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.

AUDITOR'S REPORT

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

To the Board of Trustees
Beautiful Plains School Division

We have audited the consolidated statements of financial position of the Beautiful Plains School Division as at June 30, 2007 and the consolidated statements of revenue, expenses, and accumulated surplus, change in net debt and cash flow for the year then ended. These consolidated financial statements are the responsibility of the Division's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly in all material respects, the financial position of the School Division as at June 30, 2007 and the results of its operations and cash flow for that fiscal year in accordance with Canadian generally accepted accounting principles.

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

Brandon, Manitoba

Meyers Norris Penny LLP
AUDITOR

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2007	2006 (see Note 2)
	Financial Assets		
	Cash and Bank	-	-
	Short Term Investments	-	-
	Due from - Provincial Government	1,045,623	148,661
	- Federal Government	99,789	126,682
	- Municipal Government	2,305,463	2,205,765
	- Other School Divisions	-	-
	- First Nations	-	-
	Accounts Receivable	25,970	18,039
	Accrued Investment Income	-	-
	Other Investments	-	
		3,476,845	2,499,147
	Liabilities		
5	Overdraft	1,002,676	1,143,344
	Accounts Payable	1,315,495	1,710,935
	Accrued Liabilities	87,399	86,717
	Employee Future Benefits	-	-
	Accrued Interest Payable	479,696	-
	Due to - Provincial Government	-	-
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
6	Deferred Revenue	589,251	420,273
8	Debenture Debt	14,246,734	10,210,068
9	Other Borrowings	100,994	-
3d&7	School Generated Funds Liability	18,461	
		17,840,706	13,571,337
	Net Debt	(14,363,861)	(11,072,190)
	Non-Financial Assets		
3e	Net Tangible Capital Assets (TCA Schedule)	16,648,453	23,296,842
	Inventories	-	-
	Prepaid Expenses	13,410	9,172
		16,661,863	23,306,014
10	**Accumulated Surplus**	2,298,002	12,233,824

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes		2007 Actual	2006 Actual (see Note 2)
	Revenue		
	Provincial Government	9,753,107	9,035,857
	Federal Government	-	-
	Municipal Government - Property Tax	4,531,070	4,247,886
	- Other	-	-
	Other School Divisions	57,200	56,550
	First Nations	-	-
	Private Organizations and Individuals	50,348	66,104
	Other Sources	106,125	101,218
	School Generated Funds	303,908	
	Other Special Purpose Funds	13,610	
		14,815,368	13,507,615
	Expenses		
	Regular Instruction	7,256,291	7,216,907
	Student Support Services	1,633,624	1,485,297
	Adult Learning Centres	-	-
	Community Education and Services	12,514	12,378
	Divisional Administration	470,949	454,366
	Instructional and Other Support Services	277,451	482,073
	Transportation of Pupils	911,134	909,679
	Operations and Maintenance	1,341,680	1,365,085
13	Fiscal - Interest	1,238,999	720,083
	- Other	197,704	196,425
	Amortization	832,876	
	Other Capital Items	50,381	155,065
	School Generated Funds	271,392	
	Other Special Purpose Funds	13,610	
		14,508,605	12,997,358
	Current Year Surplus (Deficit)	306,763	510,257
	Opening Accumulated Surplus	12,233,824	11,723,567
11	Restatements: Tangible Cap. Assets and Accum. Amort.	(10,366,382)	
3d&6	Other than Tangible Cap. Assets	123,797	0
	Opening Accumulated Surplus, as restated	1,991,239	11,723,567
	Closing Accumulated Surplus	2,298,002	12,233,824

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2007

Current Year Surplus (Deficit)	306,763
Amortization of Tangible Capital Assets	832,876
Acquisition of Tangible Capital Assets	(4,550,869)
(Gain) / Loss on Sale of Tangible Capital Assets	(2,600)
Proceeds on Sale of Tangible Capital Assets	2,600
	(3,717,993)
Inventories (Increase)/Decrease	-
Prepaid Expenses (Increase)/Decrease	(4,238)
	(4,238)
(Increase)/Decrease in Net Debt	(3,415,468)
Net Debt at Beginning of Year	(11,072,190)
Restatements Other than Tangible Cap. Assets	123,797
Net Debt at Beginning of Year as Restated	(10,948,393)
Net Debt at End of Year	(14,363,861)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2007

Operating Transactions	
Current Year Surplus/(Deficit)	306,763
Non-Cash Items Included in Current Year Surplus/(Deficit):	
Amortization of Tangible Capital Assets	832,876
(Gain)/Loss on Disposal of Tangible Capital Assets	(2,600)
Employee Future Benefits Increase/(Decrease)	-
Short Term Investments (Increase)/Decrease	-
Due from Other Organizations (Increase)/Decrease	(969,767)
Accounts Receivable & Accrued Income (Increase)/Decrease	(7,931)
Inventories and Prepaid Expenses - (Increase)/Decrease	(4,238)
Due to Other Organizations Increase/(Decrease)	-
Accounts Payable & Accrued Liabilities Increase/(Decrease)	84,938
Deferred Revenue Increase/(Decrease)	168,978
School Generated Funds Liability Increase/(Decrease)	18,461
Restatements Other than Tangible Cap. Assets	123,797
Cash Provided by Operating Transactions	551,277
Capital Transactions	
Acquisition of Tangible Capital Assets	(4,550,869)
Proceeds on Sale of Tangible Capital Assets	2,600
Cash (Applied to)/Provided by Capital Transactions	(4,548,269)
Investing Transactions	
Other Investments (Increase)/Decrease	-
Cash Provided by (Applied to) Investing Transactions	0
Financing Transactions	
Debenture Debt Increase/(Decrease)	4,036,666
Other Borrowings Increase/(Decrease)	100,994
Cash Provided by (Applied to) Financing Transactions	4,137,660
Cash and Bank / Overdraft (Increase)/Decrease	140,668
Cash and Bank (Overdraft) at Beginning of Year	(1,143,344)
Cash and Bank (Overdraft) at End of Year	(1,002,676)

