	(6,980,234)
Net Debt at End of Year	(8,669,149)	(6,664,083)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2014

	2014	2013
Operating Transactions		
Current Year Surplus/(Deficit)	852,785	1,058,517
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	3,033,237	2,768,754
(Gain)/Loss on Disposal of Tangible Capital Assets	4,109	-
Employee Future Benefits Increase/(Decrease)	185,314	153,640
Due from Other Organizations (Increase)/Decrease	(8,281,713)	(1,661,766)
Accounts Receivable & Accrued Income (Increase)/Decrease	301,202	(324,741)
Inventories and Prepaid Expenses - (Increase)/Decrease	(18,415)	(38,925)
Due to Other Organizations Increase/(Decrease)	-	-
Accounts Payable & Accrued Liabilities Increase/(Decrease)	3,100,304	(177,781)
Deferred Revenue Increase/(Decrease)	(5,814,689)	33,900
School Generated Funds Liability Increase/(Decrease)	5,713	1,124
Adjustments Other than Tangible Cap. Assets	(172,657)	(92,401)
Cash Provided by Operating Transactions	(6,804,810)	1,720,321
Capital Transactions		
Acquisition of Tangible Capital Assets	(5,714,816)	(3,472,195)
Proceeds on Disposal of Tangible Capital Assets	10,691	-
Cash (Applied to)/Provided by Capital Transactions	(5,704,125)	(3,472,195)
Investing Transactions		
Portfolio Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
Financing Transactions		
Debenture Debt Increase/(Decrease)	2,012,050	483,321
Other Borrowings Increase/(Decrease)	-	-
Cash Provided by (Applied to) Financing Transactions	2,012,050	483,321
Cash and Bank / Overdraft (Increase)/Decrease	(10,496,885)	(1,268,553)
Cash and Bank (Overdraft) at Beginning of Year	3,681,183	4,949,736
Cash and Bank (Overdraft) at End of Year	(6,815,702)	3,681,183

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2014

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	2014 TOTALS	2013 TOTALS
	School	Non-School									
Tangible Capital Asset Cost											
Opening Cost, as previously reported	63,254,304	4,155,695	778,165	641,858	3,817,956	2,543,333	7,025,776	3,965,426	1,634,908	87,817,421	84,345,226
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	63,254,304	4,155,695	778,165	641,858	3,817,956	2,543,333	7,025,776	3,965,426	1,634,908	87,817,421	84,345,226
Add: Additions during the year	1,346,895	-	91,095	53,067	241,380	1,221,435	-	848,259	1,912,685	5,714,816	3,472,195
Less: Disposals and write downs	-	-	30,672	14,109	377,947	-	-	-	-	422,728	-
Closing Cost	64,601,199	4,155,695	838,588	680,816	3,681,389	3,764,768	7,025,776	4,813,685	3,547,593	93,109,509	87,817,421
Accumulated Amortization											
Opening, as previously reported	37,714,999	2,701,832	465,481	554,821	2,996,758	1,090,556		1,752,679		47,277,126	44,508,372
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	37,714,999	2,701,832	465,481	554,821	2,996,758	1,090,556		1,752,679		47,277,126	44,508,372
Add: Current period Amortization	1,534,073	81,532	54,699	48,456	334,476	557,075		422,926		3,033,237	2,768,754
Less: Accumulated Amortization on Disposals and Writedowns	-	-	30,672	14,109	363,147	-		-		407,928	-
Closing Accumulated Amortization	39,249,072	2,783,364	489,508	589,168	2,968,087	1,647,631		2,175,605		49,902,435	47,277,126
Net Tangible Capital Asset	25,352,127	1,372,331	349,080	91,648	713,302	2,117,137	7,025,776	2,638,080	3,547,593	43,207,074	40,540,295
Proceeds from Disposal of Capital Assets	-	-	2,600	1,096	6,995	-				10,691	-

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

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

All inter-fund accounts and transactions are eliminated in the Division's financial statements.

b) Basis of accounting

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

c) School generated funds

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

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

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

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 (13 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.

4 Employee future benefits

Employee future benefits are benefits earned by employees, but will not be paid out until future years.

	2014 $	2013 $
Employee future benefit liabilities		
Defined benefit pension plan - accrued benefit asset	-	-
Maternity leave earned	440,602	425,948
Vacation payable	713,442	715,440
Non-vested accumulated sick leave (note 9)	757,193	584,536
Total employee future benefit liability	1,911,237	1,725,924

The Division sponsors a defined benefit plan for non-teaching employees that is actuarially valued every three years using a number of assumptions about future events, including inflation rate (2%), wage and salary increases (3%), and employee turnover and mortality to determine the accrued benefit obligation. The most recent actuarial report was prepared as at December 31, 2013. The expected average remaining service life of the related employee groups is 13 years. Pension plan assets are valued at market-related values and the expected rate of return is 5.5%.

As at June 30, 2014, there were 542 active members, 165 deferred benefit members and 258 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 2014 is $172,657 (2013 - $92,402).

	2014 $	2013 $
Change in accrued benefit obligation		
Balance - beginning of year	41,919,249	40,393,961
Current service cost		
Division	722,407	1,224,206
Employees	1,373,956	1,224,206
Interest cost	2,305,244	2,214,389
Benefits paid	(1,994,489)	(2,603,084)
Non-investment expenses paid	(113,330)	(110,029)
Actual experience loss	240,545	(424,400)
Actuarial assumption loss - CPM	1,766,115	
Balance - end of year	46,219,697	41,919,249
Change in plan assets		
Market related value - beginning of year	39,914,031	39,118,203
Contributions		
Division	1,370,835	1,193,913
Employees	1,373,956	1,224,206
Expected return on plan assets	2,212,788	2,143,389
Experience gain (loss)	1,413,861	(1,052,567)
Benefits paid	(1,994,489)	(2,603,084)
Non-investment expenses paid	(113,330)	(110,029)
Market related value - end of year	44,177,652	39,914,031
Funded status		
Plan assets greater than benefit obligation	(2,042,045)	(2,005,218)
Unamortized net actuarial loss	592,799	628,167
Valuation allowance	1,449,246	1,377,051
Accrued benefit asset	-	-
Net benefit plan cost		
Current service cost - Division	722,407	1,224,206
Interest cost	2,305,244	2,214,389
Expected return on plan assets	(2,212,788)	(2,143,389)
Amortization of actuarial gains	35,368	1,221,863
Valuation allowance	520,604	(1,323,156)
Net benefit plan expense for the year	1,370,835	1,193,913

As at June 30, 2014, 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.

	2014 %	2013 %
Plan assets in equities (includes real estate)	62.95	70.45
Plan assets in fixed income	37.05	29.55

	2014 %	2013 %
Significant assumptions		
Accrued benefit obligation as of June 30		
Discount rate	5.50	5.50
Rate of compensation increase	3.00	3.00
Net benefit plan cost for the year ended June 30		
Discount rate	5.50	5.50
Expected return on plan assets	5.50	5.50
Rate of compensation increase	3.00	3.00
Expected Average Remaining Service Life ("EARSL")	13 years	13 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, 2013 $	Additions in the year $	Revenue recognized in the year $	Balance as at June 30, 2014 $
Donated capital assets	346,265	5,593	59,400	292,458
Continuing Education	-	19,000	-	19,000
International student program fees	523,805	557,282	523,805	557,282
Province of MB Green Team Grant	12,304	9,725	12,304	9,725
Property tax	5,831,808	-	5,831,808	-
Lease revenue	12,266	12,459	12,266	12,459
Bussing	-	400	-	400
MPIC School Bus	-	10,960	-	10,960
IPad Caution fees	-	9,475	-	9,475
	6,726,448	624,894	6,439,583	911,759

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 $189,925.

	2014 $	2013 $
Parent council funds	-	-
Student funds (including travel)	163,842	166,960
Other	26,083	17,252
	189,925	184,212

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 2014 to 2034 and is owing to the 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 1.250% to 8.375%.

Debenture interest expense payable as at June 30, 2014, 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 $
2014 - 2015	961,081	862,561	1,823,642
2015 - 2016	1,016,259	807,383	1,823,642
2016 - 2017	1,038,949	748,918	1,787,867
2017 - 2018	1,079,459	689,872	1,769,332
2018 - 2019	1,106,758	628,857	1,735,615

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:

			2014	2013
	Gross amount $	Accumulated amortization $	Net book value $	Net book value $
Tangible capital assets	93,109,509	49,902,435	43,207,074	40,540,295

9 Accumulated surplus

The accumulated surplus is comprised of the following:

	2014 $	2013 $
Operating Fund		
Designated surplus	1,772,714	87,375
Undesignated surplus	3,615,306	3,987,031
Non-vested sick leave	(757,193)	(584,536)
	4,630,827	3,489,870
Capital Fund		
Reserve accounts	5,626,072	5,326,072
Equity in tangible capital assets	24,392,255	25,212,570
	30,018,327	30,538,642
Special Purpose Fund		
School generated funds	334,715	275,229
Total accumulated surplus	34,983,869	34,303,741

The designated surplus under the Operating Fund represents internally restricted amounts appropriated by the Board or, in the case of school budget carryovers, by board policy.

	2014 $	2013 $
School budget carryovers by board policy	122,714	87,375
Maintenance equipment and projects	1,650,000	-
Designated surplus	1,772,714	87,375

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

	2014 $	2013 $
Undesignated	1,379,487	1,379,487
Information technology	1,200,000	1,200,000
Equipment/vehicle	500,000	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	5,626,072	5,326,072

School generated funds and other special purpose funds are externally restricted monies for school use.

10 Municipal Government - property tax and related due from Municipal Government

Education property taxes or special levies are raised as the Division's revenue for 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 2013 tax year and 54.4% from 2014 tax year. Below are the related revenue and receivable amounts:

	2014 $	2013 $
Municipal Government revenue earned in the current tax year	29,007,729	27,600,123
Less: Education property tax credit	(6,994,232)	(6,957,245)
Less: Tax Incentive Grant	(1,876,407)	(1,879,605)
Receivable due from Municipal Government - property tax	20,137,090	18,763,273

11 Interest received and paid

The Division received interest during the year of $127,127 (2013 - $128,178); interest paid during the year was $836,451 (2013 - $816,725).

Interest expense is included in Fiscal on the Statement of Revenue, Expenses and Accumulated Surplus and is comprised of the following:

	2014 $	2013 $
Operating Fund		
Fiscal short-term loan, interest and bank charges	23,927	22,927
Capital Fund		
Debenture debt interest	812,524	793,798
	836,451	816,725

The accrued portion of debenture debt interest expense of $252,471 (2013 - $223,526) 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 2014 $	Actual 2013 $
Salaries	72,778,567	71,238,244
Employees' benefits and allowances	5,907,065	5,550,273
Services	9,571,339	9,164,746
Supplies, materials and minor equipment	5,271,144	5,228,416
Interest and bank charges	23,927	22,927
Interest - debenture	812,524	793,798
Payroll tax	1,600,638	1,580,730
Transfers	465,492	466,738
Amortization	3,033,237	2,768,754
School generated funds	719,086	901,669
Other capital items	84,467	5,944
	100,267,486	97,722,239

13 Contractual obligations

Agreements with respect to student transportation were entered into for terms ranging from one to five years. The specific costs for these services are approximately $1,108,043 for 2014 - 2015. 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 $515,063 in Other sources relating to various unoccupied building space. Minimum payments under the lease terms over the next three years are as follows:

	$
2014 - 2015	235,555
2015 - 2016	15,528
2016 - 2017	-

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, 2014, the amount of this special levy was $488,176 (2013 - $393,911). These amounts are not included in the Division's financial statements.

oia School Division

pital Assets

30, 2014

Buildings and Leasehold improvements									2014	2013
School $	Non-school $	School buses $	Other vehicles $	Furniture, fixtures and equipment $	Computer hardware and software* $	Land $	Land improvements $	Assets under construction $	Total $	Total $
3,254,304	4,155,695	778,165	641,858	3,817,956	2,543,333	7,025,776	3,965,426	1,634,908	87,817,421	84,345,226
,346,895	-	91,095	53,067	241,380	1,221,435	-	848,259	1,912,685	5,714,816	3,472,195
-	-	30,672	14,109	377,947	-	-	-	-	422,728	-
4,601,199	4,155,695	838,588	680,816	3,681,389	3,764,768	7,025,776	4,813,685	3,547,593	93,109,509	87,817,421
7,714,999	2,701,832	465,481	554,821	2,996,758	1,090,556	-	1,752,679	-	47,277,126	44,508,372
,534,073	81,532	54,699	48,456	334,476	557,075	-	422,926	-	3,033,237	2,768,754
-	-	30,672	14,109	363,147	-	-	-	-	407,928	-
,249,072	2,783,364	489,508	589,168	2,968,087	1,647,631	-	2,175,605	-	49,902,435	47,277,126
,352,127	1,372,331	349,080	91,648	713,302	2,117,137	7,025,776	2,638,080	3,547,593	43,207,074	40,540,295
-	-	2,600	1,096	6,995	-	-	-	-	10,691	-

ı integral part of these financial statements.

MANAGEMENT REPORT

Management's Responsibility for the Financial Statements

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

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

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

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

Original Document Signed	Original Document Signed
Chairperson	Secretary-Treasurer

October 16, 2014

BDO

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

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

Independent Auditor's Report

To the Chairperson and Board of Trustees of **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, 2014, and the consolidated statement of revenue, expenses and accumulated surplus, consolidated statement of change in net debt and consolidated statement of cash flow for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **Sunrise School Division** as at June 30, 2014 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, 2014

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

Original Document Signed

Date ______________________ Chairperson ______________________

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2014	2013
	Financial Assets		
	Cash and Bank	-	-
	Due from - Provincial Government	6,686,005	5,263,374
	- Federal Government	299,348	263,995
	- Municipal Government	12,423,278	11,982,414
	- Other School Divisions	29,120	11,346
	- First Nations	193,245	166,287
	Accounts Receivable	112,349	205,079
	Accrued Investment Income	-	-
	Portfolio Investments	-	-
		19,743,345	17,892,495
	Liabilities		
*	Overdraft	16,052,469	9,718,444
	Accounts Payable	988,984	1,997,626
	Accrued Liabilities	278,731	212,884
*	Employee Future Benefits	690,175	862,822
	Accrued Interest Payable	366,628	373,116
	Due to - Provincial Government	4,259	4,436
	- Federal Government	1,079	1,642
	- Municipal Government	-	-
	- Other School Divisions	34,710	-
	- First Nations	-	-
*	Deferred Revenue	51,644	1,000,497
*	Debenture Debt	20,502,141	19,568,901
	Other Borrowings	-	-
	School Generated Funds Liability	48,219	54,521
		39,019,039	33,794,889
	Net Debt	(19,275,694)	(15,902,394)
	Non-Financial Assets		
*	Net Tangible Capital Assets (TCA Schedule)	33,459,246	30,227,300
	Inventories	310,617	289,838
	Prepaid Expenses	101,526	130,311
		33,871,389	30,647,449
*	**Accumulated Surplus**	14,595,695	14,745,055

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes			2014	2013
	Revenue			
	Provincial Government		40,020,559	39,870,556
	Federal Government		20,604	-
	Municipal Government	- Property Tax	21,280,020	20,890,374
		- Other	380,657	-
	Other School Divisions		165,223	352,127
	First Nations		350,089	440,648
	Private Organizations and Individuals		108,300	104,300
	Other Sources		216,143	397,358
	School Generated Funds		1,119,340	1,195,861
	Other Special Purpose Funds		26,757	26,086
			63,687,692	63,277,310
	Expenses			
	Regular Instruction		31,118,494	31,071,498
	Student Support Services		11,384,055	10,932,854
	Adult Learning Centres		943,773	972,366
	Community Education and Services		315,645	279,445
	Divisional Administration		2,055,982	2,319,283
	Instructional and Other Support Services		1,516,410	1,478,146
	Transportation of Pupils		4,765,787	4,457,006
	Operations and Maintenance		6,200,602	6,025,873
*	Fiscal	- Interest	1,211,677	1,197,615
		- Other	926,180	932,297
	Amortization		2,530,538	2,232,046
	Other Capital Items		25,107	1,313
	School Generated Funds		898,478	1,097,672
	Other Special Purpose Funds		-	4,118
			63,892,728	63,001,532
	Current Year Surplus (Deficit) before Non-vested Sick Leave		(205,036)	275,778
	Less: Non-vested Sick Leave Expense (Recovery)		(55,676)	92,854
	Net Current Year Surplus (Deficit)		(149,360)	182,924
	Opening Accumulated Surplus		14,745,055	14,562,131
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	-
		Other than Tangible Cap. Assets	-	-
		Non-vested sick leave - prior years	-	-
	Opening Accumulated Surplus, as adjusted		14,745,055	14,562,131
	Closing Accumulated Surplus		14,595,695	14,745,055