Beautiful Plains School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2007

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	Totals
	School	Non-School								
Tangible Capital Asset Cost										
Opening Cost, as previously reported	19,287,550	844,291	2,113,718	53,290	814,204	-	183,789	-	-	23,296,842
Restatements	(2,755,402)	(2,780)	-	19,271	(685,049)	59,765	37,379	-	1,985,543	(1,341,273)
Opening Cost restated	16,532,148	841,511	2,113,718	72,561	129,155	59,765	221,168	-	1,985,543	21,955,569
Add: Additions during the year	5,851,057	-	171,787	-	65,436	25,453	-	-	(1,562,864)	4,550,869
Less: Disposals and write downs	-	-	85,366	-	-	-	-	-	-	85,366
Closing Cost	22,383,205	841,511	2,200,139	72,561	194,591	85,218	221,168	-	422,679	26,421,072
Accumulated Amortization										
Opening, as previously reported	-	-	-	-	-	-	-	-	-	-
Restatements	7,570,599	131,404	1,177,294	72,561	60,219	13,032	-	-	-	9,025,109
Opening restated	7,570,599	131,404	1,177,294	72,561	60,219	13,032	-	-	-	9,025,109
Add: Current period Amortization	595,016	25,368	174,964	-	19,405	18,123	-	-		832,876
Less: Accumulated Amortization on Disposals and Writedowns	-	-	85,366	-	-	-	-	-	-	85,366
Closing Accumulated Amortization	8,165,615	156,772	1,266,892	72,561	79,624	31,155	-	-	-	9,772,619
Net Tangible Capital Asset	14,217,590	684,739	933,247	-	114,967	54,063	221,168	-	422,679	16,648,453
Proceeds from Sale of Capital Assets	-	-	2,600	-	-	-	-			2,600

* Includes network infrastructure.

BEAUTIFUL PLAINS SCHOOL DIVISION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2007

1. Nature of Organization and Economic Dependence

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

The Division is economically dependent on the Province for the majority of its revenue and capital financing requirements. As well, a significant portion on 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. Comparative Figures

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. The 2005/06 comparative figures have not been restated and are presented in accordance with FRAME, the prescribed method of accounting that the Division followed prior to the 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 and funds held in the Division's Registered Charity. All inter-fund accounts and transactions are eliminated upon consolidation.

b) Basis of Accounting

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

c) Fund Accounting

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

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

d) School Generated Funds

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

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

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

e) Tangible Capital Assets

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

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

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

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

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

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

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

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

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

f) Employee Future Benefits

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

However, the Division provides a defined contribution pension plan to all eligible non teachers in the Division. There is no future liability or benefit to be recorded for this type of pension plan. The Division participates in the MAST (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 representatives. The Division participates in the plan by virtue of a trust agreement. Participating employees in the plan generally contribute from 4.7% to 6.7% (dependant on age) of earnings to the plan. The Division matches this contribution and remits both contributions monthly.

g) Capital Reserve

Certain amounts, as approved by the Board of Trustees and the Public Schools Finance Board (PSFB), have been set aside in reserve accounts for future capital purposes. These Capital Reserve accounts are internally restricted funds that form part of the Accumulated Surplus presented in the Consolidated Statement of Financial Position. The Division has a reserve for school bus purchases in the amount of $ 34,011.

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. As explained in Note 2, the comparative figures included in these financial statements have not been restated to conform to the accounting standards adopted for the current year.

The following changes have been implemented to comply with the PSAB standard:

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

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

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

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

5. Overdraft

The Division has an operating $ 3,000,000 line of credit with the Beautiful Plains Credit Union by way of overdraft. (By-Law # 228) The operating fund is in an overdraft position due to the timing of property taxation. The Division does not receive any 2007 property taxation until November each year.

In addition, a capital projects $2,500,000 line of credit with the Beautiful Plains Credit Union has also been established. The purpose of the capital projects line of credit is to provide short term financing for the Public Schools Finance Board approved Carberry Collegiate School Construction project. Debentures will be issued to finance the project for the long term.

6. Deferred Revenue

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

	Balance as at June 30, 2006	Additions in the period	Revenue recognized in the period	Balance as at June 30, 2007
Community Foundation Donations	$ 3,000	$ 750	$ 3,000	$ 750
Education Property Tax Credits (Fall)	417,273	514,760	417,273	514,760
Charitable Scholarship Fund	-	87,351	13,610	73,741
	$ 420,273	$ 602,861	$ 433,883	$ 589,251

7. School Generated Funds Liability & Revenue/Expense Presentation

School Generated Funds Liability includes the non-controlled portion of school generated funds consolidated in the cash and bank balances in the amount of $18,461.

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, 2007 covers a period of twelve months from April 1, 2006 to March 31, 2007.

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 2009 to 2027. Payment of principal and interest is funded entirely by grants from the Province of Manitoba. The debentures carry interest rates that range from 5% to 12.125%. Debenture interest expense payable as at June 30, 2007, 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
2008	$ 731,901	$ 912,462	$ 1,644,363
2009	786,225	858,138	1,644,363
2010	836,818	799,442	1,636,260
2011	883,340	736,896	1,620,236
2012	768,306	670,943	1,439,249
	$ 4,006,590	$ 3,977,881	$ 7,984,471

The above estimates will significantly change given $ 7,200,000 of new debentures resulting from the PSFB approved Carberry Collegiate Phase 2 Construction Project.

9. Other Borrowings

Other borrowings are debts other than overdrafts or debentures. The Division has a loan in the amount of $100,994 at the Beautiful Plains Credit Union. This loan was establish to fund a portion of the Division Office Repair and Addition Project. Semi-Annual payments for interest and principal are $ 44,000

	2007	2006
Division Office Repair & Addition	100,994	402,914
	$ 100,994	$ 402,914

10. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2007
Operating Fund	
Designated Surplus	-
Undesignated Surplus	400,270
	400,270
Capital Fund	
Reserve Accounts	34,011
Equity in Tangible Capital Assets	1,707,408
	1,741,419
Special Purpose Fund	
School Generated Funds	156,313
Other Special Purpose Funds	-
	156,313
Total Accumulated Surplus	$ 2,298,002

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.

	2007
School bus reserve	34,011
Other reserves	-
Capital Reserve	$ 34,011

11. Restatement of Opening Accumulated Surplus

Restatement of Opening Accumulated Surplus is comprised of:

	2007
Operating Fund	
Employee Future Benefits	-
Capital Fund	
Tangible Capital Assets	(1,341,273)
Accumulated Amortization	9,025,109
	(10,366,382)
Special Purpose Fund	
School Generated Funds	123,797
Other Special Purpose Funds	-
	123,797
Total Restatement of Opening Accumulated Surplus	$ (10,242,585)

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

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

Education property tax or Special Levy is raised as the Division's contribution to the cost of providing public education for the students resident in the division. The Municipal Government-Property Tax shown on the consolidated revenue and expense is raised over the two calendar (tax) years; 48% from 2006 tax year and 52% from 2007 tax year. Below are the related revenue and receivable amounts:

	2007	2006
Revenue-Municipal Government-Property Tax	$ 4,531,070	$ 4,247,886
Receivable-Due from Municipal-Property Tax	$ 2,305,463	$ 2,205,765

13. Interest Received and Paid

The Division received interest during the year of $ 23,451 (previous year $ 13,800).

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

	2007
Operating Fund	
Fiscal-short term loan, interest and bank charges	$ 22,224
Capital Fund	
Debenture debt interest	1,200,095
Other interest	16,680
	$ 1,238,999

The accrual portion of debenture debt interest expense of $ 479,696 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 2007	Budget 2007	Actual 2006
Salaries	$ 9,148,163	$ 9,421,398	$ 9,120,043
Employees benefits & allowances	637,753	648,518	649,876
Services	1,071,100	1,114,286	1,118,653
Supplies, materials & minor equipment	995,532	975,708	989,528
Interest	1,238,999	705,230	720,083
Transfers (Other than Capital)	51,095	47,700	47,685
Payroll tax	197,704	201,500	196,425
Amortization	832,876	-	-
Other capital items	50,381	-	155,065
School generated funds	271,392	-	-
Other special purpose funds	13,610	-	-
	$ 14,508,605	$ 13,114,340	$ 12,997,358

BDO
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Auditors' Report

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

We have audited the consolidated statement of financial position of **The Border Land School Division** as at June 30, 2007 and the consolidated statements of revenue, expenses and accumulated surplus, change in net debt and cash flow for the year then ended. These financial statements are the responsibility of the School Division's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly in all material respects, the financial position of the School Division as at June 30, 2007 and the results of its operations and its cash flows for the fiscal year then ended in accordance with Canadian generally accepted accounting principles.

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

BDO Dunwoody LLP

Chartered Accountants

Winnipeg, Manitoba
October 19, 2007

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2007	2006 (see Note 2)
	Financial Assets		
	Cash and Bank	-	-
	Short Term Investments	-	2,137
	Due from - Provincial Government	711,150	521,796
	- Federal Government	85,264	98,759
14	- Municipal Government	4,663,237	4,338,115
	- Other School Divisions	266,617	225,565
	- First Nations	176,420	273,605
	Accounts Receivable	224,913	140,296
	Accrued Investment Income	-	-
	Other Investments	-	
		6,127,601	5,600,273
	Liabilities		
5	Overdraft	1,811,318	1,389,347
	Accounts Payable	717,554	936,135
	Accrued Liabilities	284,603	643,208
	Employee Future Benefits	-	-
	Accrued Interest Payable	270,387	-
	Due to - Provincial Government	72,561	82,690
	- Federal Government	39,339	786,337
	- Municipal Government	6,787	10,981
	- Other School Divisions	134,243	135,097
	- First Nations	-	-
7	Deferred Revenue	688,080	542,105
9	Debenture Debt	8,237,182	6,895,372
10	Other Borrowings	442,467	458,440
	School Generated Funds Liability	-	
		12,704,521	11,879,712
	Net Debt	(6,576,920)	(6,279,439)
	Non-Financial Assets		
11	Net Tangible Capital Assets (TCA Schedule)	11,691,122	27,146,602
	Inventories	67,910	55,928
	Prepaid Expenses	78,369	29,649
		11,837,401	27,232,179
12	**Accumulated Surplus**	5,260,482	20,952,740

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes		2007 Actual	2006 Actual (see Note 2)
	Revenue		
	Provincial Government	15,234,066	14,642,136
	Federal Government	611	672
14	Municipal Government - Property Tax	7,916,237	7,239,559
	- Other	697	-
	Other School Divisions	313,871	249,330
	First Nations	581,234	397,609
	Private Organizations and Individuals	207,079	193,185
	Other Sources	288,847	124,682
	School Generated Funds	544,923	
	Other Special Purpose Funds	-	
		25,087,565	22,847,173
16	**Expenses**		
	Regular Instruction	12,628,851	12,517,686
	Student Support Services	3,381,801	2,270,194
	Adult Learning Centres	451,278	449,058
	Community Education and Services	21,575	20,568
	Divisional Administration	701,250	637,382
	Instructional and Other Support Services	538,581	761,742
	Transportation of Pupils	1,651,685	1,710,618
	Operations and Maintenance	2,410,151	2,452,919
15	Fiscal - Interest	608,942	550,489
	- Other	359,732	324,101
	Amortization	929,494	
	Other Capital Items	(18,075)	304,338
	School Generated Funds	506,313	
	Other Special Purpose Funds	-	
		24,171,578	21,999,095
	Current Year Surplus (Deficit)	915,987	848,078
	Opening Accumulated Surplus	20,952,740	20,104,662
13	Restatements: Tangible Cap. Assets and Accum. Amort.	(16,748,294)	
	Other than Tangible Cap. Assets	140,048	0
	Opening Accumulated Surplus, as restated	4,344,494	20,104,662
	Closing Accumulated Surplus	5,260,481	20,952,740