See accompanying notes to the Financial Statements

* NOTE REQUIRED

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2014

	2014	2013
Current Year Surplus (Deficit)	(205,036)	275,778
Amortization of Tangible Capital Assets	2,530,538	2,232,046
Acquisition of Tangible Capital Assets	(5,762,484)	(4,626,886)
(Gain) / Loss on Disposal of Tangible Capital Assets	-	(35,022)
Proceeds on Disposal of Tangible Capital Assets	-	36,022
	(3,231,946)	(2,393,840)
Inventories (Increase)/Decrease	(20,779)	(32,793)
Prepaid Expenses (Increase)/Decrease	28,785	198,754
	8,006	165,961
(Increase)/Decrease in Net Debt	(3,428,976)	(1,952,101)
Net Debt at Beginning of Year	(15,902,394)	(13,857,439)
Adjustments Other than Tangible Cap. Assets	55,676	(92,854)
	(15,846,718)	(13,950,293)
Net Debt at End of Year	(19,275,694)	(15,902,394)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2014

	2014	2013
Operating Transactions		
Current Year Surplus/(Deficit)	(205,036)	275,778
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	2,530,538	2,232,046
(Gain)/Loss on Disposal of Tangible Capital Assets	-	(35,022)
Employee Future Benefits Increase/(Decrease)	(172,647)	168,050
Due from Other Organizations (Increase)/Decrease	(1,943,580)	(1,279,279)
Accounts Receivable & Accrued Income (Increase)/Decrease	92,730	(105,493)
Inventories and Prepaid Expenses - (Increase)/Decrease	8,006	165,961
Due to Other Organizations Increase/(Decrease)	33,970	(1,649)
Accounts Payable & Accrued Liabilities Increase/(Decrease)	(949,283)	(282,992)
Deferred Revenue Increase/(Decrease)	(948,853)	(692,207)
School Generated Funds Liability Increase/(Decrease)	(6,302)	9,142
Adjustments Other than Tangible Cap. Assets	55,676	(92,854)
Cash Provided by Operating Transactions	(1,504,781)	361,481
Capital Transactions		
Acquisition of Tangible Capital Assets	(5,762,484)	(4,626,886)
Proceeds on Disposal of Tangible Capital Assets	-	36,022
Cash (Applied to)/Provided by Capital Transactions	(5,762,484)	(4,590,864)
Investing Transactions		
Portfolio Investments (Increase)/Decrease	-	2,888,578
Cash Provided by (Applied to) Investing Transactions	-	2,888,578
Financing Transactions		
Debenture Debt Increase/(Decrease)	933,240	1,353,326
Other Borrowings Increase/(Decrease)	-	-
Cash Provided by (Applied to) Financing Transactions	933,240	1,353,326
Cash and Bank / Overdraft (Increase)/Decrease	(6,334,025)	12,521
Cash and Bank (Overdraft) at Beginning of Year	(9,718,444)	(9,730,965)
Cash and Bank (Overdraft) at End of Year	(16,052,469)	(9,718,444)

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2014

	Buildings and Leasehold Improvements		School	Other	Furniture / Fixtures &	Computer Hardware &		Land	Assets Under	2014	2013
	School	Non-School	Buses	Vehicles	Equipment	Software *	Land	Improvements	Construction	TOTALS	TOTALS
Tangible Capital Asset Cost											
Opening Cost, as previously reported	50,206,093	1,988,706	8,890,449	207,962	1,240,825	3,171,600	236,182	364,822	800,941	67,107,580	63,407,447
Adjustments	-	-	-	-		-	-	-	-	-	-
Opening Cost adjusted	50,206,093	1,988,706	8,890,449	207,962	1,240,825	3,171,600	236,182	364,822	800,941	67,107,580	63,407,447
Add: Additions during the year	1,601,037	112,060	1,188,261	-	956,871	213,069		-	1,691,186	5,762,484	4,626,886
Less: Disposals and write downs	-	-	-	-		-	-	-	-	-	926,753
Closing Cost	51,807,130	2,100,766	10,078,710	207,962	2,197,696	3,384,669	236,182	364,822	2,492,127	72,870,064	67,107,580
Accumulated Amortization											
Opening, as previously reported	27,587,025	1,563,795	5,584,516	168,946	500,672	1,372,801		102,525		36,880,280	35,573,987
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	27,587,025	1,563,795	5,584,516	168,946	500,672	1,372,801		102,525		36,880,280	35,573,987
Add: Current period Amortization	1,180,880	43,976	643,143	11,147	234,215	375,922		41,255		2,530,538	2,232,046
Less: Accumulated Amortization on Disposals and Writedowns			-	-						-	925,753
Closing Accumulated Amortization	28,767,905	1,607,771	6,227,659	180,093	734,887	1,748,723		143,780		39,410,818	36,880,280
Net Tangible Capital Asset	23,039,225	492,995	3,851,051	27,869	1,462,809	1,635,946	236,182	221,042	2,492,127	33,459,246	30,227,300
Proceeds from Disposal of Capital Assets	-	-	-	-	-	-				-	36,022

* Includes network infrastructure.

1. Nature of Organization and Economic Dependence

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

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

2. Significant Accounting Policies

The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board (PSAB) of the 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 monies raised by the school, or under the auspices of the school, through extra curricular activities for the sole use of the school that the principal of each school, subject to the rules of the school board, may raise, hold, administer and expend for the purposes of the school.

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

School Generated Funds (continued)

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

Tangible Capital Assets

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

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

Asset Description	Capitalization Threshold ($)	Estimated Useful Life
Land Improvements	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 & 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.

Employee Future Benefits (continued)

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

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

Capital Reserve

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

Use of Estimates

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

3. Bank Overdraft

As of June 30, 2014, the Division's authorized line of credit with Sunova Credit Union was $20,000,000 by way of overdrafts. The line of credit is repayable on demand at the bank's prime rate less 0.75% (2.25% as of June 30, 2014); interest is paid monthly. Overdrafts are secured by a borrowing by-law. As at June 30, 2014, the Division's operating line of credit was being utilized.

4. Employee Future Benefits

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

The employee future benefit expense is a part of the Employee Benefits and Allowances expense account which includes pension expense for the year of $670,259 ($694,241 in 2013).

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 $55,676 (expense of $92,854 in 2013).

Employee future benefits of $690,175 recorded as a liability consists of maternity/parental benefits of $87,738, vacation accrual of $264,648, severance pay of $45,690 and sick leave liability of $292,099 as of June 30, 2014.

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, 2013	Additions in the period	Revenue recognized in the period	Balance as at June 30, 2014
Education Property Tax Credit	$ 955,767	$ -	$ 955,767	$ -
Grants from outside sources	26,815	26,107	21,879	31,043
Other	17,915	20,601	17,915	20,601
	$ 1,000,497	$ 46,708	$ 995,561	$ 51,644

6. Debenture Debt

The debenture debt of the School Division is in the form of twenty-year debentures payable, principal and interest, in twenty equal yearly instalments and maturing at various dates from 2014 to 2034. 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%. Debenture interest expense payable as at June 30, 2014, 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:

2015	$ 2,517,781
2016	2,438,869
2017	2,438,869
2018	2,359,240
2019	2,319,895
	$12,074,655

7. School Generated Funds Liability

School Generated Funds Liability represents the non-controlled portion of school generated funds. At June 30, 2014, an amount equal to the liability of $48,219 ($54,521 at June 30, 2013) is included in overdraft on the Consolidated Statement of Financial Position.

8. Net Tangible Capital Assets

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

9. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2014	2013
Operating Fund		
Designated Surplus	$ -	$ -
Undesignated Surplus	1,666,375	2,120,719
Non-vested Sick Leave	(292,099)	(347,775)
	1,374,276	1,772,944
Capital Fund		
Reserve Accounts	767,853	3,218,274
Equity in Tangible Capital Assets	11,940,776	9,358,190
	12,708,629	12,576,464
Special Purpose Fund		
School Generated Funds	472,302	360,846
Other	40,488	34,801
	512,790	395,647
Total Accumulated Surplus	$14,595,695	$14,745,055

Designated Surplus under the Operating Fund represents internally restricted amounts appropriated by the Board of Trustees or, in the case of school budget carryovers, by Board policy. The details of Designated Surplus are disclosed on Page 5 of the consolidated financial statements.

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

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

Education property tax or Special Levy is raised as the Division's contribution to the cost of providing public education for the student's resident in the division. The Municipal Government-Property Tax shown on the consolidated revenue and expense is raised over the two calendar (tax) years; 42.5% from 2013 tax year and 57.5% from 2014 tax year. Below are the related revenue and receivable amounts:

	2014	2013
Revenue – Municipal Government – Property Tax	$ 21,660,677	$ 20,890,374
Receivable – Due from Municipal – Property Tax	$ 12,423,278	$ 11,982,414

11. Interest Received and Paid

The Division received interest during the year of $ 40,875 ($58,853 in 2013); interest paid during the year was $1,211,677 ($1,197,615 in 2013).

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

	2014	2013
Operating Fund		
Fiscal-short term loan, interest and bank charges	$ 134,651	$ 119,708
Capital Fund		
Debenture interest	1,075,862	1,048,423
Other interest	1,164	29,484
	$ 1,211,677	$ 1,197,615

The accrual portion of debenture debt interest expense of $366,628 ($374,429 in 2013) is included under the Capital Fund-Debenture debt interest, and netted with an accrual of the debt servicing grant from the Province of Manitoba.

12. Expenses by Object

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

	Actual 2014	Budget 2014	Actual 2013
Salaries	$ 43,720,527	$ 44,014,205	$ 43,063,365
Employees benefits and allowances	3,188,557	3,259,184	3,190,175
Services	6,138,809	5,254,340	6,221,649
Supplies, materials and minor equipment	4,497,980	4,101,481	4,374,929
Interest	1,211,677	95,000	1,197,615
Bad debts	-	3,000	463
Payroll tax	926,180	952,000	931,834
Amortization	2,530,538	-	2,232,046
Transfers	754,875	670,000	686,353
Other capital items	25,107	-	1,313
School generated funds	898,478	-	1,097,672
Other special purpose funds	-	-	4,118
	$ 63,892,728	$ 58,349,210	$ 63,001,532

13. Commitments and Appropriations of Operating Fund Surplus

a) The Division has equipment lease agreements. Future annual minimum operating lease commitments as at June 30, 2014 are as follows:

2015	$ 282,897
2016	$ 191,415
2017	180,913
2018	610

14. Contingent Liabilities

In the prior year, two claims were 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. Any payments on these claims will be expensed by the Division when settled.

15. Financial Instruments

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

MANAGEMENT REPORT

Management's Responsibility for the Financial Statements

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

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

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

The consolidated financial statements have been audited by Pacak Kowal Hardie & Company independent external auditors appointed by the Board. The accompanying Independent Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Division's consolidated financial statements.

Original Document Signed	Original Document Signed
Chairperson	Secretary-Treasurer

October 14, 2014

PACAK KOWAL HARDIE & COMPANY
CHARTERED ACCOUNTANTS

LINDA COLE, CGA (ASSOCIATE)

100 Fourth Avenue North
Box 1660
Swan River, Manitoba R0L 1Z0

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

INDEPENDENT AUDITOR'S REPORT

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

SWAN VALLEY SCHOOL DIVISION

To the Board of Trustees of Swan Valley School Division:

We have audited the accompanying consolidated financial statements of Swan Valley School Division, which comprise of the consolidated statement of financial position as at June 30, 2014, the consolidated statement of revenue, expenses and accumulated surplus, consolidated statement of change in net debt, consolidated statement of cash flow for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Swan Valley School Division as at June 30, 2014 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Other matters

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

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

Pacak Kowal Hardie & Company
CHARTERED ACCOUNTANTS

Swan River, Manitoba
October 14, 2014

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

Original Document Signed

Date ____________ Chairperson ____________

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2014	2013
	Financial Assets		
	Cash and Bank	443,234	1,282,220
	Due from - Provincial Government	2,001,615	1,488,613
	- Federal Government	54,122	70,112
	- Municipal Government	2,760,928	2,634,999
	- Other School Divisions	8,308	9,420
	- First Nations	137,813	123,475
	Accounts Receivable	68,405	35,417
	Accrued Investment Income	-	-
	Portfolio Investments	-	447
		5,474,425	5,644,703
	Liabilities		
	Overdraft	-	-
	Accounts Payable	312,331	897,130
	Accrued Liabilities	1,892,617	1,848,428
5	Employee Future Benefits	117,108	223,880
	Accrued Interest Payable	292,790	194,585
	Due to - Provincial Government	1,573	13,161
	- Federal Government	7,295	15,713
	- Municipal Government	46,296	7,312
	- Other School Divisions	-	-
	- First Nations	-	-
6	Deferred Revenue	268,331	947,940
8	Debenture Debt	11,294,042	7,358,582
	Other Borrowings	-	-
	School Generated Funds Liability	1,896	2,408
		14,234,279	11,509,139
	Net Debt	(8,759,854)	(5,864,436)
	Non-Financial Assets		
9	Net Tangible Capital Assets (TCA Schedule)	13,781,561	10,727,161
	Inventories	23,267	19,848
	Prepaid Expenses	79,817	90,682
		13,884,645	10,837,691
10	**Accumulated Surplus**	5,124,791	4,973,255

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes		2014	2013
	Revenue		
	Provincial Government	16,022,656	15,740,552
	Federal Government	-	-
	Municipal Government - Property Tax	5,016,812	4,791,864
	- Other	-	-
	Other School Divisions	36,790	35,011
	First Nations	358,259	357,629
	Private Organizations and Individuals	217,320	229,726
	Other Sources	181,149	206,568
	School Generated Funds	640,700	565,964
	Other Special Purpose Funds	14,786	20,593
		22,488,472	21,947,907
	Expenses		
	Regular Instruction	11,363,328	11,096,574
	Student Support Services	3,110,584	3,275,280
	Adult Learning Centres	-	-
	Community Education and Services	205,577	160,725
	Divisional Administration	800,727	765,032
	Instructional and Other Support Services	528,911	460,561
	Transportation of Pupils	1,597,820	1,545,029
	Operations and Maintenance	2,228,444	2,058,147
12	Fiscal - Interest	469,989	330,365
	- Other	312,932	317,451
	Amortization	1,002,442	959,973
	Other Capital Items	104,197	(4,246)
	School Generated Funds	620,137	592,956
	Other Special Purpose Funds	14,786	20,593
		22,359,874	21,578,440
	Current Year Surplus (Deficit) before Non-vested Sick Leave	128,598	369,467
	Less: Non-vested Sick Leave Expense (Recovery)	(22,938)	5,192
	Net Current Year Surplus (Deficit)	151,536	364,275
	Opening Accumulated Surplus	4,973,255	4,608,980
	Adjustments: Tangible Cap. Assets and Accum. Amort.	-	-
	Other than Tangible Cap. Assets	-	-
	Non-vested sick leave - prior years	-	-
	Opening Accumulated Surplus, as adjusted	4,973,255	4,608,980
	Closing Accumulated Surplus	5,124,791	4,973,255

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2014

	2014	2013
Current Year Surplus (Deficit)	128,598	369,467
Amortization of Tangible Capital Assets	1,002,442	959,973
Acquisition of Tangible Capital Assets	(4,056,842)	(3,140,415)
(Gain) / Loss on Disposal of Tangible Capital Assets	(6,000)	(16,356)
Proceeds on Disposal of Tangible Capital Assets	6,000	16,356
	(3,054,400)	(2,180,442)
Inventories (Increase)/Decrease	(3,419)	351
Prepaid Expenses (Increase)/Decrease	10,865	(6,262)
	7,446	(5,911)
(Increase)/Decrease in Net Debt	(2,918,356)	(1,816,886)
Net Debt at Beginning of Year	(5,864,436)	(4,042,358)
Adjustments Other than Tangible Cap. Assets	22,938	(5,192)
	(5,841,498)	(4,047,550)
Net Debt at End of Year	(8,759,854)	(5,864,436)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2014

	2014	2013
Operating Transactions		
Current Year Surplus/(Deficit)	128,598	369,467
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	1,002,442	959,973
(Gain)/Loss on Disposal of Tangible Capital Assets	(6,000)	(16,356)
Employee Future Benefits Increase/(Decrease)	(106,772)	51,129
Due from Other Organizations (Increase)/Decrease	(636,167)	(563,362)
Accounts Receivable & Accrued Income (Increase)/Decrease	(32,988)	(698)
Inventories and Prepaid Expenses - (Increase)/Decrease	7,446	(5,911)
Due to Other Organizations Increase/(Decrease)	18,978	1,235
Accounts Payable & Accrued Liabilities Increase/(Decrease)	(442,405)	774,178
Deferred Revenue Increase/(Decrease)	(679,609)	(148,196)
School Generated Funds Liability Increase/(Decrease)	(512)	(219)
Adjustments Other than Tangible Cap. Assets	22,938	(5,192)
Cash Provided by Operating Transactions	(724,051)	1,416,048
Capital Transactions		
Acquisition of Tangible Capital Assets	(4,056,842)	(3,140,415)
Proceeds on Disposal of Tangible Capital Assets	6,000	16,356
Cash (Applied to)/Provided by Capital Transactions	(4,050,842)	(3,124,059)
Investing Transactions		
Portfolio Investments (Increase)/Decrease	447	5
Cash Provided by (Applied to) Investing Transactions	447	5
Financing Transactions		
Debenture Debt Increase/(Decrease)	3,935,460	1,534,379
Other Borrowings Increase/(Decrease)	-	-
Cash Provided by (Applied to) Financing Transactions	3,935,460	1,534,379
Cash and Bank / Overdraft (Increase)/Decrease	(838,986)	(173,627)
Cash and Bank (Overdraft) at Beginning of Year	1,282,220	1,455,847
Cash and Bank (Overdraft) at End of Year	443,234	1,282,220

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2014

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	2014 TOTALS	2013 TOTALS
	School	Non-School									
Tangible Capital Asset Cost											
Opening Cost, as previously reported	16,113,063	539,624	3,169,515	294,931	1,343,452	1,199,433	280,490	288,426	2,803,981	26,032,915	23,396,578
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	16,113,063	539,624	3,169,515	294,931	1,343,452	1,199,433	280,490	288,426	2,803,981	26,032,915	23,396,578
Add:											
Additions during the year	1,361,759	-	272,799	65,946	387,922	57,348	-	-	1,911,068	4,056,842	3,140,415
Less:											
Disposals and write downs	-	-	139,376	-	-	-	-	-	-	139,376	504,078
Closing Cost	17,474,822	539,624	3,302,938	360,877	1,731,374	1,256,781	280,490	288,426	4,715,049	29,950,381	26,032,915
Accumulated Amortization											
Opening, as previously reported	11,002,667	452,509	1,892,977	239,770	954,122	720,445		43,264		15,305,754	14,849,859
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	11,002,667	452,509	1,892,977	239,770	954,122	720,445		43,264		15,305,754	14,849,859
Add:											
Current period Amortization	389,059	6,471	244,547	27,667	175,643	130,212		28,843		1,002,442	959,973
Less:											
Accumulated Amortization on Disposals and Writedowns	-	-	139,376	-	-	-		-		139,376	504,078
Closing Accumulated Amortization	11,391,726	458,980	1,998,148	267,437	1,129,765	850,657		72,107		16,168,820	15,305,754
Net Tangible Capital Asset	6,083,096	80,644	1,304,790	93,440	601,609	406,124	280,490	216,319	4,715,049	13,781,561	10,727,161
Proceeds from Disposal of Capital Assets	-	-	6,000	-	-	-				6,000	16,356

* Includes network infrastructure.