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2007

Current Year Surplus (Deficit)	915,987
Amortization of Tangible Capital Assets	929,494
Acquisition of Tangible Capital Assets	(2,222,308)
(Gain) / Loss on Sale of Tangible Capital Assets	(18,075)
Proceeds on Sale of Tangible Capital Assets	18,075
	(1,292,814)
Inventories (Increase)/Decrease	(11,982)
Prepaid Expenses (Increase)/Decrease	(48,720)
	(60,702)
(Increase)/Decrease in Net Debt	(437,529)
Net Debt at Beginning of Year	(6,279,439)
Restatements Other than Tangible Cap. Assets	140,048
Net Debt at Beginning of Year as Restated	(6,139,391)
Net Debt at End of Year	(6,576,920)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2007

Operating Transactions	
Current Year Surplus/(Deficit)	915,987
Non-Cash Items Included in Current Year Surplus/(Deficit):	
Amortization of Tangible Capital Assets	929,494
(Gain)/Loss on Disposal of Tangible Capital Assets	(18,075)
Employee Future Benefits Increase/(Decrease)	-
Short Term Investments (Increase)/Decrease	2,137
Due from Other Organizations (Increase)/Decrease	(444,848)
Accounts Receivable & Accrued Income (Increase)/Decrease	(84,617)
Inventories and Prepaid Expenses - (Increase)/Decrease	(60,702)
Due to Other Organizations Increase/(Decrease)	(762,175)
Accounts Payable & Accrued Liabilities Increase/(Decrease)	(306,800)
Deferred Revenue Increase/(Decrease)	145,975
School Generated Funds Liability Increase/(Decrease)	-
Restatements Other than Tangible Cap. Assets	140,048
Cash Provided by Operating Transactions	456,425
Capital Transactions	
Acquisition of Tangible Capital Assets	(2,222,308)
Proceeds on Sale of Tangible Capital Assets	18,075
Cash (Applied to)/Provided by Capital Transactions	(2,204,233)
Investing Transactions	
Other Investments (Increase)/Decrease	-
Cash Provided by (Applied to) Investing Transactions	0
Financing Transactions	
Debenture Debt Increase/(Decrease)	1,341,810
Other Borrowings Increase/(Decrease)	(15,973)
Cash Provided by (Applied to) Financing Transactions	1,325,837
Cash and Bank / Overdraft (Increase)/Decrease	(421,971)
Cash and Bank (Overdraft) at Beginning of Year	(1,389,347)
Cash and Bank (Overdraft) at End of Year	(1,811,318)

Border Land School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2007

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	Totals
	School	Non-School								
Tangible Capital Asset Cost										
Opening Cost, as previously reported	21,051,868	632,222	3,359,032	-	1,582,244	-	521,236	-	-	27,146,602
Restatements	(3,605,854)	(60,450)	(13,108)	41,069	(1,128,715)	156,725	(322,715)	-	522,955	(4,410,093)
Opening Cost restated	17,446,014	571,772	3,345,924	41,069	453,529	156,725	198,521	-	522,955	22,736,509
Add: Additions during the year	1,878,236	-	416,483	-	418,228	-	-	-	(490,639)	2,222,308
Less: Disposals and write downs	-	-	260,854	-	-	-	-	-	-	260,854
Closing Cost	19,324,250	571,772	3,501,553	41,069	871,757	156,725	198,521	-	32,316	24,697,963
Accumulated Amortization										
Opening, as previously reported	-	-	-	-	-	-	-	-	-	-
Restatements	9,801,657	178,536	2,161,763	14,507	145,741	35,997	-	-	-	12,338,201
Opening restated	9,801,657	178,536	2,161,763	14,507	145,741	35,997	-	-	-	12,338,201
Add: Current period Amortization	567,201	20,508	213,778	6,914	105,420	15,673	-	-		929,494
Less: Accumulated Amortization on Disposals and Writedowns	-	-	260,854	-	-	-	-	-	-	260,854
Closing Accumulated Amortization	10,368,858	199,044	2,114,687	21,421	251,161	51,670	-	-	-	13,006,841
Net Tangible Capital Asset	8,955,392	372,728	1,386,866	19,648	620,596	105,055	198,521	-	32,316	11,691,122
Proceeds from Sale of Capital Assets	-	-	18,075	-	-	-	-			18,075

* Includes network infrastructure.

Border Land School Division
Notes to Consolidated Financial Statements
For the Year Ended June 30, 2007

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. Comparative Figures

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. The 2006 comparative figures have not been restated and are presented in accordance with FRAME, the prescribed method of accounting that the Division followed prior to the 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).

Reporting Entity and Consolidation

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

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

Basis of Accounting

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

Fund Accounting

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

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

School Generated Funds

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

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

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

Tangible Capital Assets

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

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

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.

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 Association of School Trustees (MAST) 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.

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.

4. Conversion to PSAB

Commencing with the 2006/07 fiscal year, the Division has adopted generally accepted accounting principles established by PSAB. As explained in Note 2, the comparative figures included in these financial statements have not been restated to conform to the accounting standards adopted for the current year.

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. 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. Bank Overdraft

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

6. Employee Future Benefits

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

The employee future benefit expense is a part of the Employee Benefits and Allowances expense account. The total pension expense for the 2007 year was $286,075 ($265,972 in 2006).

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, 2006	Additions in the period	Revenue recognized in the period	Balance as at June 30, 2007
Education Property Tax Credit (EPTC)	$ 455,255	$ 580,224	$ 455,255	$ 580,224
Professional Development	21,299	17,190	6,390	32,099
Manitoba Textbook Bureau Grant	30,687	67,422	69,356	28,753
Donations & Special Purpose Funds	-	32,566	20,291	12,275
Rhineland Child Care	34,864	-	135	34,729
	$ 542,105	$ 697,402	$ 551,427	$ 688,080

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 $Nil.

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 instalments and maturing at various dates from 2008 to 2027. Payment of principal and interest is funded entirely by grants from the Province of Manitoba, except for the debenture debt on self-funded capital projects. The debentures carry interest rates that range from 4.875% to 11.375%. Debenture interest expense payable as at June 30, 2007, 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:

2008	$ 979,612
2009	953,236
2010	952,233
2011	953,236
2012	875,183
	$ 4,713,500

10. Other Borrowings

Other borrowings are debts other than overdrafts or debentures. This includes loans payable for administrative facilities.

	2007	2006
Altona Credit Union, Prime less .50% secured by demand promissory note, financing by-law and banking documents, repayable at $38,650 per year, due September 2022	442,467	458,440
	$ 442,467	$ 458,440

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

	Principal	Interest	Total
2008	$ 12,299	$ 26,351	$ 38,650
2009	12,975	25,675	38,650
2010	13,689	24,961	38,650
2011	14,442	24,208	38,650
2012	15,236	23,414	38,650
	$ 68,641	$ 124,609	$ 193,250

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 $Nil ($Nil in 2006).

12. Accumulated Surplus

The consolidated accumulated surplus for 2007 is comprised of the following:

Operating Fund	
Designated Surplus	$ 843,403
Undesignated Surplus	1,203,373
	2,046,776
Capital Fund	
Reserve Accounts	203,488
Equity in Tangible Capital Assets	2,822,444
	3,025,932
Special Purpose Fund	
School Generated Funds	187,774
Other	-
	187,774
Total Accumulated Surplus	$ 5,260,482

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:

School budget carryovers by board policy	$ 80,550
Applied to 2007 / 2008 Budget and Special Levy	354,608
Various projects	408,245
Designated surplus	$ 843,403

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.

Bus Reserve	$ 203,488

13. Restatement of Opening Accumulated Surplus

Restatement of Opening Accumulated Surplus for 2007 is comprised of:

Capital Fund	
Tangible Capital Assets	$ (4,410,093)
Accumulated Amortization	(12,338,201)
Accrued Loan Interest	(9,116)
	(16,757,410)
Special Purpose Fund	
School Generated Funds	149,164
Other	-
	149,164
Total Restatement of Opening Accumulated Surplus	$ (16,608,246)

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

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

Education property tax or Special Levy is raised as the Division's contribution to the cost of providing public education for the 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 2006 tax year and 60% from 2007 tax year. Below are the related revenue and receivable amounts:

	2007	2006
Revenue – Municipal Government – Property Tax	$ 7,916,237	$ 7,239,559
Receivable – Due from Municipal – Property Tax	$ 4,663,230	$ 4,338,115

15. Interest Received and Paid

The Division received interest during the year of $23,199 ($29,104 in 2006); interest paid during the year was $608,942 ($550,489 in 2006).

Interest expense is included in Fiscal for 2007 and is comprised of the following:

Operating Fund	
Fiscal-short term loan, interest and bank charges	$ 64,368
Capital Fund	
Debenture interest	520,675
Other interest	23,899
	$ 608,942

The accrual portion of debenture debt interest expense of $252,185 included under the Capital Fund-Debenture debt interest, is offset by an accrual of the debt servicing grant from the Province of Manitoba.

16. 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 2007	Budget 2007	Actual 2006
Salaries	$ 16,366,054	$ 16,437,311	$ 15,279,292
Employees benefits and allowances	1,311,667	1,250,858	1,249,117
Services	2,104,805	2,238,915	2,047,785
Supplies, materials & minor equipment	1,790,444	2,010,199	2,017,811
Interest	608.942	544,532	550,489
Bad debts	-	-	-
Payroll tax	359,732	346,789	324,101
Amortization	929,494	-	-
Transfers	212,201	137,000	226,162
Other capital items	-	-	-
Loss/(Gain) on Disposal of Capital Assets		(18,075)	-
304,338			
School generated funds	506,313	-	-
	$ 24,171,577	$ 22,965,604	$ 21,999,095

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

In accordance with Section 190.1 of The Public Schools Act, the Division is required to collect a special levy on behalf of la Division scolaire franco-manitobaine. As at June 30, 2007, the amount of this special levy was $95,759 ($98,786 in 2006). These amounts are not included in the Division's consolidated financial statements.

18. Commitments

Commitments of Operating Fund Surplus at year end are detailed in the Analysis of Consolidated Accumulated Surplus. Designated Operating Fund Accumulated Surplus is $843,403 at June 30, 2007 ($183,120 at June 30, 2006). The details of the Designated Surplus are disclosed at note 12 and page 5 of the audited financial statements.

The school division has equipment lease agreements. Future annual minimum operating lease commitments as at June 30, 2007 are as follows:

2008	$ 9,999
2009	7,094

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

19. 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.

20. Subsequent Events

Subsequent to year end, the Board of Trustees approved the sale of the New Hope School property for proceeds of $177,757.

The book value of the property at June 30, 2007 consisted of:

Land	$ 2,253
Building	205,153
Accumulated Amortization	(205,153)
Net book value	$ 2,253

The proceeds from the sale have been allocated to capital reserve accounts to support the relocation of the French Immersion program and for future classroom space requirements.

The Public Schools' Finance Board has approved the sale of the property and the establishment of the capital reserve accounts.

The French Immersion school, located in Letellier MB, was closed, effective June 30, 2007. The program was been relocated to Altona MB. The disposition of the property will proceed under the Public Schools' Finance Board guidelines.

Auditors' Report

To the Chairperson and Board of Trustees of
Brandon School Division

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

We have audited the consolidated statement of financial position of **Brandon School Division** as at June 30, 2007 and the consolidated statements of revenue, expenses and accumulated surplus, change in net debt and cash flow for the year then ended. These financial statements are the responsibility of the School Division's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly in all material respects, the financial position of the School Division as at June 30, 2007 and the results of its operations and its cash flows for the fiscal year then ended in accordance with Canadian generally accepted accounting principles.