1. Nature of Organization and Economic Dependence

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

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

2. Significant Accounting Policies

The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards established by Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA) and reflect the following significant accounting policies:

a) Reporting Entity and Consolidation

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

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

b) Basis of Accounting

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

c) Fund Accounting

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

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

d) School Generated Funds

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

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

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

e) Tangible Capital Assets

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

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

Asset Description	Capitalization Threshold ($)	Estimated Useful Life (years)
Land Improvements	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.

However, the Division provides a defined contribution pension plan to all eligible non teachers in the Division. There is no future liability or benefit to be recorded for this type of pension plan. The terms and conditions of the Pension Plan for the Employees of Swan Valley School Division are administered by the school division trustees and a division management representative. Participating employees in the plan generally contribute from 7.0% to 9.0% (dependant on age and years of plan membership as outlined in the plan's text) of eligible earnings to the plan. The Division matches this contribution and remits both contributions monthly. No responsibility is assumed by the Division to make any further contribution.

g) Capital Reserve

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

h) Use of Estimates

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

i) Financial instruments

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

3. Other Investments

	2014	2013
Swan Valley Credit Union Patronage Shares	$ 0	$447

4. Overdraft

The Division has an authorized line of credit with TD Canada Trust of $4,000,000 by way of overdrafts and is repayable on demand at prime less 0.60%; paid monthly. Overdrafts are secured by borrowing by-law.

5. Employee Future Benefits

The Division sponsors and administers a defined pension contribution plan. The defined contribution plan is provided to all eligible non teaching employees. Eligible employees contributed, in accordance with the plan text 7.0% to 9.0% of their eligible earnings to the plan. The Division contributions equal the employee required contributions to the plan. Some employees have exercised their right to make voluntary contributions to the plan, which are not matched by the Division. No pension liability is included in the financial statements.

A liability of $0.00 for event driven sick leave benefits,$0.00 maternity/parental and $117,108 estimated non-vested sick leave benefits ($83,833 maternity/parental, $0.00 sick leave benefits and $140,046 estimated non-vested sick leave benefits for 2013) is reflected in the financial statements.

6. Deferred Revenue

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

	Balance as at June 30, 2013	Additions in the period	Revenue recognized in the period	Balance as at June 30, 2014
Healthy Child Manitoba Grant	$ 15,544	$ 42,997	$ 45,213	$ 13,328
Education Property Tax Credit	627,824	942,893	1,570,717	-
Other Province of Manitoba Grants	20,224	33,000	50,366	2,858
Grants from outside sources	4,429	5,100	1,464	8,065
Capital Fund	239,114	11,113	52,404	197,823
Charitable Scholarship and Other Fund	40,805	16,238	14,786	42,257
School Generated Funds	-	4,000	-	4,000
	$ 947,940	$ 1,055,341	$ 1,734,950	$ 268,331

7. School Generated Funds Liability

School Generated Funds Liability includes the non-controlled portion of school generated funds consolidated in the cash and bank balances in the amount of $1,896 for 2014, $2,408 in 2013.

School generated funds revenue and expenses reported in the Consolidated Statement of Revenue, Expenses and Accumulated Surplus as at June 30, 2014 covers a period of twelve months from July 1, 2013 to June 30, 2014.

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 2014 to 2034. Payment of principal and interest is funded entirely by grants from the Province of Manitoba. The debentures carry interest rates that range from 3.500% to 9.625%. Debenture interest expense payable as at June 30, 2014, 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
2015	529,818	593,282	$ 1,123,100
2016	497,606	611,103	1,108,709
2017	464,861	636,899	1,101,760
2018	430,860	572,595	1,003,455
2019	402,604	584,846	987,450
	$ 2,325,749	$ 2,998,725	$ 5,324,474

9. Net Tangible Capital Assets

The Schedule of Tangible Capital Assets (TCA), page 23 of the audited financial statements, provides a breakdown of cost, accumulated amortization and net book value by class. The amount of interest capitalized in the period included in Assets under Construction is $3,302.26 (previous year $3,078.03).

10. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2014	2013
Operating Fund		
Designated Surplus	-	-
Undesignated Surplus	643,200	662,075
Non-vested Sick Leave	(117,108)	(140,046)
	526,092	522,029
Capital Fund		
Reserve Accounts	2,186,548	2,134,710
Equity in Tangible Capital Assets	2,283,384	2,208,312
	4,469,932	4,343,022
Special Purpose Fund		
School Generated Funds	128,767	108,204
Other Special Purpose Funds	-	-
	128,767	108,204
Total Accumulated Surplus	$ 5,124,791	$ 4,973,255

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.

	2014	2013
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.

	2014	2013
Bus reserves	540,360	534,360
Other reserves	1,646,188	1,600,350
Capital Reserve	$ 2,186,548	$ 2,134,710

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

Education property tax or Special Levy is raised as the Division's contribution to the cost of providing public education for the student's resident in the division. The Municipal Government-Property Tax shown on the consolidated revenue and expense is raised over the two calendar (tax) years; 45% from 2013 tax year and 55% from 2014 tax year. Below are the related revenue and receivable amounts:

	2014	2013
Revenue-Municipal Government-Property Tax	$ 5,016,812	$ 4,791,864
Receivable-Due from Municipal-Property Tax	$ 2,760,928	$ 2,634,999

12. Interest Received and Paid

The Division received interest during the year of $39,787 (previous year $39,902); interest paid during the year was $1,682 (previous year $393).

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

	2014
Operating Fund	
Fiscal-short term loan, interest and bank charges	$ -
Capital Fund	
Debenture debt interest	469,989
Other interest	1,682
	$ 471,671

The accrual portion of debenture debt interest expense of $292,790 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 2014	Budget 2014	Actual 2013
Salaries	$ 14,568,408	$ 15,073,646	$ 14,798,147
Employees benefits & allowances	1,484,699	1,498,495	1,382,638
Services	1,807,351	1,719,718	1,546,843
Supplies, materials & minor equipment	1,973,633	1,560,782	1,633,720
Interest	471,671	2,000	330,365
Bad debts	-	-	-
Payroll tax	312,932	321,000	317,451
Transfers	-	1,300	-
Amortization	1,002,442	-	959,973
Other capital items	104,197	-	(4,246)
School generated funds	620,137	-	592,956
Other special purpose funds	14,786	-	20,593
	$ 22,360,256	$ 20,176,941	$ 21,578,440

14. Commitment

As a result of a resolution approved at the 8 Mach 2014 school trustees meeting the Division is committed to purchase three new school buses in the amount of approximately $285,685 during 2014/2015 fiscal year end.

MANAGEMENT REPORT

Management's Responsibility for the Financial Statements

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

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

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

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

Original Document Signed	Original Document Signed
Chairperson	Secretary-Treasurer

October 08, 2014

MNP LLP

Independent Auditors' Report

To the Board of Trustees of Turtle Mountain School Division:

We have audited the accompanying consolidated financial statements of Turtle Mountain School Division, which comprise the consolidated statement of financial position as at June 30, 2014, and the consolidated statements of revenue, expenses and accumulated surplus, change in net debt and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information. .

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

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

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

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Turtle Mountain School Division as at June 30, 2014 and the consolidated results of its operations, consolidated changes in net debt and its consolidated cash flow for the year then ended in accordance with Canadian generally accepted accounting principles established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

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

Brandon, Manitoba
October 8, 2014

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.

Original Document Signed

Chairperson of the Board

Date

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2014	2013
	Financial Assets		
	Cash and Bank	-	-
	Due from - Provincial Government	943,282	369,122
	- Federal Government	70,551	37,625
	- Municipal Government	2,667,489	2,517,233
	- Other School Divisions	-	-
	- First Nations	-	-
	Accounts Receivable	57,591	88,552
	Accrued Investment Income	-	-
	Portfolio Investments	-	-
		3,738,913	3,012,532
	Liabilities		
(4)	Overdraft	2,216,521	48,240
	Accounts Payable	1,342,591	1,210,154
	Accrued Liabilities	96,981	47,416
(5)	Employee Future Benefits	133,793	109,401
	Accrued Interest Payable	55,660	60,187
	Due to - Provincial Government	-	-
	- Federal Government	-	-
	- Municipal Government	31,792	34,400
	- Other School Divisions	-	1,486
	- First Nations	-	-
	Deferred Revenue	-	374,692
(7)	Debenture Debt	3,296,746	3,377,733
	Other Borrowings	-	-
	School Generated Funds Liability	102,841	113,363
		7,276,925	5,377,072
	Net Debt	(3,538,012)	(2,364,540)
	Non-Financial Assets		
(9)	Net Tangible Capital Assets (TCA Schedule)	4,572,875	4,182,637
	Inventories	68,816	65,364
(15)	Prepaid Expenses	819,371	216,131
		5,461,062	4,464,132
(12)	**Accumulated Surplus**	1,923,050	2,099,592

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes			2014	2013
	Revenue			
	Provincial Government		8,249,526	8,166,633
	Federal Government		177	138
	Municipal Government	- Property Tax	4,531,827	4,303,501
		- Other	-	-
	Other School Divisions		37,700	33,800
	First Nations		-	9,840
	Private Organizations and Individuals		5,306	38,821
	Other Sources		48,469	48,953
	School Generated Funds		366,797	375,857
	Other Special Purpose Funds		-	-
			13,239,802	12,977,543
	Expenses			
	Regular Instruction		6,676,748	6,458,420
	Student Support Services		2,055,924	1,954,038
	Adult Learning Centres		208,707	241,216
	Community Education and Services		15,447	13,744
	Divisional Administration		563,267	555,300
	Instructional and Other Support Services		477,993	352,209
	Transportation of Pupils		1,126,614	1,009,013
	Operations and Maintenance		1,009,309	877,677
(13)	Fiscal	- Interest	219,937	216,874
		- Other	199,772	191,964
	Amortization		416,976	402,585
	Other Capital Items		61,177	-
	School Generated Funds		362,785	378,104
	Other Special Purpose Funds		-	-
			13,394,656	12,651,144
	Current Year Surplus (Deficit) before Non-vested Sick Leave		(154,854)	326,399
	Less: Non-vested Sick Leave Expense (Recovery)		21,688	45,702
	Net Current Year Surplus (Deficit)		(176,542)	280,697
	Opening Accumulated Surplus		2,099,592	1,818,895
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	-
		Other than Tangible Cap. Assets	-	-
		Non-vested sick leave - prior years	-	-
	Opening Accumulated Surplus, as adjusted		2,099,592	1,818,895
	Closing Accumulated Surplus		1,923,050	2,099,592

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2014

	2014	2013
Current Year Surplus (Deficit)	(154,854)	326,399
Amortization of Tangible Capital Assets	416,976	402,585
Acquisition of Tangible Capital Assets	(813,160)	(273,813)
(Gain) / Loss on Disposal of Tangible Capital Assets	(16,023)	(2,150)
Proceeds on Disposal of Tangible Capital Assets	21,969	2,150
	(390,238)	128,772
Inventories (Increase)/Decrease	(3,452)	(4,209)
Prepaid Expenses (Increase)/Decrease	(603,240)	(165,269)
	(606,692)	(169,478)
(Increase)/Decrease in Net Debt	(1,151,784)	285,693
Net Debt at Beginning of Year	(2,364,540)	(2,604,531)
Adjustments Other than Tangible Cap. Assets	(21,688)	(45,702)
	(2,386,228)	(2,650,233)
Net Debt at End of Year	(3,538,012)	(2,364,540)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2014

	2014	2013
Operating Transactions		
Current Year Surplus/(Deficit)	(154,854)	326,399
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	416,976	402,585
(Gain)/Loss on Disposal of Tangible Capital Assets	(16,023)	(2,150)
Employee Future Benefits Increase/(Decrease)	24,392	(92,019)
Due from Other Organizations (Increase)/Decrease	(757,342)	(304,549)
Accounts Receivable & Accrued Income (Increase)/Decrease	30,961	(38,691)
Inventories and Prepaid Expenses - (Increase)/Decrease	(606,692)	(169,478)
Due to Other Organizations Increase/(Decrease)	(4,094)	2,900
Accounts Payable & Accrued Liabilities Increase/(Decrease)	177,475	148,505
Deferred Revenue Increase/(Decrease)	(374,692)	(93,742)
School Generated Funds Liability Increase/(Decrease)	(10,522)	8,039
Adjustments Other than Tangible Cap. Assets	(21,688)	(45,702)
Cash Provided by Operating Transactions	(1,296,103)	142,097
Capital Transactions		
Acquisition of Tangible Capital Assets	(813,160)	(273,813)
Proceeds on Disposal of Tangible Capital Assets	21,969	2,150
Cash (Applied to)/Provided by Capital Transactions	(791,191)	(271,663)
Investing Transactions		
Portfolio Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
Financing Transactions		
Debenture Debt Increase/(Decrease)	(80,987)	156,721
Other Borrowings Increase/(Decrease)	-	-
Cash Provided by (Applied to) Financing Transactions	(80,987)	156,721
Cash and Bank / Overdraft (Increase)/Decrease	(2,168,281)	27,155
Cash and Bank (Overdraft) at Beginning of Year	(48,240)	(75,395)
Cash and Bank (Overdraft) at End of Year	(2,216,521)	(48,240)

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2014

	Buildings and Leasehold Improvements		School	Other	Furniture / Fixtures &	Computer Hardware &		Land	Assets Under	2014	2013
	School	Non-School	Buses	Vehicles	Equipment	Software *	Land	Improvements	Construction	TOTALS	TOTALS
Tangible Capital Asset Cost											
Opening Cost, as previously reported	7,979,278	580,476	2,276,654	60,121	169,111	53,724	45,451	320,207	72,900	11,557,922	11,399,885
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	7,979,278	580,476	2,276,654	60,121	169,111	53,724	45,451	320,207	72,900	11,557,922	11,399,885
Add: Additions during the year	635,179	-	179,828	63,489	7,551	-	-	-	(72,887)	813,160	273,813
Less: Disposals and write downs	-	-	70,868	39,861	-	-	-	-	-	110,729	115,776
Closing Cost	8,614,457	580,476	2,385,614	83,749	176,662	53,724	45,451	320,207	13	12,260,353	11,557,922
Accumulated Amortization											
Opening, as previously reported	4,977,557	419,045	1,494,712	39,993	94,988	28,783		320,207		7,375,285	7,088,476
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	4,977,557	419,045	1,494,712	39,993	94,988	28,783		320,207		7,375,285	7,088,476
Add: Current period Amortization	205,381	9,225	166,498	10,401	22,145	3,326		-		416,976	402,585
Less: Accumulated Amortization on Disposals and Writedowns	-	-	70,868	33,915	-	-		-		104,783	115,776
Closing Accumulated Amortization	5,182,938	428,270	1,590,342	16,479	117,133	32,109		320,207		7,687,478	7,375,285
Net Tangible Capital Asset	3,431,519	152,206	795,272	67,270	59,529	21,615	45,451	-	13	4,572,875	4,182,637
Proceeds from Disposal of Capital Assets	-	-	700	21,269	-	-				21,969	2,150

* Includes network infrastructure.