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

BDO Dunwoody LLP

Chartered Accountants

Brandon, Manitoba
October 1, 2007

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2007	2006 (see Note)
	Financial Assets		
	Cash and Bank	1,586,739	-
*	Short Term Investments	11,300	-
	Due from - Provincial Government	1,226,790	3,057,084
	- Federal Government	108,784	75,152
	- Municipal Government	10,311,264	10,172,946
	- Other School Divisions	11,080	21,330
	- First Nations	88,630	-
	Accounts Receivable	46,033	249,075
	Accrued Investment Income	0	-
*	Other Investments	441	
		13,391,061	13,575,587
	Liabilities		
	Overdraft	0	3,373,082
	Accounts Payable	6,339,206	6,305,147
	Accrued Liabilities	194,453	1,176,270
*	Employee Future Benefits	713,677	-
	Accrued Interest Payable	505,663	-
	Due to - Provincial Government	0	-
	- Federal Government	0	-
	- Municipal Government	0	-
	- Other School Divisions	0	-
	- First Nations	0	-
*	Deferred Revenue	2,463,079	145,659
*	Debenture Debt	13,905,988	15,347,956
	Other Borrowings	0	-
	School Generated Funds Liability	3,846	
		24,125,911	26,348,114
	Net Debt	(10,734,850)	(12,772,527)
	Non-Financial Assets		
*	Net Tangible Capital Assets (TCA Schedule)	22,924,374	52,560,240
	Inventories	53,965	54,527
	Prepaid Expenses	71,355	63,791
		23,049,694	52,678,558
*	**Accumulated Surplus**	12,314,844	39,906,031

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes		2007 Actual	2006 Actual (see Note)
	Revenue		
	Provincial Government	37,766,628	36,147,850
	Federal Government	18,349	18,399
	Municipal Government - Property Tax	18,704,104	17,906,271
	- Other	0	-
	Other School Divisions	183,228	147,705
	First Nations	301,405	268,401
	Private Organizations and Individuals	711,819	657,119
	Other Sources	236,370	341,973
	School Generated Funds	1,429,490	
	Other Special Purpose Funds	118,882	
		59,470,274	55,487,718
	Expenses		
	Regular Instruction	32,375,906	31,014,626
	Student Support Services	10,032,035	8,203,475
	Adult Learning Centres	0	-
	Community Education and Services	152,802	104,128
	Divisional Administration	1,783,309	1,824,173
	Instructional and Other Support Services	1,646,607	3,046,975
	Transportation of Pupils	1,384,041	1,396,925
	Operations and Maintenance	5,529,436	5,362,402
*	Fiscal - Interest	1,743,364	1,450,782
	- Other	915,176	876,209
	Amortization	1,667,907	
	Other Capital Items	(8,995)	328,045
	School Generated Funds	1,400,950	
	Other Special Purpose Funds	56,943	
		58,679,482	53,607,740
	Current Year Surplus (Deficit)	790,792	1,879,978
	Opening Accumulated Surplus	39,906,031	38,026,053
	Restatements: Tangible Cap. Assets and Accum. Amort.	(29,012,797)	
*	Special Purpose Funds	630,818	0
	Opening Accumulated Surplus, as restated	11,524,052	38,026,053
	Closing Accumulated Surplus	12,314,844	39,906,031

* NOTE REQUIRED

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2007

Current Year Surplus (Deficit)	790,792
Amortization of Tangible Capital Assets	1,667,907
Acquisition of Tangible Capital Assets	(1,044,838)
(Gain) / Loss on Sale of Tangible Capital Assets	(500)
Proceeds on Sale of Tangible Capital Assets	500
	623,069
Inventories (Increase)/Decrease	563
Prepaid Expenses (Increase)/Decrease	(7,564)
	(7,002)
(Increase)/Decrease in Net Debt	1,406,859
Net Debt at Beginning of Year	(12,772,527)
Restatements Other than Tangible Cap. Assets	630,818
Net Debt at Beginning of Year as Restated	(12,141,709)
Net Debt at End of Year	(10,734,850)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2007

Operating Transactions	
Current Year Surplus/(Deficit)	790,792.00
Non-Cash Items Included in Current Year Surplus/(Deficit):	
Amortization of Tangible Capital Assets	1,667,907.00
(Gain)/Loss on Disposal of Tangible Capital Assets	(500.00)
Employee Future Benefits Increase/(Decrease)	713,677.00
Short Term Investments (Increase)/Decrease	(11,300.00)
Due from Other Organizations (Increase)/Decrease	1,579,964.00
Accounts Receivable & Accrued Income (Increase)/Decrease	203,042.00
Inventories and Prepaid Expenses - (Increase)/Decrease	(7,002.00)
Due to Other Organizations Increase/(Decrease)	0.00
Accounts Payable & Accrued Liabilities Increase/(Decrease)	(442,095.00)
Deferred Revenue Increase/(Decrease)	2,317,420.00
School Generated Funds Liability Increase/(Decrease)	3,846.00
Restatements Other than Tangible Cap. Assets	630,818.00
Cash Provided by Operating Transactions	7,446,569.00
Capital Transactions	
Acquisition of Tangible Capital Assets	(1,044,838.00)
Proceeds on Sale of Tangible Capital Assets	500.00
Cash (Applied to)/Provided by Capital Transactions	(1,044,338.00)
Investing Transactions	
Other Investments (Increase)/Decrease	(441.00)
Cash Provided by (Applied to) Investing Transactions	(441.00)
Financing Transactions	
Debenture Debt Increase/(Decrease)	(1,441,968.00)
Other Borrowings Increase/(Decrease)	0.00
Cash Provided by (Applied to) Financing Transactions	(1,441,968.00)
Cash and Bank / Overdraft (Increase)/Decrease	4,959,821.00
Cash and Bank (Overdraft) at Beginning of Year	(3,373,082.00)
Cash and Bank (Overdraft) at End of Year	1,586,739.00