TURTLE MOUNTAIN SCHOOL DIVISION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2014

1. Nature of Organization and Economic Dependence

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

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

2. Significant Accounting Policies

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

a) Reporting Entity and Consolidation

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

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

b) Basis of Accounting

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

c) Fund Accounting

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

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

d) School Generated Funds

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

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

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

e) Tangible Capital Assets

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

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

Asset Description	Capitalization Threshold ($)	Estimated Useful Life (years)
Land Improvements	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 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 $3,000,000.00 by way of overdrafts and is repayable on demand at prime less 0.50%; interest is paid monthly. Overdrafts are secured by borrowing by-law.

5. Employee Future Benefits

Employee Future Benefits are benefits earned by employees in the current period, but will not be paid out until future periods and include vacation accrual, supplemental employment and sick leave benefits.

6. Deferred Revenue

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

Description	Year ended	Amount
N/A	June 30, 2014	$0
Provincial Education Property Tax Credit Advance	June 30, 2013	$374,692

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 2015 to 2034. 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 3.75% to 9.625 %. Debenture interest expense payable as at June 30, 2014, is accrued and recorded in Accrued Interest Payable, and a grant in an amount equal to the interest accrued on provincially funded debentures is recorded in Due from the Provincial Government.

	Year	Principal	Interest	Total
Total	2015	333,912.63	177,915.03	511,827.66
Total	2016	292,115.01	156,185.85	448,300.86
Total	2017	268,463.58	138,819.49	407,283.07
Total	2018	283,620.55	123,662.51	407,283.06
Total	2019	292,534.80	107,578.51	400,113.31

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 $102,841.

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 2014 tax year and 40.4% from 2013 tax year. Below are the related revenue and receivable amounts:

Description	2014	2013
Revenue-Municipal Government-Property Tax	$4,531,827	$4,303,501
Receivable-Due from Municipal-Property Tax	$2,667,489	$2,517,233

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 $249,208 for 2013-2014.

12. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2014
Operating Fund	
Designated Surplus	734,829
Undesignated Surplus(Deficit)	186,296
Less: Non-Vested Sick Leave to Date	(67,390)
	853,735
Capital Fund	
Reserve Account	151,401
Equity in Tangible Capital Assets	796,060
	947,461
Special Purpose Fund	
School Generated Funds	121,854
Other Special Purpose Funds	0
Total Accumulated Surplus	$1,923,050

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.

	2014
Board approved appropriation by motion	577,555
School/Maintenance Budget carryovers by board policy	157,274
Designated surplus	$734,829

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.

	2014
Bus reserves	151,401
Other reserves	
Capital Reserve	$151,401

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

2014

School generated funds	121,854
Other	0
Other Special Purpose Funds	$121,854

13. Interest Received and Paid

The Division received interest during the year of $6,468 (previous year $2,903); interest paid during the year was $219,937 (previous year $216,874).

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

	2014
Operating Fund	
Fiscal-short term loan, interest and bank charges	$26,371
Capital Fund	
Debenture debt interest	193,566
Other interest	0
	$219,937

The accrual portion of debenture debt interest expense of $55,660 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 2014	Budget 2014	Actual 2013
Salaries	$9,275,677	$8,942,307	$8,864,761
Employee benefits and allowances	635,817	767,517	652,996
Services	1,279,664	1,185,577	1,085,479
Supplies, materials & minor equip.	981,928	834,569	834,331
Interest	219,937	26,000	216,874
Payroll tax / Transfers/Bad Dept Exp	221,872	226,000	216,014
Amortization	416,976	0	402,585
School generated funds	362,785	0	378,104
Total	$13,394,656	$11,981,970	$12,651,144

15. Prepaids

Due to the shift of Capital Reserve (Boiler) to Operating Reserve (Broadband), motion #13-115, 9/10's of the Broadband initiative expense is now in prepaid ($782,757).

MANAGEMENT RESPONSIBILITY REPORT

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

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

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

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

Original Document Signed	Original Document Signed
Chairperson	Secretary-Treasurer

October 16, 2014

MNP LLP

Independent Auditors' Report

To the Board of Trustees of Turtle River School Division:

We have audited the accompanying consolidated financial statements of Turtle River School Division, which comprise the consolidated statement of financial position as at June 30, 2014, and the consolidated statements of revenue, expenses and accumulated surplus, change in net debt and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

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

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

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Turtle River School Division as at June 30, 2014 and the consolidated results of its operations, consolidated changes in net debt and its consolidated cash flow for the year then ended in accordance with Canadian generally accepted accounting principles established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

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

MNP LLP
Chartered Accountants

Brandon, Manitoba
October 16, 2014

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

Original Document Signed

Chairperson of the Board

Date

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2014	2013
	Financial Assets		
	Cash and Bank	639,002	1,475,815
	Due from - Provincial Government	758,533	412,280
	- Federal Government	103,093	64,114
	- Municipal Government	1,115,596	979,782
	- Other School Divisions	-	31,801
	- First Nations	-	-
	Accounts Receivable	1,464	19,594
	Accrued Investment Income	-	-
	Portfolio Investments	-	-
		2,617,688	2,983,386
	Liabilities		
	Overdraft	-	-
	Accounts Payable	310,917	359,046
	Accrued Liabilities	693,839	662,061
3	Employee Future Benefits	46,702	40,546
	Accrued Interest Payable	80,559	75,738
	Due to - Provincial Government	140	140
	- Federal Government	-	-
	- Municipal Government	32	32
	- Other School Divisions	91,740	-
	- First Nations	-	-
	Deferred Revenue	-	202,856
8	Debenture Debt	2,871,417	2,350,718
	Other Borrowings	-	-
	School Generated Funds Liability	-	-
		4,095,346	3,691,137
	Net Debt	(1,477,658)	(707,751)
	Non-Financial Assets		
3	Net Tangible Capital Assets (TCA Schedule)	4,535,959	3,623,122
	Inventories	114,993	115,318
	Prepaid Expenses	48,343	61,970
		4,699,295	3,800,410
9	**Accumulated Surplus**	3,221,637	3,092,659

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes			2014	2013
	Revenue			
	Provincial Government		8,940,104	9,002,960
	Federal Government		-	4,486
	Municipal Government	- Property Tax	2,247,441	1,957,607
		- Other	-	-
	Other School Divisions		20,800	29,201
	First Nations		-	-
	Private Organizations and Individuals		32,037	8,157
	Other Sources		9,852	11,097
	School Generated Funds		342,511	331,710
	Other Special Purpose Funds		-	-
			11,592,745	11,345,218
	Expenses			
	Regular Instruction		5,901,880	5,692,295
	Student Support Services		1,637,737	1,463,485
	Adult Learning Centres		-	-
	Community Education and Services		10,868	10,629
	Divisional Administration		356,342	338,821
	Instructional and Other Support Services		258,044	231,842
	Transportation of Pupils		1,091,864	1,001,446
	Operations and Maintenance		1,055,279	1,060,335
11	Fiscal	- Interest	145,218	152,384
		- Other	156,592	150,073
	Amortization		482,228	462,229
	Other Capital Items		-	-
	School Generated Funds		361,559	312,541
	Other Special Purpose Funds		-	-
			11,457,611	10,876,080
	Current Year Surplus (Deficit) before Non-vested Sick Leave		135,134	469,138
	Less: Non-vested Sick Leave Expense (Recovery)		6,156	(6,759)
	Net Current Year Surplus (Deficit)		128,978	475,897
	Opening Accumulated Surplus		3,092,659	2,664,067
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	-
		Other than Tangible Cap. Assets	-	-
		Non-vested sick leave - prior years	-	(47,305)
	Opening Accumulated Surplus, as adjusted		3,092,659	2,616,762
	Closing Accumulated Surplus		3,221,637	3,092,659

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2014

	2014	2013
Current Year Surplus (Deficit)	135,134	469,138
Amortization of Tangible Capital Assets	482,228	462,229
Acquisition of Tangible Capital Assets	(1,395,065)	(89,482)
(Gain) / Loss on Disposal of Tangible Capital Assets	-	-
Proceeds on Disposal of Tangible Capital Assets	-	-
	(912,837)	372,747
Inventories (Increase)/Decrease	325	(5,839)
Prepaid Expenses (Increase)/Decrease	13,627	(14,504)
	13,952	(20,343)
(Increase)/Decrease in Net Debt	(763,751)	821,542
Net Debt at Beginning of Year	(707,751)	(1,488,747)
Adjustments Other than Tangible Cap. Assets	(6,156)	(40,546)
	(713,907)	(1,529,293)
Net Debt at End of Year	(1,477,658)	(707,751)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2014

	2014	2013
Operating Transactions		
Current Year Surplus/(Deficit)	135,134	469,138
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	482,228	462,229
(Gain)/Loss on Disposal of Tangible Capital Assets	-	-
Employee Future Benefits Increase/(Decrease)	6,156	40,546
Due from Other Organizations (Increase)/Decrease	(489,245)	280,434
Accounts Receivable & Accrued Income (Increase)/Decrease	18,130	(12,770)
Inventories and Prepaid Expenses - (Increase)/Decrease	13,952	(20,343)
Due to Other Organizations Increase/(Decrease)	91,740	32
Accounts Payable & Accrued Liabilities Increase/(Decrease)	(11,530)	(165,199)
Deferred Revenue Increase/(Decrease)	(202,856)	(125,704)
School Generated Funds Liability Increase/(Decrease)	-	-
Adjustments Other than Tangible Cap. Assets	(6,156)	(40,546)
Cash Provided by Operating Transactions	37,553	887,817
Capital Transactions		
Acquisition of Tangible Capital Assets	(1,395,065)	(89,482)
Proceeds on Disposal of Tangible Capital Assets	-	-
Cash (Applied to)/Provided by Capital Transactions	(1,395,065)	(89,482)
Investing Transactions		
Portfolio Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
Financing Transactions		
Debenture Debt Increase/(Decrease)	520,699	(308,749)
Other Borrowings Increase/(Decrease)	-	-
Cash Provided by (Applied to) Financing Transactions	520,699	(308,749)
Cash and Bank / Overdraft (Increase)/Decrease	(836,813)	489,586
Cash and Bank (Overdraft) at Beginning of Year	1,475,815	986,229
Cash and Bank (Overdraft) at End of Year	639,002	1,475,815

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2014

	Buildings and Leasehold Improvements		School	Other	Furniture / Fixtures &	Computer Hardware &		Land	Assets Under	2014	2013
	School	Non-School	Buses	Vehicles	Equipment	Software *	Land	Improvements	Construction	TOTALS	TOTALS
Tangible Capital Asset Cost											
Opening Cost, as previously reported	9,392,599	411,192	2,351,044	145,144	166,722	164,508	36,325	-	30,602	12,698,136	12,608,654
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	9,392,599	411,192	2,351,044	145,144	166,722	164,508	36,325	-	30,602	12,698,136	12,608,654
Add: Additions during the year		-	473,953	-	25,852	-	-	-	895,260	1,395,065	89,482
Less: Disposals and write downs	-	-		-	-	-	-	-	-	-	-
Closing Cost	9,392,599	411,192	2,824,997	145,144	192,574	164,508	36,325	-	925,862	14,093,201	12,698,136
Accumulated Amortization											
Opening, as previously reported	6,559,380	411,192	1,754,379	110,721	103,517	135,825		-		9,075,014	8,612,785
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	6,559,380	411,192	1,754,379	110,721	103,517	135,825		-		9,075,014	8,612,785
Add: Current period Amortization	259,975	-	173,731	9,835	24,484	14,203		-		482,228	462,229
Less: Accumulated Amortization on Disposals and Writedowns	-	-	-	-	-	-		-		-	-
Closing Accumulated Amortization	6,819,355	411,192	1,928,110	120,556	128,001	150,028		-		9,557,242	9,075,014
Net Tangible Capital Asset	2,573,244	-	896,887	24,588	64,573	14,480	36,325	-	925,862	4,535,959	3,623,122
Proceeds from Disposal of Capital Assets	-	-	-	-	-	-				-	-

* Includes network infrastructure.

TURTLE RIVER SCHOOL DIVISION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2014

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. 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.

Effective with the 2012/2013 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 benefits. Employee future benefits are benefits earned by employees in the current period, but will not be paid out until a future period.

g) Capital Reserve

Certain amounts, as approved by the Board of Trustees and the Public Schools Finance Board (PSFB), have been set aside in reserve accounts for future capital purposes. These Capital Reserve accounts are internally restricted funds that form part of the Accumulated Surplus presented in the Consolidated Statement of Financial Position. The Division has a reserve for school bus purchases in the amount of $1,220,831, 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 $20,840 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 is recorded in the Statement of Revenue, Expenses and Accumulated Surplus.

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

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

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

5. Overdraft

The Division has an operating $2,000,000 line of credit with the Royal Bank of Canada by way of overdraft. (By-Law #174) The Division does not receive any 2014 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, 2013	Additions in the period	Revenue recognized in the period	Balance as at June 30, 2014
Education Property Tax Credit	$ 202,856	$ 122,695	$ 325,551	$ -

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, 2014 covers a period of twelve months from July 1, 2013 to June 30, 2014.

8. Debenture Debt

The debenture debt of the Division is in the form of twenty-year debentures payable, principal and interest, in twenty equal yearly installments and maturing at various dates from 2015 to 2034. Payment of principal and interest is funded entirely by grants from the Province of Manitoba. The debentures carry interest rates that range from 4.375% to 9.875%. Debenture interest expense payable as at June 30, 2014, 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
2015	$ 178,916	$ 125,411	$ 304,327
2016	178,594	113,738	292,332
2017	176,121	102,455	278,576
2018	176,552	91,627	268,179
2019	151,292	80,912	232,204
	861,475	514,143	1,375,618

9. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2014
Operating Fund	
Designated Surplus	
Undesignated Surplus	344,960
	344,960
Capital Fund	
Reserve Accounts	1,340,176
Equity in Tangible Capital Assets	1,447,879
	2,788,055
Special Purpose Fund	
School Generated Funds	88,622
Other Special Purpose Funds	-
	88,622
Total Accumulated Surplus	$ 3,221,637

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.

	2014
Bus reserve	1,220,831
Other reserves	119,345
Capital Reserve	$ 1,340,176

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 and expense is raised over the two calendar (tax) years; 50% from 2013 tax year and 50% from 2014 tax year. Below are the related revenue and receivable amounts:

	2014	2013
Revenue-Municipal Government-Property Tax	$ 2,247,441	$ 1,957,607
Receivable-Due from Municipal-Property Tax	$ 1,115,596	$ 979,782

11. Interest Received and Paid

The Division received interest during the year of $9,852.

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

	2014
Operating Fund	
Fiscal-short term loan, interest and bank charges	$ 2,284
Capital Fund	
Debenture debt interest	142,934
Other interest	-
	$ 145,218

The accrual portion of debenture debt interest expense of $80,559 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 2014	Budget 2013	Actual 2013
Salaries	$ 7,418,596	$ 7,540,085	$ 6,974,919
Employees benefits & allowances	612,941	613,953	570,419
Services	990,684	1,085,528	1,024,877
Supplies, materials & minor equipment	1,103,667	1,129,618	1,032,757
Interest	145,218	2,000	152,384
Transfers	186,126	135,190	195,881
Payroll tax	156,592	167,373	150,073
Amortization	482,228	-	462,229
Other capital items	-	-	-
School generated funds	361,559	-	312,541
Other special purpose funds	-	-	-
	$ 11,457,611	$ 10,673,747	$ 10,876,080

WESTERN
School Division
Morden, Manitoba

"Rooted In Caring; Committed to Learning"

Unit 4 - 75 Thornhill Street
Morden, Manitoba
Canada R6M 1P2

Phone (204) 822-4448
Fax (204) 822-4262
E-mail: divoff@westernsd.mb.ca
www.westernsd.mb.ca

MANAGEMENT REPORT

Management's Responsibility for the Financial Statements

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

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

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

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

Original Document Signed

Chairperson

Original Document Signed

Secretary-Treasurer

October 14, 2014

STEPHEN ROSS
Superintendent / CEO

CARL PEDERSEN
Secretary / Treasurer

CYNDY KUTZNER
Assistant Superintendent

ALLAN TOEWS
Operations

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 AUDITOR'S REPORT

To the board of trustees of
Western School Division

We have audited the accompanying consolidated financial statements of Western School Division, which comprise the consolidated statement of financial position as at June 30, 2014, and the consolidated statement of revenue, expenses and accumulated surplus, statement of change in net debt and statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

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

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

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Western School Division as at June 30, 2014, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

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

Gislason Targownik Peters

CERTIFIED GENERAL ACCOUNTANTS

Winkler, Manitoba
October 14, 2014

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.

Original Document Signed

Date

Chairperson

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2014	2013
	Financial Assets		
	Cash and Bank	-	-
	Due from - Provincial Government	1,489,303	367,031
	- Federal Government	156,613	82,103
	- Municipal Government	3,326,672	3,042,121
	- Other School Divisions	108,119	113,968
	- First Nations	-	-
	Accounts Receivable	22,559	15,350
	Accrued Investment Income	-	-
	Portfolio Investments	-	-
		5,103,266	3,620,573
	Liabilities		
3	Overdraft	5,019,756	3,200,947
	Accounts Payable	353,447	438,140
	Accrued Liabilities	451,309	350,910
4	Employee Future Benefits	92,694	75,244
	Accrued Interest Payable	88,256	83,068
	Due to - Provincial Government	64,704	7,259
	- Federal Government	864,632	13,528
	- Municipal Government	-	-
	- Other School Divisions	335,784	221,633
	- First Nations	-	-
5	Deferred Revenue	102,584	855,154
6	Debenture Debt	5,894,687	4,510,302
7	Other Borrowings	377,062	436,387
	School Generated Funds Liability	90,354	102,045
		13,735,269	10,294,617
	Net Debt	(8,632,003)	(6,674,044)
	Non-Financial Assets		
9	Net Tangible Capital Assets (TCA Schedule)	13,392,890	11,095,826
	Inventories	-	-
	Prepaid Expenses	81,708	91,995
		13,474,598	11,187,821
10	**Accumulated Surplus**	4,842,595	4,513,777

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes			2014	2013
	Revenue			
	Provincial Government		12,560,438	12,268,525
	Federal Government		10,062	19,547
	Municipal Government	- Property Tax	5,552,488	5,238,674
		- Other	-	3,200
	Other School Divisions		62,400	64,350
	First Nations		-	-
	Private Organizations and Individuals		304,114	301,579
	Other Sources		28,328	13,594
	School Generated Funds		114,246	33,377
	Other Special Purpose Funds		-	-
			18,632,076	17,942,846
	Expenses			
	Regular Instruction		10,308,199	9,863,682
	Student Support Services		2,576,865	2,491,638
	Adult Learning Centres		361,890	376,500
	Community Education and Services		39,425	47,820
	Divisional Administration		644,832	620,817
	Instructional and Other Support Services		454,647	473,329
	Transportation of Pupils		715,405	632,048
	Operations and Maintenance		1,722,978	1,623,603
12	Fiscal	- Interest	349,016	353,116
		- Other	280,022	269,808
	Amortization		728,905	705,209
	Other Capital Items		-	-
	School Generated Funds		103,624	35,084
	Other Special Purpose Funds		-	-
			18,285,808	17,492,654
	Current Year Surplus (Deficit) before Non-vested Sick Leave		346,268	450,192
	Less: Non-vested Sick Leave Expense (Recovery)		17,450	75,244
	Net Current Year Surplus (Deficit)		328,818	374,948
	Opening Accumulated Surplus		4,513,777	4,138,829
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	-
		Other than Tangible Cap. Assets	-	-
		Non-vested sick leave - prior years	-	-
	Opening Accumulated Surplus, as adjusted		4,513,777	4,138,829
	Closing Accumulated Surplus		4,842,595	4,513,777

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2014

	2014	2013
Current Year Surplus (Deficit)	346,268	450,192
Amortization of Tangible Capital Assets	728,905	705,209
Acquisition of Tangible Capital Assets	(3,025,969)	(700,811)
(Gain) / Loss on Disposal of Tangible Capital Assets	(200)	-
Proceeds on Disposal of Tangible Capital Assets	200	-
	(2,297,064)	4,398
Inventories (Increase)/Decrease	-	-
Prepaid Expenses (Increase)/Decrease	10,287	1,276
	10,287	1,276
(Increase)/Decrease in Net Debt	(1,940,509)	455,866
Net Debt at Beginning of Year	(6,674,044)	(7,054,666)
Adjustments Other than Tangible Cap. Assets	(17,450)	(75,244)
	(6,691,494)	(7,129,910)
Net Debt at End of Year	(8,632,003)	(6,674,044)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2014

	2014	2013
Operating Transactions		
Current Year Surplus/(Deficit)	346,268	450,192
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	728,905	705,209
(Gain)/Loss on Disposal of Tangible Capital Assets	(200)	-
Employee Future Benefits Increase/(Decrease)	17,450	75,244
Due from Other Organizations (Increase)/Decrease	(1,475,484)	(322,171)
Accounts Receivable & Accrued Income (Increase)/Decrease	(7,209)	(10,502)
Inventories and Prepaid Expenses - (Increase)/Decrease	10,287	1,276
Due to Other Organizations Increase/(Decrease)	1,022,700	28,885
Accounts Payable & Accrued Liabilities Increase/(Decrease)	20,894	(26,714)
Deferred Revenue Increase/(Decrease)	(752,570)	(39,852)
School Generated Funds Liability Increase/(Decrease)	(11,691)	4,007
Adjustments Other than Tangible Cap. Assets	(17,450)	(75,244)
Cash Provided by Operating Transactions	(118,100)	790,330
Capital Transactions		
Acquisition of Tangible Capital Assets	(3,025,969)	(700,811)
Proceeds on Disposal of Tangible Capital Assets	200	-
Cash (Applied to)/Provided by Capital Transactions	(3,025,769)	(700,811)
Investing Transactions		
Portfolio Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
Financing Transactions		
Debenture Debt Increase/(Decrease)	1,384,385	40,485
Other Borrowings Increase/(Decrease)	(59,325)	(57,880)
Cash Provided by (Applied to) Financing Transactions	1,325,060	(17,395)
Cash and Bank / Overdraft (Increase)/Decrease	(1,818,809)	72,124
Cash and Bank (Overdraft) at Beginning of Year	(3,200,947)	(3,273,071)
Cash and Bank (Overdraft) at End of Year	(5,019,756)	(3,200,947)

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2014

	Buildings and Leasehold Improvements										
	School	Non-School	School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	2014 TOTALS	2013 TOTALS
Tangible Capital Asset Cost											
Opening Cost, as previously reported	17,064,872	1,276,112	1,648,978	96,112	377,116	281,238	629,054	124,180	41,538	21,539,200	20,857,447
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	17,064,872	1,276,112	1,648,978	96,112	377,116	281,238	629,054	124,180	41,538	21,539,200	20,857,447
Add: Additions during the year	776,639	-	206,519	-	72,765	-	-	-	1,970,046	3,025,969	700,811
Less: Disposals and write downs	-	-	47,000	-	10,836	-	-	-	-	57,836	19,058
Closing Cost	17,841,511	1,276,112	1,808,497	96,112	439,045	281,238	629,054	124,180	2,011,584	24,507,333	21,539,200
Accumulated Amortization											
Opening, as previously reported	8,397,536	321,529	1,177,744	69,287	205,183	221,855		50,240		10,443,374	9,757,223
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	8,397,536	321,529	1,177,744	69,287	205,183	221,855		50,240		10,443,374	9,757,223
Add: Current period Amortization	481,329	49,315	100,331	13,424	45,938	26,150		12,418		728,905	705,209
Less: Accumulated Amortization on Disposals and Writedowns	-	-	47,000	-	10,836	-		-		57,836	19,058
Closing Accumulated Amortization	8,878,865	370,844	1,231,075	82,711	240,285	248,005		62,658		11,114,443	10,443,374
Net Tangible Capital Asset	8,962,646	905,268	577,422	13,401	198,760	33,233	629,054	61,522	2,011,584	13,392,890	11,095,826
Proceeds from Disposal of Capital Assets	-	-	200	-	-	-				200	-

* Includes network infrastructure.

WESTERN SCHOOL DIVISION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2014

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:

<u>Defined Contribution Pension Plan</u>

The Division pays the employer portion of a defined contribution plan administered by Sun Life Financial for non-teaching employees. Under this plan, mandatory amounts based on employee earnings are calculated and forwarded to the pension administrator. The Division matches these contributions equally. No responsibility is assumed by the Division to make any further contribution.

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

For non-vesting accumulating sick days, the benefit costs are recognized, 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.

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 2013-14 is $92,694 (2012-13 $75,244).

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, 2013	Additions in the period	Revenue recognized in the period	Balance as at June 30, 2014
Manitoba Textbook Bureau	$ 45,867	$ 47,960	$ 48,327	$ 45,500
Education & Property Tax Credit	745,630	1,138,893	1,884,523	-
Other	63,657	198,400	204,973	57,084
	$ 855,154	$ 985,444	$ 1,025,295	$ 102,584

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 2014 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 3.750% to 9.875%. Debenture interest expense payable as at June 30, 2014, 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
2015	620,472	320,567	941,039
2016	503,150	277,289	780,439
2017	318,560	245,518	564,078
2018	354,829	229,056	583,885
2019	371,961	214,818	586,779
	$2,168,971	$1,287,249	$3,456,220

7. Other Borrowings

Other borrowings are debts other than overdrafts or debentures. This includes a loan to purchase property.

	2014	2013
Division Office Loan	$377,062	$436,387

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
2015	$ 60,826	$ 8,736	$ 69,562
2016	62,345	7,217	69,562
2017	63,941	5,621	69,562
2018	65,558	4,004	69,562
2019	67,216	2,346	69,562
	$319,886	$ 27,924	$347,810

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 $111,579.

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	2014 Net Book Value
Owned-tangible capital assets	$ 24,507,333	$ 11,114,443	$ 13,392,890

10. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2014	2013
Operating Fund		
Designated Surplus	$ -	$ -
Non-vested Sick Leave	(92,694)	(75,244)
Undesignated Surplus	762,680	627,635
	669,986	552,391
Capital Fund		
Reserve Accounts	337,835	309,355
Equity in Tangible Capital Assets	3,813,549	3,641,428
	4,151,384	3,950,783
Special Purpose Fund		
School Generated Funds	21,225	10,603
Other Special Purpose Funds	-	-
	21,225	10,603
	$4,842,595	$4,513,777

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.

		2014		2013
New school reserves	$	200,000	$	100,000
Bus reserves		137,835		209,355
	$	337,835	$	309,355

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 2013 tax year and 60% from 2014 tax year. Below are the related revenue and receivable amounts:

		2014		2013
Revenue-Municipal Government-Property Tax	$	5,552,488	$	5,238,674
Receivable-Due from Municipal-Property Tax	$	3,326,672	$	3,042,121

12. Interest Received and Paid

The Division received interest during the year of $1,138 (2013 - $1,850); interest paid during the year was $349,016 (2013 - $353,117).

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

		2014		2013
Operating Fund				
Fiscal-short term loan, interest and bank charges	$	27,162	$	21,328
Capital Fund				
Debenture debt interest		275,059		287,123
Other interest		46,795		44,665
	$	349,016	$	353,117

The accrual portion of debenture debt interest expense of $88,256 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 2014	Budget 2014	Actual 2013
Salaries	$13,084,517	$13,032,295	$12,651,420
Employees benefits & allowances	994,770	987,613	942,332
Services	1,490,198	1,577,122	1,364,816
Supplies, materials & minor equipment	1,005,221	1,032,804	1,045,004
Interest	349,016	23,000	353,116
Payroll Tax	280,022	279,290	269,808
Amortization	728,905	-	705,209
Other capital items	-	-	-
School generated funds	103,624	-	35,084
Transfers	762,671	166,600	125,865
	$18,695,320	$16,538,054	$16,777,846

14. Contractual Obligations

The Division has entered into a lease agreement for its Adult Learning Centre premises with monthly payments expiring October 2018.

The minimum annual lease payments for the next four years are as follows:

2015	$61,683
2016	$62,305
2017	$62,942
2018	$21,051

MANAGEMENT REPORT

Management's Responsibility for the Financial Statements

The accompanying consolidated financial statements of The Winnipeg School Division are the responsibility of the Division's management and have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards. A summary of the significant accounting policies are described in note 2 to the consolidated financial statements.

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

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

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

Original Document Signed

Chairperson

Original Document Signed

Secretary-Treasurer

November 3, 2014

KPMG LLP
Suite 2000 - One Lombard Place
Winnipeg MB R3B 0X3
Canada

Telephone (204) 957-1770
Fax (204) 957-0808
Internet www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees

We have audited the accompanying consolidated financial statements of The Winnipeg School Division, which comprise the consolidated statement of financial position as at June 30, 2014, the consolidated statements of revenue, expenses and accumulated surplus, change in net debt and cash flow for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information. These consolidated financial statements have been prepared to comply with the Public Schools Act.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of The Winnipeg School Division as at June 30, 2014, and its consolidated results of operations, its consolidated change in net debt and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Other Matters

Our audit was made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The supplementary information included in the other statements and reports is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole. Budgeted figures provided for information purposes are unaudited.

KPMG LLP

Chartered Accountants

November 3, 2014

Winnipeg, Canada

I hereby certify that the preceding report and the statements and reports referenced herein have been presented to the members of the Board of The Winnipeg School Division.

Original Document Signed

Chairperson of the Board

Date

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2014	2013
	Financial Assets		
	Cash and Bank	-	-
	Due from - Provincial Government	31,328,233	14,302,761
	- Federal Government	1,308,058	613,949
	- Municipal Government	78,497,928	75,151,193
	- Other School Divisions	166,412	65,389
	- First Nations	1,308,927	1,147,560
	Accounts Receivable	1,567,579	2,190,315
	Accrued Investment Income	1,868	3,008
	Portfolio Investments	6,003,570	2,840,473
		120,182,575	96,314,648
	Liabilities		
(3)	Overdraft	41,639,948	14,552,016
	Accounts Payable	11,761,435	10,287,037
	Accrued Liabilities	41,284,712	39,352,913
(4)	Employee Future Benefits	6,212,971	6,004,856
	Accrued Interest Payable	2,069,306	1,965,595
	Due to - Provincial Government	1,206,130	1,177,851
	- Federal Government	5,780,914	5,581,222
	- Municipal Government	-	-
	- Other School Divisions	976,321	816,469
	- First Nations	-	-
(5)	Deferred Revenue	1,232,982	13,165,218
(7)	Debenture Debt	95,484,739	84,145,422
	Other Borrowings	-	-
	School Generated Funds Liability	2,417,738	2,448,907
		210,067,196	179,497,506
	Net Debt	(89,884,621)	(83,182,858)
	Non-Financial Assets		
(8)	Net Tangible Capital Assets (TCA Schedule)	159,004,616	143,526,679
	Inventories	962,347	1,042,807
	Prepaid Expenses	4,219,462	4,739,151
		164,186,425	149,308,637
	Accumulated Surplus	74,301,804	66,125,779

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes			2014	2013
	Revenue			
	Provincial Government		241,162,688	244,215,658
	Federal Government		3,144,293	-
	Municipal Government	- Property Tax	124,878,897	119,711,052
		- Other	114,688	85,929
	Other School Divisions		2,366,879	2,292,888
	First Nations		2,665,674	2,523,096
	Private Organizations and Individuals		732,727	703,500
	Other Sources		3,741,166	1,691,944
	School Generated Funds		879,656	876,070
	Other Special Purpose Funds		1,009,663	113,799
			380,696,331	372,213,936
	Expenses			
	Regular Instruction		190,635,103	185,279,545
	Student Support Services		84,324,644	82,401,640
	Adult Learning Centres		750,992	774,364
	Community Education and Services		8,397,802	8,123,417
	Divisional Administration		9,136,984	9,192,370
	Instructional and Other Support Services		9,908,916	10,004,190
	Transportation of Pupils		4,896,320	5,040,513
	Operations and Maintenance		44,092,685	42,924,614
(12)	Fiscal	- Interest	4,903,182	4,884,079
		- Other	6,027,840	5,723,172
	Amortization		7,825,138	7,420,084
	Other Capital Items		316,232	31,915
	School Generated Funds		1,017,404	770,629
	Other Special Purpose Funds		219,768	460,222
			372,453,010	363,030,754
	Current Year Surplus (Deficit) before Non-vested Sick Leave		8,243,321	9,183,182
	Less: Non-vested Sick Leave Expense (Recovery)		67,296	(25,447)
	Net Current Year Surplus (Deficit)		8,176,025	9,208,629
	Opening Accumulated Surplus		66,125,779	56,917,150
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	-
		Other than Tangible Cap. Assets	-	-
		Non-vested sick leave - prior years	-	-
	Opening Accumulated Surplus, as adjusted		66,125,779	56,917,150
	Closing Accumulated Surplus		74,301,804	66,125,779

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2014

	2014	2013
Current Year Surplus (Deficit)	8,243,321	9,183,182
Amortization of Tangible Capital Assets	7,825,138	7,420,084
Acquisition of Tangible Capital Assets	(23,206,682)	(11,928,021)
(Gain) / Loss on Disposal of Tangible Capital Assets	(2,791,220)	-
Proceeds on Disposal of Tangible Capital Assets	2,694,827	-
	(15,477,937)	(4,507,937)
Inventories (Increase)/Decrease	80,460	(168,443)
Prepaid Expenses (Increase)/Decrease	519,689	255,115
	600,149	86,672
(Increase)/Decrease in Net Debt	(6,634,467)	4,761,917
Net Debt at Beginning of Year	(83,182,858)	(87,970,222)
Adjustments Other than Tangible Cap. Assets	(67,296)	25,447
	(83,250,154)	(87,944,775)
Net Debt at End of Year	(89,884,621)	(83,182,858)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2014