Brandon School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2007

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	Totals
	School	Non-School								
Tangible Capital Asset Cost										
Opening Cost, as previously reported	45,032,991	1,579,163	2,545,502	175,214	2,442,270	-	785,100	-	-	52,560,240
Restatements	4,508,805	302,915	-	33,573	(267,770)	116,510	398,854	-	21,196	5,114,083
Opening Cost restated	49,541,796	1,882,078	2,545,502	208,787	2,174,500	116,510	1,183,954	-	21,196	57,674,323
Add: Additions during the year	-	55,695	626,509	30,643	54,882	-	-	-	277,110	1,044,838
Less: Disposals and write downs	-	-	-	14,059	-	-	-	-	-	14,059
Closing Cost	49,541,796	1,937,773	3,172,011	225,371	2,229,381	116,510	1,183,954	-	298,306	58,705,102
Accumulated Amortization										
Opening, as previously reported	-	-	-	-	-	-	-	-	-	-
Restatements	29,484,892	976,542	1,344,610	157,273	2,072,505	91,058	-	-	-	34,126,880
Opening restated	29,484,892	976,542	1,344,610	157,273	2,072,505	91,058	-	-	-	34,126,880
Add: Current period Amortization	1,328,445	41,304	219,645	21,539	40,791	16,183	-	-		1,667,907
Less: Accumulated Amortization on Disposals and Writedowns	-	-	-	14,059	-	-	-	-	-	14,059
Closing Accumulated Amortization	30,813,337	1,017,846	1,564,255	164,753	2,113,296	107,241	-	-	-	35,780,728
Net Tangible Capital Asset	18,728,459	919,927	1,607,756	60,618	116,085	9,269	1,183,954	-	298,306	22,924,374
Proceeds from Sale of Capital Assets	-	-	-	500	-	-	-			500

* Includes network infrastructure.

1. ENTITY DEFINITION AND ECONOMIC DEPENDENCE

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

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

2. COMPARATIVE FIGURES

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. The 2006 comparative figures have not been restated and are presented in accordance with FRAME, the prescribed method of accounting that the Division followed prior to the 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).

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

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

Significant accounting polices of FRAME are:

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

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

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

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

- Basis of Accounting

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

- Unearned Revenue

Grants received for specific purposes are deferred and recorded as revenue at the time the applicable expenditures are made.

- Debenture Payments

Debenture debt payments are reflected in the accounts when due and interest accruals are recorded in the accounts as of the statement date.

- Employee Future Benefits

Benefits plans that provide for future benefits to employees are costed in the period in which the future benefit was earned.

- Tangible Capital Assets

Individual Tangible Capital Assets that meet or exceed the capitalization threshold guidelines provided by PSAB are now recorded at cost as assets in the capital fund.

- Amortization

Amortization is now provided for on Tangible Capital Assets in the Capital Fund in accordance with PSAB. Land is not amortized and all other tangible capital assets are amortized on a straight line basis, with no residual value, based on the useful life of the asset. One half year of amortization is recorded in the year of acquisition and in the year of disposal.

3. SCHOOL GENERATED FUNDS

School generated funds are moneys raised by the school, or under the auspices of the school, through 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.

4. TANGIBLE CAPITAL ASSETS

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

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

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. 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.

5. CAPITAL RESERVE

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

6. USE OF ESTIMATES

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

7. FINANCIAL INSTRUMENTS

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

8. CONVERSION TO PSAB

Commencing with the 2006/07 fiscal year, the Board has adopted generally accepted accounting principles established by PSAB. As explained in Note 2, the comparative figures included in these financial statements have not been restated to conform to the accounting standards adopted for the current year.

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.

8. CONVERSION TO PSAB (continued)

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.

9. SHORT TERM INVESTMENTS

Short term investments consist of guaranteed investment certificates that mature within one year. Short term investments are recorded at the lower of cost or market. As at June 30, 2007, the cost of short term investment was $11,300 (last year $11,300); investment income earned during the year was $264 (last year $264).

10. BANK OVERDRAFT

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

11. 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, 2006	Additions in the period	Revenue recognized in the period	Balance as at June 30,2007
Manitoba Textbook Bureau	$ 0	$ 0	$ 0	$ 0
Education property tax credit	0	2,282,321	0	2,282,321
Other special purpose funds	145,659	48,253	13,154	180,758
	$ 145,659	$ 2,330,574	$ 13,154	$ 2,463,079

12. 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 $3,845.

Student council funds	$3,845

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, 2007 covers a period of nine months from July 1, 2006 to March 31, 2007.

13. 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 2008 to 2027. Payment of principal and interest is funded entirely by grants from the Province of Manitoba, except for the debenture debt on self-funded capital projects. The debentures carry interest rates that range from 5.0% to 12.125%. Debenture interest expense payable as at June 30, 2007, 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:

	Total
2008	$ 1,678,960
2009	1,239,499
2010	1,106,239
2011	1,167,484
2012	962,718
	$ 6,154,900

14. ACCUMULATED SURPLUS

The consolidated accumulated surplus is comprised of the following:

	2007
Operating Fund	
Designated Surplus	$ 442,982
Undesignated Surplus	1,799,957
	2,242,939
Capital Fund	
Reserve Accounts	410,062
Equity in Tangible Capital Assets	8,940,548
	9,350,610
Special Purpose Fund	
School Generated Funds	415,270
Other Special Purpose Funds	306,027
	721,297
Total Accumulated Surplus	12,314,846

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.

	2007
Prior year designated balances	$292,302
Board approved appropriation by motion	99,880
School budget carryovers by board policy	50,800
Designated surplus	459,982

14. ACCUMULATED SURPLUS (continued)

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

	2007
Bus reserves	$ 134,909
Other reserves	275,153
Capital Reserve	410,062

School Generated Funds and Other Special Purpose Funds are externally restricted moneys for school and (provide details of Other Special Purpose Funds) use.

	2007
Foundation - Scholarship	$ 0
Other	306,027
Other Special Purpose Funds	306,027

15. RESTATEMENT OF OPENING ACCUMULATED SURPLUS

Restatement of Opening Accumulated Surplus is comprised of:

	2007
Operating Fund	
Employee Future Benefits	0
Capital Fund	
Tangible Capital Assets & Accumulated Amortization	29,012,797
Special Purpose Fund	
School Generated Funds	386,730
Other Special Purpose Funds	244,088
	630,818
Total Restatement of Opening Accumulated Surplus	29,643,615

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

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

Education property tax or Special Levy is raised as the Division's contribution to the cost of providing public education for the students resident in the division. The Municipal Government-Property Tax shown on the consolidated revenue and expense is raised over the two calendar (tax) years; 45% from 2006 tax year and 55% from 2007 tax year. Below are the related revenue and receivable amounts:

	2007	2006
Revenue – Municipal Government – Property Tax	$ 18,704,104	$ 17,906,271
Receivable – Due from Municipal – Property Tax	$ 10,311,264	$ 10,172,946

17. INTEREST RECEIVED AND PAID

The Division received interest during the year of $213,029 (previous year $323,845); interest paid during the year was $1,743,364 (previous year $1,450,782).