	2014	2013
Operating Transactions		
Current Year Surplus/(Deficit)	8,243,321	9,183,182
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	7,825,138	7,420,084
(Gain)/Loss on Disposal of Tangible Capital Assets	(2,791,220)	-
Employee Future Benefits Increase/(Decrease)	208,115	(170,019)
Due from Other Organizations (Increase)/Decrease	(21,328,706)	(8,007,599)
Accounts Receivable & Accrued Income (Increase)/Decrease	623,876	(392,425)
Inventories and Prepaid Expenses - (Increase)/Decrease	600,149	86,672
Due to Other Organizations Increase/(Decrease)	387,823	211,757
Accounts Payable & Accrued Liabilities Increase/(Decrease)	3,509,908	755,354
Deferred Revenue Increase/(Decrease)	(11,932,236)	(874,475)
School Generated Funds Liability Increase/(Decrease)	(31,169)	469,990
Adjustments Other than Tangible Cap. Assets	(67,296)	25,447
Cash Provided by Operating Transactions	(14,752,297)	8,707,968
Capital Transactions		
Acquisition of Tangible Capital Assets	(23,206,682)	(11,928,021)
Proceeds on Disposal of Tangible Capital Assets	2,694,827	-
Cash (Applied to)/Provided by Capital Transactions	(20,511,855)	(11,928,021)
Investing Transactions		
Portfolio Investments (Increase)/Decrease	(3,163,097)	2,608,681
Cash Provided by (Applied to) Investing Transactions	(3,163,097)	2,608,681
Financing Transactions		
Debenture Debt Increase/(Decrease)	11,339,317	1,990,312
Other Borrowings Increase/(Decrease)	-	-
Cash Provided by (Applied to) Financing Transactions	11,339,317	1,990,312
Cash and Bank / Overdraft (Increase)/Decrease	(27,087,932)	1,378,940
Cash and Bank (Overdraft) at Beginning of Year	(14,552,016)	(15,930,956)
Cash and Bank (Overdraft) at End of Year	(41,639,948)	(14,552,016)

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2014

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	2014 TOTALS	2013 TOTALS
	School	Non-School									
Tangible Capital Asset Cost											
Opening Cost, as previously reported	218,817,616	5,064,471	7,005,845	880,373	6,653,461	2,758,031	23,387,509	1,485,546	10,261,084	276,313,936	264,385,915
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	218,817,616	5,064,471	7,005,845	880,373	6,653,461	2,758,031	23,387,509	1,485,546	10,261,084	276,313,936	264,385,915
Add: Additions during the year	12,551,483	3,324,018	805,529	123,904	548,753	1,654,457	1,707,603	-	2,611,735	23,327,482	11,928,021
Less: Disposals and write downs	-	-	-	-	-	30,510	-	-	-	30,510	-
Closing Cost	231,369,099	8,388,489	7,811,374	1,004,277	7,202,214	4,381,978	25,095,112	1,485,546	12,872,819	299,610,908	276,313,936
Accumulated Amortization											
Opening, as previously reported	116,400,588	3,293,950	4,805,770	626,349	4,979,055	2,047,328		634,217		132,787,257	125,367,173
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	116,400,588	3,293,950	4,805,770	626,349	4,979,055	2,047,328		634,217		132,787,257	125,367,173
Add: Current period Amortization	5,987,716	152,638	475,700	100,568	590,718	369,243		148,555		7,825,138	7,420,084
Less: Accumulated Amortization on Disposals and Writedowns	-	-	-	-	-	6,103		-		6,103	-
Closing Accumulated Amortization	122,388,304	3,446,588	5,281,470	726,917	5,569,773	2,410,468		782,772		140,606,292	132,787,257
Net Tangible Capital Asset	108,980,795	4,941,901	2,529,904	277,360	1,632,441	1,971,510	25,095,112	702,774	12,872,819	159,004,616	143,526,679
Proceeds from Disposal of Capital Assets	-	-	-	-	-	18,000	2,676,827			2,694,827	-

* 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, 2013 were $659,838 (2012 - $601,034).

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, 2014 funds on hand in these schools for this purpose totaled $29,782 (2013 - $20,810).

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 $1,823,980 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	5,000	10

With the exception of buildings, all tangible capital assets are recorded at historical cost.

Buildings are recorded at historical cost. For buildings acquired prior to June 30, 2005 where the actual cost was not known, the replacement value for insurance purposes as at June 30, 2005 was regressed to the date of acquisition using a regression index based on Southam and CanaData construction cost indices.

Tangible capital assets are amortized on a straight-line basis over their estimated useful lives as prescribed by FRAME. Land is not amortized.

Assets under construction are not amortized until the date of substantial completion. Interest on funds used to finance school buildings under construction is capitalized for the periods preceding the date of substantial completion.

2. Significant accounting principles (continued).

(g) Employee future benefits:

The Division provides a contributory defined benefit pension plan and Disability Income Plan (benefit plans) and other negotiated future benefits to employees. The costs of the Division's benefit plans are recognized over the period in which the related employees render their service. The Division adopted the following PSAB reporting standards with respect to accounting for these employee future benefits:

(i) Benefit plans:

A discount rate is used to measure benefit obligations. The expected return on pension plan assets is calculated on the fair value of the assets as of the year end date.

These costs are actuarially determined using the accrued benefit actuarial cost method with salary projection and management's best estimate of expected plan investment performance, salary escalation and retirement ages of employees.

Current service costs and interest costs on the benefit obligation are charged to income as they accrue. Actuarial gains and losses are amortized to the liability or asset and the related expenditure over the expected average remaining service life of active plan members.

The cost of the benefit plan amendments related to prior period employee services is accounted for in the period of the plan amendment.

(ii) Non-vesting accumulating sick days:

For non-vesting accumulating sick days, the benefit costs are recognized, if deemed material, based on a projection of expected future utilization of sick time, discounted using net present value techniques.

(iii) Other future benefits:

Other future benefits are currently under-written on an experience-rated non-refundable basis. Should the rates established be inadequate or excessive, any deficit or surplus which develops in the account is absorbed by the insurer.

2. Significant accounting principles (continued).

(h) Capital reserve:

Certain amounts approved by the Board of Trustees and the Public Schools Finance Board have been set aside in reserve accounts for future capital purposes. These capital reserve accounts are internally restricted funds that form part of the accumulated surplus presented in the consolidated statement of financial position.

(i) Government transfers:

Government transfers, including legislative grants, are recognized in the consolidated financial statements in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met and reasonable estimates of the amount can be made.

(j) Investment income:

Investment income is reported as revenue in the period earned.

(k) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenditures and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements during the reporting period. Significant items subject to estimates include the carrying amount of capital assets and employee future benefits. Actual subsequent results could differ from these estimates.

3. Overdraft:

The Division has an authorized overdraft limit with a chartered bank of $49,000,000 for operating expenses and an additional overdraft limit of $25,000,000 for approved building and infrastructure projects. As at June 30, 2014, $25,000,000 of the authorized operating overdraft has been utilized in the form of fixed rate promissory notes, bearing interest at 2.08 and 2.10 percent. These promissory notes were repaid on July 31, 2014. Overdrafts are secured by borrowing By-Law No. 1226.

Included in the overdraft are funding of capital projects totaling approximately $3,374,680 which has been submitted to PSFB for debenture funding (note 8), funds held on behalf of the Winnipeg Teachers Association's dental plan totaling $1,599,140 (2013 - $1,497,549) and funds held on behalf of the Winnipeg Teachers Association and the Winnipeg Association of Non Teaching employees extended health care plan totaling $1,873,943 (2013 - $1,537,785).

4. 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
2009	7.00%	8.20%
2010	7.00%	8.20%
2011	7.00%	8.20%
2012	7.40%	8.70%
2013	7.80%	9.10%
2014	8.10%	9.50%

The Division is required to contribute an amount each year equal to 127.4 percent of employees' required pension contributions.

4. Employee future benefits (continued):

The benefit plans are actuarially valued every two years. The most recent actuarial report was prepared on December 31, 2013.

Information about the Division's benefit plans in aggregate, is as follows:

Benefit plan assets:	
Fair value, beginning of year	$ 282,844,406
Expected return	16,892,884
Actuarial investment gain/(loss)	18,355,769
Employer contributions	6,903,785
Employee contributions	6,079,859
Benefits paid	(15,576,325)
Fair value, end of year	$ 315,500,378
Accrued benefit plan obligations:	
Balance, beginning of year	$ 282,704,971
Current service costs	12,696,424
Interest costs	16,875,901
Benefits paid	(15,576,325)
Actuarial gain/loss	12,322,928
Balance, end of year	$ 309,023,899

Surplus of plan assets versus plan obligations	$ 6,476,479

Unamortized net actuarial gain (loss)	$ –
Benefit plan surplus	6,476,479
Less: valuation allowance	(6,476,479)
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.

4. **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	$ 6,616,565
Interest on plan obligations	16,875,901
Expected return on plan assets	(16,892,884)
Amortization of actuarial (gains) and losses	–
Valuation allowance increase (decrease)	304,203
Net defined benefit plans cost	$ 6,903,785

The significant actuarial assumptions adopted in measuring the Division's pension cost and accrued benefit obligations are as follows:

Discount rate	6.00%
Rate of compensation increase	4.00%
Rate of inflation	2.00%

The expected rate of return on plan assets was 6.00 percent. The actual rate of return, net of investment expeneses, on the fair value of Plan assets in 2014 was 15.85 percent.

The benefit plan assets are held in trust and are invested as follows:

Equities	54%
Bonds	42%
Cash and cash equivalents	4%

(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, 2014 is $67,296 [2013 - ($25,447)]. At June 30, 2014, the Division has recorded an estimated liability of $2,276,604 (2013 - $2,209,308) in respect of these benefits.

The significant assumptions adopted in measuring the non-vested accumulated sick leave benefit liability include a discount rate of 5 percent (June 30, 2013 – 5 percent) and a rate of salary increase of 2 percent to 3 percent (June 30, 2013 – 2 percent to 3 percent).

4. **Employee future benefits (continued):**

(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, 2014, the Division has recorded an estimated liability of $3,936,367 (2013 - $3,795,547) in respect of these benefits. The significant actuarial assumption used in measuring the Division's estimated liability is a discount rate of 6 percent (June 30, 2013 – 6 percent).

5. **Deferred revenue:**

	Balance as at June 30, 2013	Additions in the period	Revenue recognized in the period	Balance as at June 30, 2014
Educational property tax credit	$ 11,970,374	$ –	$ 11,970,374	$ –
Other special purpose funds	1,194,844	1,149,202	1,111,064	1,232,982
	$ 13,165,218	$ 1,149,202	$ 13,081,438	$ 1,232,982

6. **School generated funds:**

School generated funds are monies raised by the school, or under the auspices of the school, which each school's principal may raise, hold, administer or expend subject to the rules of the Division. At June 30, 2014, school funds held totaled $2,497,539 (2013 - $2,666,456).

The school generated funds liability of $2,417,738 (2013 - $2,448,907) comprises the portion of school generated funds that are not controlled and included in the cash and bank balances noted above.

7. Debenture debt:

The debenture debt of the Division is in the form of twenty-year debentures payable, principal and interest, in twenty equal yearly installments and maturing at various dates from fiscal 2015 to 2034. Payment of principal and interest is funded entirely by grants from the Province of Manitoba. The debentures carry interest rates that range from 3.625 percent to 10.0 percent. The debenture principal and interest repayments in the next five years and thereafter are:

	Principal	Interest	Total
2015	$ 6,485,557	$ 4,971,011	$ 11,456,568
2016	6,496,478	4,577,815	11,074,293
2017	6,548,528	4,196,412	10,744,940
2018	6,376,013	3,819,689	10,195,702
2019	6,498,997	3,463,067	9,962,064
Thereafter	63,079,166	18,871,131	81,950,297
	$ 95,484,739	$ 39,899,125	$ 135,383,864

As at June 30, 2014, the Division has submitted claims for capital projects to the Public Schools Finance Board totaling $3,374,680 (2013 - $1,963,780).

8. Net tangible capital assets:

The schedule of tangible capital assets (TCA) on page 23 of the consolidated financial statements provides a breakdown of cost, accumulated amortization and net book value by class.

	Gross amount	Accumulated amortization	Net book value
Tangible capital assets	$ 299,610,908	$ 140,606,292	$ 159,004,616

9. Expenditures by type:

Expenditures by type not otherwise disclosed in these consolidated financial statements are listed on page 11.

10. Contractual obligations:

The Division is committed to payments under operating leases for equipment and building rentals through 2019 in the amount of $2,257,654. Annual payments are: 2015 - $1,213,104; 2016 - $312,565; 2017 - $205,741; 2018 - $200,824; 2019 - $172,494; 2020 and thereafter - $152,926.

11. Special levy raised for la Division Scolaire Franco-Manitobaine:

In accordance with Section 190.1 of *The Public Schools Act* the Division is required to collect a special levy on behalf of la Division Scolaire Franco-Manitobaine. As at June 30, 2014, the amount of this special levy was $1,520,631 (2013 - $1,271,107). These amounts are not included in the Division's consolidated financial statements.

12. Interest Paid:

Interest paid during the fiscal year is compromised of the following:

	2014	2013
Operating Fund:		
Interest and bank charges	$ 172,206	$ 186,928
Capital Fund:		
Debenture debt interest	4,730,976	4,697,151
	$ 4,903,182	$ 4,884,079

Management's Responsibility for the Financial Statements

The accompanying consolidated financial statements of the Whiteshell School District are the responsibility of the District's management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants. A summary of the significant accounting policies are described in Note 2 to the consolidated financial statements.

The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. District management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The Board of Trustees of the District met with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by MNP LLP independent external auditors appointed by the Board. The accompanying Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Districts' consolidated financial statements.

Original Document Signed

Chairperson

Original Document Signed

Secretary-Treasurer

April 16, 2015

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, 2014, the consolidated statements of revenue, expenses, and accumulated surplus, change in net debt and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian 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, 2014 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.

MNP LLP

Winnipeg, Manitoba

April 16, 2015

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:

Original Document Signed

DATE

CHAIRPERSON

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2014	2013
	Financial Assets		
	Cash and Bank	286,343	605,765
	Due from - Provincial Government	373,997	160,935
	- Federal Government	34,975	50,868
	- Municipal Government	7,614	6,361
	- Other School Divisions	-	-
	- First Nations	-	-
	Accounts Receivable	43,475	-
	Accrued Investment Income	-	-
	Portfolio Investments	-	-
		746,404	823,929
	Liabilities		
	Overdraft	-	-
	Accounts Payable	38,726	42,131
	Accrued Liabilities	324,812	258,045
	Employee Future Benefits	-	-
	Accrued Interest Payable	3,144	4,469
	Due to - Provincial Government	-	-
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
	Deferred Revenue	-	169,523
	Debenture Debt	-	-
*	Other Borrowings	87,953	125,001
	School Generated Funds Liability	-	-
		454,635	599,169
	Net Debt	291,769	224,760
	Non-Financial Assets		
*	Net Tangible Capital Assets (TCA Schedule)	1,244,714	1,304,142
	Inventories	-	-
	Prepaid Expenses	6,108	1,883
		1,250,822	1,306,025
*	**Accumulated Surplus**	1,542,591	1,530,785

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes			2014	2013
	Revenue			
	Provincial Government		1,428,457	1,525,283
	Federal Government		-	-
	Municipal Government	- Property Tax	1,808,214	1,844,884
		- Other	-	-
	Other School Divisions		29,900	26,650
	First Nations		-	-
	Private Organizations and Individuals		-	-
	Other Sources		51,541	16,747
	School Generated Funds		67,625	74,280
	Other Special Purpose Funds		-	-
			3,385,737	3,487,844
	Expenses			
	Regular Instruction		1,822,643	1,820,253
	Student Support Services		459,624	423,291
	Adult Learning Centres		-	-
	Community Education and Services		13,000	11,324
	Divisional Administration		283,193	260,320
	Instructional and Other Support Services		56,583	43,394
	Transportation of Pupils		38,923	36,693
	Operations and Maintenance		460,793	533,377
*	Fiscal	- Interest	16,574	10,146
		- Other	44,929	42,881
	Amortization		99,509	106,904
	Other Capital Items		-	-
	School Generated Funds		78,160	59,068
	Other Special Purpose Funds		-	-
			3,373,931	3,347,651
	Current Year Surplus (Deficit) before Non-vested Sick Leave		11,806	140,193
	Less: Non-vested Sick Leave Expense (Recovery)		0	0
	Net Current Year Surplus (Deficit)		11,806	140,193
	Opening Accumulated Surplus		1,530,785	1,390,592
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	-
		Other than Tangible Cap. Assets	-	-
		Non-vested sick leave - prior years	-	-
	Opening Accumulated Surplus, as adjusted		1,530,785	1,390,592
	Closing Accumulated Surplus		1,542,591	1,530,785

See accompanying notes to the Financial Statements

* NOTE REQUIRED

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2014

	2014	2013
Current Year Surplus (Deficit)	11,806	140,193
Amortization of Tangible Capital Assets	99,509	106,904
Acquisition of Tangible Capital Assets	(40,081)	-
(Gain) / Loss on Disposal of Tangible Capital Assets	-	-
Proceeds on Disposal of Tangible Capital Assets	-	-
	59,428	106,904
Inventories (Increase)/Decrease	-	-
Prepaid Expenses (Increase)/Decrease	(4,225)	(1,172)
	(4,225)	(1,172)
(Increase)/Decrease in Net Debt	67,009	245,925
Net Debt at Beginning of Year	224,760	(21,165)
Adjustments Other than Tangible Cap. Assets	-	-
	224,760	(21,165)
Net Debt at End of Year	291,769	224,760

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2014

	2014	2013
Operating Transactions		
Current Year Surplus/(Deficit)	11,806	140,193
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	99,509	106,904
(Gain)/Loss on Disposal of Tangible Capital Assets	-	-
Employee Future Benefits Increase/(Decrease)	-	-
Due from Other Organizations (Increase)/Decrease	(198,422)	(24,255)
Accounts Receivable & Accrued Income (Increase)/Decrease	(43,475)	-
Inventories and Prepaid Expenses - (Increase)/Decrease	(4,225)	(1,172)
Due to Other Organizations Increase/(Decrease)	-	-
Accounts Payable & Accrued Liabilities Increase/(Decrease)	62,037	31,670
Deferred Revenue Increase/(Decrease)	(169,523)	3,827
School Generated Funds Liability Increase/(Decrease)	-	-
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by Operating Transactions	(242,293)	257,167
Capital Transactions		
Acquisition of Tangible Capital Assets	(40,081)	-
Proceeds on Disposal of Tangible Capital Assets	-	-
Cash (Applied to)/Provided by Capital Transactions	(40,081)	-
Investing Transactions		
Portfolio Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
Financing Transactions		
Debenture Debt Increase/(Decrease)	-	-
Other Borrowings Increase/(Decrease)	(37,048)	(38,287)
Cash Provided by (Applied to) Financing Transactions	(37,048)	(38,287)
Cash and Bank / Overdraft (Increase)/Decrease	(319,422)	218,880
Cash and Bank (Overdraft) at Beginning of Year	605,765	386,885
Cash and Bank (Overdraft) at End of Year	286,343	605,765

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2014

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	2014 TOTALS	2013 TOTALS
	School	Non-School									
Tangible Capital Asset Cost											
Opening Cost, as previously reported	3,446,054	-	-	-	-	83,007	15,400	-	-	3,544,461	3,544,461
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	3,446,054	-	-	-	-	83,007	15,400	-	-	3,544,461	3,544,461
Add: Additions during the year	40,081	-	-	-	-	-	-	-	-	40,081	-
Less: Disposals and write downs	-	-	-	-	-	-	-	-	-	-	-
Closing Cost	3,486,135	-	-	-	-	83,007	15,400	-	-	3,584,542	3,544,461
Accumulated Amortization											
Opening, as previously reported	2,168,665	-	-	-	-	71,654		-		2,240,319	2,133,415
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	2,168,665	-	-	-	-	71,654		-		2,240,319	2,133,415
Add: Current period Amortization	88,156	-	-	-	-	11,353		-		99,509	106,904
Less: Accumulated Amortization on Disposals and Writedowns	-	-	-	-	-	-		-		-	-
Closing Accumulated Amortization	2,256,821	-	-	-	-	83,007		-		2,339,828	2,240,319
Net Tangible Capital Asset	1,229,314	-	-	-	-	-	15,400	-	-	1,244,714	1,304,142
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. These benefits include supplemental employment benefits and sick leave. These benefits are event driven and the costs are recognized when the event becomes known.

g) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

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, 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.

j) Recent accounting pronouncements

In June 2011, the Public Section Accounting Board (PSAB) issued PS 3450 *Financial Instruments* to establish standards for recognition, measurement, presentation and disclosure of financial assets, financial liabilities and non-financial derivatives. As a result of issuance of PS 3450, there have been numerous consequential amendments made to other sections. PS 3450 is effective for fiscal years beginning on or after April 1, 2015. Earlier adoption is permitted.

The Districts expects to apply PS 3450 and related consequential amendments to the PSA Handbook for its financial statements dated March 31, 2016. PS 3450 is applied prospectively in the fiscal year of initial adoption; therefore, financial statements of prior periods, including comparative information, are not restated. The District has not yet assessed the impact of the new standards on its financial statements.

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 two years are estimated to be as follows:

	Principal	Interest	Total
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, 2013	Additions in period	Revenue recognized in period	Balance as at June 30, 2014
Education Property Tax Credit (EPTC)	$ 169,523	$ -	$ 169,523	$ -

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	2014 Net Book Value	2013 Net Book Value
Owned-tangible capital assets	$ 3,584,542	$ 2,339,828	$ 1,244,714	$ 1,304,142

7. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2014	2013
Operating Fund		
Undesignated Surplus	$ 367,715	$ 324,319
Capital Fund		
Equity in Tangible Capital Assets	1,154,047	1,175,102
Special Purpose Fund		
School Generated Funds	20,829	31,364
Total Accumulated Surplus	$ 1,542,591	$ 1,530,785

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 2013 tax year and 44% from 2014 tax year. Below is the related revenue amount:

	2014	2013
Revenue-Municipal Government-Property Tax	$ 1,808,214	$ 1,844,884
Receivable-Municipal Government-Property Tax	$ 214,405	$ -

9. Interest Received and Paid

The District received interest during the year of $3,973 (2013 - $2,582); interest paid during the year was $16,574 (2013 - $10,146).

Interest expense is included in Fiscal and is comprised of the following:

	2014	2013
Operating Fund		
Fiscal-short term loan, interest and bank charges	$ 9,654	$ -
Capital Fund		
Debenture debt interest	-	-
Other Interest	6,920	10,146
	$ 16,574	$ 10,146

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 2014	Budget 2014	Actual 2013
Salaries	$ 2,299,101	$ 2,350,409	$ 2,229,808
Employees benefits and allowances	149,691	163,280	171,393
Services	567,179	551,258	606,754
Supplies, materials and minor equipment	113,288	169,566	120,697
Interest	16,574	1500	10,146
Payroll tax	50,429	57,738	42,881
Amortization	99,509	-	10,904
School generated funds	78,160	-	59,068
	$ 3,373,931	$ 3.293.751	$ 3,347,651

11. Employee Future Benefits

The District provides retirement and other future benefits to its administrative and support staff as a defined contribution plan, run by MSBA. The defined contribution plan is provided to support staff employees based on their age at the beginning of the year and rates of pay. Each age group under the MSBA pension plan has a specific percentage for the employees to contribute. The District contributions equal the employee contributions to the plan. No pension liability is included in the financial statements.

The employee future benefit expense is a part of the Employee Benefits and Allowances expense account. It includes the District's contribution of $28,130 in 2014 (2013 - $26,209).

12. Non Financial Information

The 2014 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

Operating and special purpose funds
The District's objective when managing capital is to ensure that its expenditures closely match their revenues. Capital consists of the two fund balances in the amount of $388,544 (2013 - $355,683).

Capital fund
The capital fund is managed with the long term objective of acquiring and maintaining the capital assets acquired to facilitate the District's operations. Capital consists of the various fund balances in the amount of $1,154,047 (2013 - $1,175,102).

The District is not subject to externally imposed capital requirements. There have been no changes in the District's approach to capital management during the year.

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 8, 2014. 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

Original Document Signed

Lynne Mavins

OFFICE OF THE
AUDITOR GENERAL
MANITOBA

INDEPENDENT AUDITOR'S REPORT

To the Legislative Assembly of Manitoba
To the Board of Directors

We have audited the accompanying financial statements of the Public Schools Finance Board, which comprise the statement of financial position as at June 30, 2014, and the statements of operations and accumulated surplus, change in net financial assets, and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Public Schools Finance Board as at June 30, 2014, and the results of its operations, changes in its net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Office of the Auditor General

Office of the Auditor General
December 8, 2014
Winnipeg, Manitoba

THE PUBLIC SCHOOLS FINANCE BOARD

Statement of Financial Position

As at June 30, 2014

	2014	2013
	(in thousands of dollars)	
Financial Assets		
Cash	$ 2,523	$ 887
Funds on deposit with the Province of Manitoba (Note 6)	-	114
Due from:		
Municipal corporations - Education Support Levy	99,417	90,843
Other	261	1,942
	102,201	**93,786**
Liabilities		
Accrued interest	$ 361	$ 346
Other payables	1,209	566
Due to:		
Support payable to school divisions (Note 7)	2,991	2,923
Province of Manitoba	8,824	4,954
Notes payable - Province of Manitoba (Note 8)	84,164	76,274
	97,549	**85,063**
Net Financial Assets	**$ 4,652**	**$ 8,723**
Non - Financial Assets		
Modular Units Inventory (Note 9)	$ 6,319	$ 0
Accumulated Surplus	**$ 10,971**	**$ 8,723**

The accompanying notes are an integral part of these statements.

THE PUBLIC SCHOOLS FINANCE BOARD

Statement of Operations and Accumulated Surplus
for the year ended June 30, 2014

		Budget 2014		Actual 2014		Actual 2013
		(in thousands of dollars)				
Revenue						
Province of Manitoba - Funding of Schools Program	$	1,009,849	$	1,009,524	$	936,395
Municipal corporations - Education Support Levy		159,969		159,978		148,421
		1,169,818		**1,169,502**		**1,084,816**
Expenses						
Operational support program (Note 10)		1,012,794		1,005,110		987,353
Capital support program (Note 11)		159,124		159,168		92,628
Administrative and other expenses (Note 12)		3,150		2,976		2,891
		1,175,068		**1,167,254**		**1,082,872**
Current Year Surplus (Deficit)		**(5,250)**		**2,248**		**1,944**
Accumulated Surplus, Beginning of Year		8,723		8,723		6,779
Accumulated Surplus, End of Year	**$**	**3,473**	**$**	**10,971**	**$**	**8,723**

The accompanying notes are an integral part of these statements.

THE PUBLIC SCHOOLS FINANCE BOARD

Statement of Change in Net Financial Assets
for the year ended June 30, 2014

	Budget 2014	Actual 2014	Actual 2013
	(in thousands of dollars)		
Current Year Surplus (Deficit)	$ (5,250)	$ 2,248	$ 1,944
Acquisition of Modular Units Inventory (Note 9)	0	(6,319)	-
Increase (Decrease) in Net Financial Assets	(5,250)	(4,071)	1,944
Net Financial Assets, beginning of year	8,723	8,723	6,779
Net Financial Assets, end of year	$ 3,473	$ 4,652	$ 8,723

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, 2014

	2014	2013
	(in thousands of dollars)	
Operating Activities		
Current Year Surplus	$ 2,248	$ 1,944
Changes in Non Cash Items:		
Due from:		
Municipal Corporations - Education Support Levy	(8,574)	(4,448)
Other	1,681	1,571
Accrued Interest	15	(67)
Other Payables	643	(202)
Due to:		
Support payable to school divisions	68	(629)
Province of Manitoba	3,870	1,622
	(49)	(209)
Financing Activities		
Notes payable - Province of Manitoba	7,890	(3,023)
Non Financial Assets		
Increase in Modular Units Inventory	(6,319)	-
Increase (decrease) in Cash and Funds on Deposit with the Province	1,522	(3,232)
Cash and Funds on Deposit with the Province, Beginning of year	1,001	4,233
Cash and Funds on Deposit with the Province, End of year	**$ 2,523**	**$ 1,001**
Consists of:		
Cash	$ 2,523	$ 887
Funds on Deposit with Province of Manitoba	0	114
	$ 2,523	$ 1,001
Supplemental Cash Flow Information:		
Interest Paid	$ 759	$ 793

The accompanying notes are an integral part of these statements.

Notes to the Financial Statements
As at June 30, 2014

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 Public Sector Accounting Standards as recommended by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada.

(b) Revenue:

The Province of Manitoba Funding of School Program revenue is recognized as funds 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) Financial Instruments:

The Board's financial instruments consist of cash, funds on deposit with the Province of Manitoba, accounts receivable, accrued interest, accounts payable, support payable to school divisions and notes payable. These are recorded at cost or amortized cost.

Notes to the Financial Statements
As at June 30, 2014

3. Measurement uncertainty

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

4. Financial Instruments Risk Management

The Board has exposure to the following risks from its use of financial instruments: credit; interest rate, and liquidity risk. The Board has no foreign currency denominated assets. There have been no significant changes from the previous year to risk or policies, procedures and methods used to measure risk.

a. Credit risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes a financial loss to another party. Financial Instruments which potentially subject the Board to credit risk include cash, funds on deposit, and accounts receivable.

Cash and funds on deposit are not subject to significant credit risk. Cash is held with a large reputable financial institution and funds on deposit are held by the Province of Manitoba.

Accounts receivable are not exposed to significant credit risk. The majority of accounts cover education support levies collected from towns and municipalities within the Province of Manitoba. These are typically paid in full. No allowance for doubtful accounts is required. The balance of accounts receivable are from school divisions.

b. Liquidity risk

Liquidity risk is the risk that the Board will not be able to meet its financial obligations as they become due.

The Board manages risk by maintaining adequate cash balances and by review from the Board to ensure that adequate funding will be received to meet its obligations.

5. Pension benefits

Some employees of the Public Schools Finance Board are eligible for membership in the provincially operated Civil Service Superannuation Plan (the Plan). The pension liability for these employees is included on the financial statements of the Province of Manitoba. Accordingly, no provision is reflected in the financial statements relating to the effects of participating in the Plan by the Public Schools Finance Board.

The employer portion of contributions in the amount of $86,490 was added to the plan during the year by the Public Schools Finance Board and is included in Note 12: Administration and other expenses.

6. 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 approximates fair market value.

7. Support payable to school divisions

This amount represents the present obligations of operational support funding owing to school divisions as a result of revisions in the calculations of certain Funding of Schools Program grants and other non-operational grants occurring prior to the end of the year.

8. Notes payable

Notes payable to the Province of Manitoba are due on demand. The interest payable on the notes is the Royal Bank prime rate less 75 basis points.

9. Modular Units Inventory

The Province administers the construction of modular classrooms and allocates these classrooms to school divisions on an as needed basis. Costs include completed Modular units only. This inventory is valued at cost.

Notes to the Financial Statements
As at June 30, 2014

10. Operational support program

	Actual 2014	Actual 2013
	(in thousands of dollars)	
Instructional Support	$ 319,409	$ 319,501
Sparsity Support	11,022	11,036
Curricular Materials	9,958	9,957
Information Technology	9,958	9,957
Library Services	15,269	15,268
Student Services Grant	62,148	61,982
Additional Instructional Support for Small Schools	811	942
Counselling and Guidance	13,609	13,609
Professional Development	6,806	6,855
Occupancy	85,257	85,192
Physical Education	3,854	3,845
Transportation	42,793	42,499
Board and Room	434	438
Special Needs	90,094	92,010
Senior Years Technology Education	9,285	9,264
English as an Additional Language	10,747	11,245
Aboriginal Academic Achievement	8,735	8,781
Heritage Language	216	208
French Language Programs / Instruction	6,900	6,751
Small Schools	3,033	2,989
Enrolment Change Support	4,100	5,197
Northern Allowance	5,169	4,299
Early Childhood Development Initiative	2,470	2,389
Early Literacy Intervention	7,558	7,313
Early Numeracy	1,619	1,609
Experiential Learning	512	513
Education for Sustainable Development	480	479
Equalization Support	237,546	205,183
Formula Guarantee	32,624	45,232
Vocational Equipment Replacement	2,200	2,200
Vocational Equipment Upgrade	473	547
Adjustment of previous years' support to school divisions from estimated to actual	21	63
	$ 1,005,110	**$ 987,353**

Notes to the Financial Statements
As at June 30, 2014

11. Capital support program

	Actual 2014	Actual 2013
	(in thousands of dollars)	
Capital grants:		
Major school construction	$ 152,865	$ 86,270
Minor capital projects	303	363
School buildings "D" support	6,000	5,995
Total capital support program	**$ 159,168**	**$ 92,628**

12. Administrative and other expenses

	Actual 2014	Actual 2013
	(in thousands of dollars)	
Board administration:		
Staff salaries and benefits	$ 1,660	$ 1,616
Service agreement	184	184
Professional services	54	97
Meetings and travel	37	51
Desktop management	100	95
Rent	140	140
Printing, stationery, postage and supplies	19	21
Telephone and fax	19	18
Professional development	22	17
Computers, software and minor equipment	9	12
Total board administration expenses	**2,244**	**2,251**
Interest charges on notes payable to the Province of Manitoba	**732**	**640**
	$ 2,976	**$ 2,891**

Financial Statements of

RED RIVER COLLEGE

Year ended June 30, 2014

KPMG LLP
Suite 2000 – One Lombard Place
Winnipeg MB R3B 0X3
Canada

Telephone (204) 957-1770
Fax (204) 957-0808
Internet www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Board of Governors of Red River College

We have audited the accompanying financial statements of Red River College, which comprise the statement of financial position as at June 30, 2014, 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 public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

KPMG

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Red River College as at June 30, 2014, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

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 29, 2014

Winnipeg, Canada

RED RIVER COLLEGE

Statement of Financial Position
(In thousands of dollars)

June 30, 2014, with comparative information for 2013

		2014		2013
Assets				
Current assets:				
Cash and short-term investments - trust and endowment (note 3)	$	1,012	$	868
Cash and short-term investments (note 3)		6,973		6,519
Accounts receivable (note 4)		6,031		5,435
Inventories (note 5)		924		784
Prepaid expenses (note 6)		2,112		2,126
		17,052		15,732
Long term investments - trust and endowment (note 7)		23,914		20,447
Due from Province of Manitoba (note 8)		9,253		9,253
Capital assets (note 9)		121,443		124,770
Intangible asset		–		2
	$	171,662	$	170,204
Liabilities, Deferred Contributions and Net Assets				
Current liabilities:				
Accounts payable and accrued liabilities (note 11)	$	37,567	$	33,527
Current portion of obligations under capital leases (note 12)		1,060		1,529
Deferred revenue		10,635		8,614
		49,262		43,670
Obligations under capital leases (note 12)		961		1,555
Deferred contributions (note 13)		8,817		10,157
Deferred capital campaign contributions (note 14)		6,038		5,815
Deferred contributions related to capital assets (note 15)		80,624		82,438
Net assets:				
Invested in capital and intangible assets (note 16)		32,760		33,435
Restricted for endowments (note 17)		18,786		17,191
Internally restricted (note 17)		6,394		7,306
Unrestricted net assets		(31,980)		(31,363)
		25,960		26,569
Commitments (note 20)				
	$	171,662	$	170,204

See accompanying notes to financial statements.

Approved by the Board of Governors:

Original Document Signed — Chair

Original Document Signed — Vice Chair

RED RIVER COLLEGE

Statement of Operations
(In thousands of dollars)

Year ended June 30, 2014, with comparative information for 2013

	Budget	2014	2013
Revenue:			
Academic training fees	$ 37,780	$ 42,064	$ 39,953
Grants and reimbursements	96,083	98,252	94,218
International education	4,807	4,676	3,761
Continuing education	10,683	9,236	9,306
Sundry and other revenue	17,089	15,728	14,601
Amortization of deferred contributions	6,895	8,155	7,798
Gain on disposal of capital assets	–	12	17
	173,337	178,123	169,654
Expenses:			
Instruction	96,330	105,721	100,064
Library	2,349	2,422	2,267
Administration and general	39,050	31,185	28,890
Physical plant	18,718	19,363	17,664
Student services	5,908	7,895	7,158
Amortization of capital and intangible assets	10,282	10,324	10,594
	172,637	176,910	166,637
Excess of revenue over expenses before the undernoted	700	1,213	3,017
Other:			
Net increase in accrued vacation and severance liability	1,836	3,417	1,875
Excess (deficiency) of revenue over expenses (note 17)	$ (1,136)	$ (2,204)	$ 1,142

See accompanying notes to financial statements.

RED RIVER COLLEGE

Statement of Changes in Net Assets
(In thousands of dollars)

Year ended June 30, 2014, with comparative information for 2013

	Invested in capital and intangible assets	Restricted for endow-ments	Internally restricted	Unrestricted	2014 Total	2013 Total
Balance, beginning of year	$ 33,435	$ 17,191	$ 7,306	$ (31,363)	$ 26,569	$ 23,694
Endowment gifts	–	1,550	–	–	1,550	1,453
Amounts restricted for endowments	–	45	–	–	45	280
Transfer to internally restricted	–	–	224	(224)	–	–
Transfer to fund operating deficit (note 17)	–	–	(1,136)	1,136	–	–
Excess (deficiency) of revenue over expenses	(3,416)	–	–	1,212	(2,204)	1,142
Investment in capital assets	2,741	–	–	(2,741)	–	–
Balance, end of year	$ 32,760	$ 18,786	$ 6,394	$ (31,980)	$ 25,960	$ 26,569

See accompanying notes to financial statements.

RED RIVER COLLEGE

Statement of Cash Flows
(In thousands of dollars)

Year ended June 30, 2014, with comparative information for 2013

	2014	2013
Cash provided by (used in):		
Operating activities:		
Excess (deficiency) of revenue over expenses	$ (2,204)	$ 1,142
Items not involving cash:		
Amortization of intangible assets	2	2
Amortization of capital assets	10,322	10,592
Amortization of deferred capital contributions	(6,895)	(6,826)
Other deferred contributions recognized as revenue	(2,322)	(3,111)
Gain on disposal of capital assets	(12)	(17)
Changes in fair value of investments	(2,331)	(185)
Changes in non-cash operating working capital balances (note 18)	5,339	1,457
	1,899	3,054
Investing activities:		
Purchase of capital assets	(6,386)	(10,563)
Long-term investment for trust and endowment	(4,853)	(3,051)
Proceeds on disposal of capital assets	33	98
Proceeds on disposal of long-term investments for trust and endowment	3,717	809
	(7,489)	(12,707)
Financing activities:		
Endowment gifts received	1,550	1,453
Contributions received for capital purposes	4,785	5,481
Capital campaign contributions	532	3,374
Repayment of obligations under capital leases	(1,704)	(2,352)
Other deferred contributions received	1,025	526
	6,188	8,482
Increase (decrease) in cash and short-term investments	598	(1,171)
Cash and short-term investments, beginning of year	7,387	8,558
Cash and short-term investments, end of year	$ 7,985	$ 7,387
Comprised of:		
Cash and short-term investments - trust and endowment	$ 1,012	$ 868
Cash and short-term investments	6,973	6,519
	$ 7,985	$ 7,387

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 $641 (2013 - $2,193).

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:

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards including PS4200 standards for government not-for-profit organizations.

(a) Inventories:

Inventories are valued at the lower of cost and net realizable value.

(b) Capital assets:

Purchased capital assets are recorded at cost. Donated capital assets are recorded at their fair value at the time of the donation. Library holdings are accounted for using the base stock method. Under this method, the value of the base stock is capitalized, but subsequent purchases are not capitalized because it has been determined that annual additions are approximately equal to reductions. Capital assets are amortized on a straight-line basis using an annual rate of:

Asset	Rate
Buildings	2.5%
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

Construction in progress is transferred to the appropriate capital asset category and amortization begins when the capital project is completed and the asset is placed in service.

2. Significant accounting policies (continued):

(c) Donations:

Donations are recorded when received. Donations of materials and equipment are recorded at fair value.

(d) Revenue recognition:

The College follows the deferral method of accounting for contributions, which include donations and government grants. Unrestricted contributions are recognized as revenue when received. Contributions externally restricted for purposes other than endowment are deferred and recognized as revenue in the 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. Investment income includes interest income and realized investment gains and losses. Long-term investments are classified as held-for-trading and are recorded at fair value. Unrealized gains and losses, representing the change between the fair value and the cost of the investments at the beginning and the end of the 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.

Restricted investment income is recognized as revenue in the year in which the related expenses are recognized.

(e) Intangible asset:

The intangible asset is recorded at cost and is amortized on a straight-line basis using an annual rate of 10 percent.

(f) Accrued retirement severance pay:

As a result of eligible employees of the College participating in the Manitoba Government Employees Master Agreement, the College has an obligation to pay severance to participating employees. The accrued retirement severance pay is actuarially determined, with any actuarial gain or loss being immediately recognized in the period in which it arises.

2. Significant accounting policies (continued):

(g) Accumulated non-vested sick leave benefits:

The accumulated non-vested sick leave benefits is calculated annually utilizing an internally developed valuation method which takes into account the usage of sick days used in excess of the annual sick days earned, and average employee compensation per day.

(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:

Derivative instruments and equity instruments that are quoted in an active market are reported at fair value. All other financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value. Management has elected not to record any such financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the effective interest method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the College determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the division expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial impairment charge.

(In thousands of dollars)

2. Significant accounting policies (continued):

(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 0.87 percent and 0.88 percent. Short-term investments mature between July 2014 and September 2014.

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:

	2014	2013
Trust and endowment receivables	$ 343	$ 207
Other accounts receivable	5,688	5,228
	$ 6,031	$ 5,435

5. Inventories:

Inventories consist primarily of books purchased for resale. During the year ended June 30, 2014, inventories totaling $4,231 were expensed (2013 - $3,759).

(In thousands of dollars)

6. Prepaid expenses:

		2014		2013
Prepaid property taxes	$	939	$	930
Other prepaid expenses		1,173		1,196
	$	2,112	$	2,126

7. Long-term investments:

	2014				2013			
		Fair value		Cost		Fair value		Cost
Cash and fixed term instruments	$	8,571	$	7,500	$	12,152	$	11,277
Equity investments		13,341		10,787		6,715		6,020
Debentures		2,002		2,002		1,580		1,580
	$	23,914	$	20,289	$	20,447	$	18,877

Fair value as represented above was derived from the quoted market value of investments.

The fixed term investments and debentures mature between fiscal 2015 and 2037 and bear interest at rates between 1.3 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	2014 Net book value	2013 Net book value
Equipment and furniture	$ 51,557	$ 40,405	$ 11,152	$ 13,784
Computer equipment and software	19,685	18,097	1,588	959
Major renovations	7,634	4,106	3,528	3,061
Buildings	113,776	16,440	97,336	98,017
Vehicles	414	350	64	84
Aircraft	2,209	1,021	1,188	1,245
Leasehold improvements	10,626	7,685	2,941	2,622
Construction in progress	–	–	–	93
Assets under capital leases	17,916	15,493	2,423	3,682
Library holdings	1,223	–	1,223	1,223
	$ 225,040	$ 103,597	$ 121,443	$ 124,770

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 $1,832 (2013 - $2,261).

The increase in net book value of capital assets is due to the following:

	2014	2013
Balance, beginning of year	$ 124,770	$ 122,552
Purchase of capital assets:		
Funded by deferred capital contributions	4,776	5,397
Funded by deferred capital campaign contributions	532	3,374
Funded by deferred capital revenue (construction in progress)	(84)	84
Internally funded	2,741	3,961
Financed through capital lease, net of obligation paid	(1,062)	(159)
Donations of capital assets	80	136
Gain on disposal of capital assets	12	17
Amortization of capital assets	(10,322)	(10,592)
Balance, end of year	$ 121,443	$ 124,770

(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, 2014, there had been no withdrawals on this operating line.

11. Accounts payable and accrued liabilities:

	2014	2013
Trade payables	$ 4,393	$ 4,293
Trust and endowment payables	–	3
Accrued salaries and benefits	2,307	1,964
Accrued retirement severance pay	14,906	12,580
Accrued vacation pay	15,025	13,907
Accumulated non-vested sick leave benefits	936	780
	$ 37,567	$ 33,527

The accrued retirement severance pay is actuarially determined every three years. The most recent actuarial report was prepared on March 31, 2014. Information about the College's accrued retirement severance pay is as follows:

	2014	2013
Balance, beginning of year	$ 12,580	$ 11,846
Current benefit cost	1,004	855
Interest	883	788
Actuarial loss	1,443	–
Benefits paid	(1,004)	(909)
Balance, end of year	$ 14,906	$ 12,580

Significant actuarial assumptions used in the severance obligations at June 30, 2014 and June 30, 2013, are as follows:

	2014	2013
Interest rate on obligations	6.50%	6.50%
Employer current service cost as a percentage of salary	0.98%	0.89%

(In thousands of dollars)

11. Accounts payable and accrued liabilities (continued):

The College provides accumulating sick leave benefits to certain employee groups. These benefits accumulate with employee service and benefit amounts are determined with reference to employees' final earnings at the time they are paid out. The significant assumptions adopted in measuring the College's accumulated non-vested sick leave benefits include a discount rate of 6 percent (2013 - 5 percent) and a rate of salary increase of 3.75 percent (2013 - 3.75 percent).

12. Obligations under capital leases:

The following is a schedule of future minimum lease payments under capital leases with payments due between September 2014 and December 2018 together with the balances of the obligations under capital leases:

2015	$	1,137
2016		641
2017		306
2018		44
2019		8
Total minimum lease payments		2,136
Less amount representing interest (ranging from 3.82% to 8.04%)		(115)
Balance of obligations		2,021
Current portion		1,060
	$	961

Interest expense on the lease obligations amounted to $130 (2013 - $186).

(In thousands of dollars)

13. Deferred contributions:

Deferred contributions represent contributions received from the Province and other contributions that pertain to expenditures of the following year and donations for various scholarships, bursaries and other specific purposes to be paid out in future years.

	2014	2013
Deferred provincial contributions:		
Balance, beginning of year	$ 5,828	$ 8,782
Amount recognized as revenue during the year	(1,062)	(2,139)
Amount transferred to deferred contributions related to capital assets	(2,556)	(3,871)
Amount received related to the following year	122	3,056
Balance, end of year	2,332	5,828
Deferred other contributions:		
Balance, beginning of year	4,329	4,238
Amount recognized as revenue during the year	(1,260)	(971)
Amount restricted for endowment	(44)	(280)
Amount received related to following year	3,460	1,342
Balance, end of year	6,485	4,329
	$ 8,817	$ 10,157

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:

	2014	2013
Balance, beginning of year	$ 5,815	$ 2,774
Less amortization of deferred capital campaign contributions during the year	(309)	(333)
Add donations received during the year	532	3,374
Balance, end of year	$ 6,038	$ 5,815

(In thousands of dollars)

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:

	2014	2013
Balance, beginning of year	$ 82,438	$ 83,315
Less amortization of deferred contributions	(6,586)	(6,493)
Add:		
Contributions received for capital purposes	2,136	1,609
Transferred from deferred provincial contributions	2,556	3,871
Donations-in-kind	80	136
Balance, end of year	$ 80,624	$ 82,438

Unamortized capital contributions of $80,624 (2013 - $82,438) 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:

	2014	2013
Princess Street campus:		
Phase 1 - 6.3% interest, maturing July 31, 2042, repayable in monthly instalments which in the current year ranged from $80 - $86 including principal and interest	$ 9,903	$ 10,256
Phase 2 - 6.3% interest, maturing July 31, 2043, repayable in monthly instalments which in the current year ranged from $137 - $148 including principal and interest	17,272	17,866
Phase 3 - 6.3% interest, maturing March 31, 2044, repayable in monthly instalments which in the current year ranged from $57 - $62 including principal and interest	7,232	7,475
Heavy Equipment Transportation Centre of Excellence:		
5.5% interest, maturing January 31, 2048, repayable in monthly instalments of $60 including principal and interest	11,081	11,192
Paterson GlobalFoods Institute:		
4% interest, maturing April 30, 2053, repayable in monthly instalments ranging from $77 - $79 in fiscal 2014 including principal and interest	14,077	14,500
	$ 59,565	$ 61,289

16. Investment in capital and intangible assets:

The investment in capital and intangible assets consists of the following:

	2014	2013
Capital assets, net book value	$ 121,443	$ 124,770
Intangible asset, net book value	–	2
Less:		
Amounts financed by deferred capital campaign contributions	(6,038)	(5,815)
Deferred capital contributions	(80,624)	(82,438)
Amounts financed by capital lease	(2,021)	(3,084)
	$ 32,760	$ 33,435

(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:

	2014	2013
Purchase of capital assets internally financed	$ 2,741	$ 3,963
Amortization of:		
Capital and intangible assets	(10,322)	(10,594)
Deferred capital contributions	6,585	6,493
Deferred capital campaign contributions	309	333
Gain on disposal of capital assets	12	17
Increase (decrease) in investment in capital and intangible assets	$ (675)	$ 212

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:

	2014	2013
Princess Street campus structural reserve	$ 799	$ 799
Notre Dame campus structural reserve	600	600
Contract training net proceeds	3,945	4,907
Campus renovation reserve	1,000	1,000
Risk Management reserve	50	–
	$ 6,394	$ 7,306

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.

The College budgeted for a fiscal 2014 operating deficit of $1,136 to be funded through a transfer from internally restricted net assets relating to closed contract projects.

(In thousands of dollars)

18. Changes in non-cash working capital balances:

		2014		2013
Accounts receivable	$	(596)	$	(1,276)
Inventories		(140)		170
Prepaid expenses		14		(244)
Accounts payable and accrued liabilities		4,040		1,477
Deferred revenue		2,021		1,330
Changes in non-cash working capital	$	5,339	$	1,457

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 $6,462 (2013 - $5,602). 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, Neepawa, and Winkler, Manitoba. The College has also contracted for services, as well as leased certain computer and other equipment. Minimum annual operating lease and contractual commitment payments for accommodation, services, construction costs and equipment, in aggregate, for each of the next five years, is approximately as follows:

2015	$	2,958
2016		2,336
2017		1,449
2018		547
2019		371
	$	7,661

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) Canadian Animal Blood Bank Inc.:

The Canadian Animal Blood Bank Inc. (the Blood Bank) is a significantly influenced investee owned 50 percent by the College and 50 percent by the Manitoba Veterinary Medical Association. The Blood Bank is dedicated to improving veterinary care by providing blood products for animals that require transfusion therapy. The Blood Bank is incorporated under the *Corporations Act* of Manitoba and operates on a not-for-profit basis and is exempt from income taxes. As at May 31, 2014, net resources of the Blood Bank amount to $196.

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 is also approximately equal to their carrying amounts. The fair value of the long-term investments is disclosed in note 7.

The fair value of the balance due from the Province of Manitoba is not readily determinable due to the underlying terms and conditions.

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22. Financial instruments (continued):

(b) Credit risk:

Credit risk is the risk to the College's earnings arising from the risk that a counter party to a transaction is unable to satisfy its obligations to the College. Credit risk is mitigated by the fact that the College's accounts receivable are comprised of a large number of comparatively small individual balances. Reviews are made of the credit worthiness of accounts and reserves established as required.

(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, 2014 the College has met its externally imposed capital requirements.