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

	2007
Operating Fund	
Fiscal-short term loan, interest and bank charges	$ 10,245
Capital Fund	
Debenture interest	1,733,119
Other interest	0
	$ 1,743,364

The accrual portion of debenture debt interest expense of $ 491,417 included under the Capital Fund-Debenture debt interest, is offset by an accrual of the debt servicing grant from the Province of Manitoba.

RAPPORT DE LA DIRECTION

La responsabilité de la direction pour la préparation des états financiers

Les états financiers consolidés de la Division scolaire franco-manitobaine qui accompagnent ce rapport sont la responsabilité de la direction et ont été préparés conformément à la législation, et selon les principes comptables généralement reconnus du Canada tel qu'établis par le Conseil sur la comptabilité dans le secteur public de l'Institut des comptables agréés du Canada. Le sommaire des principales politiques comptables est compris à la note 3 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 de vérification interne conçu pour offrir une assurance raisonnable que les actifs sont protégés, que les transactions sont dûment autorisées et comptabilisées conformément aux exigences législatives et réglementaires et que des données financières fiables sont disponibles en temps opportun pour la préparation des états financiers consolidés. Ces systèmes sont surveillés et évalués par la direction.

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

Les états financiers consolidés ont été vérifiés par BDO Dunwoody s.r.l., des vérificateurs externes indépendants, nommés par la commission scolaire. Le rapport des vérificateurs élabore leurs responsabilités, l'étendue de leur examen et leur opinion sur les états financiers consolidés de la division scolaire.

président secrétaire-trésorier

le 27 septembre 2007

|BDO

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RAPPORT DES VÉRIFICATEURS

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

(conformément aux dispositions du paragraphe 41(11) de la *Loi sur les écoles publiques*)

Nous avons vérifié les états consolidés de la situation financière de la **Division scolaire franco-manitobaine** (la «division scolaire») au 30 juin 2007 et les états consolidés des recettes, dépenses et de l'excédent accumulé, du changement de la dette nette et de l'évolution des liquidités pour l'exercice terminé à cette date. La responsabilité de ces états financiers incombe à la direction de la division scolaire. Notre responsabilité consiste à exprimer une opinion sur ces états financiers en nous fondant sur notre vérification.

Notre vérification a été effectuée conformément aux normes de vérification généralement reconnues du Canada. Ces normes exigent que la vérification soit planifiée et exécutée de manière à fournir l'assurance raisonnable que les états financiers sont exempts d'inexactitudes importantes. La vérification comprend le contrôle par sondages des informations probants à l'appui des montants et des autres éléments d'information fournis dans les états financiers. Elle comprend également l'évaluation des principes comptables suivis et des estimations importantes faites par la direction, ainsi qu'une appréciation de la présentation d'ensemble des états financiers.

À notre avis, ces états financiers donnent, à tous égards importants, une image fidèle de la situation financière de la division scolaire au 30 juin 2007 ainsi que les résultats de son exploitation et de ses flux de trésorerie pour l'exercice terminé à cette date selon les principes comptables généralement reconnus du Canada.

De plus, à notre avis, les autres états et annexes, en autant qu'ils se rattachent aux états financiers ci haut mentionné, présentent fidèlement l'information supplémentaire contenu par ces annexes.

BDO Dunwoody s.r.l.

Comptables agréés

Winnipeg (Manitoba)
le 27 septembre 2007

ÉTAT CONSOLIDÉ DE LA SITUATION FINANCIÈRE

au 30 juin

Notes			2007	2006 (voir la note 2)
	Actif financier			
	Encaisse et fonds en banque		-	-
	Placements à court terme		115,147	-
	Sommes recevables	- du gouvernement du Manitoba	4,070,971	3,543,482
		- du gouvernement fédéral	544,764	609,267
14		- de l'administration municipale	7,593,358	6,073,240
		- d'autres divisions scolaires	24,189	134,166
		- des Premières nations	-	-
	Comptes clients		143,766	173,948
	Revenu de placements à recevoir		-	-
	Autres placements		-	
			12,492,195	10,534,103
	Passif			
5	Découverts		9,418,301	12,094,554
	Comptes fournisseurs		2,165,082	2,217,755
	Charges à payer		490,994	392,655
6	Avantages sociaux à venir		186,649	-
	Intérêts courus à payer		1,020,893	-
	Sommes payables	- au gouvernement du Manitoba	171,766	231,225
		- au gouvernement fédéral	1,717,424	1,637,584
		- à l'administration municipale	12,893	57,059
		- à d'autres divisions scolaires	193,512	203,507
		- aux Premières nations	-	-
7	Revenus reportés		208,475	198,004
9	Dette obligatoire		30,104,524	24,708,850
10	Autres emprunts		1,706,765	1,025,323
8	Passif des fonds générés par les écoles		216,541	
			47,613,819	42,766,516
	Dette nette		(35,121,624)	(32,232,413)
	Actif non financier			
11	Immobilisations corporelles nettes (État des IC)		40,542,014	63,486,577
	Inventaires		-	-
	Charges payées d'avance		63,135	31,444
			40,605,149	63,518,021
12	**Excédent accumulé**		5,483,525	31,285,608

ÉTAT CONSOLIDÉ
DES RECETTES, DES CHARGES
ET DE L'EXCÉDENT ACCUMULÉ

For the Year Ended June 30

Notes		2007 Chiffres réels	2006 Chiffres réels (voir la note 2)
	Recettes		
	Gouvernement du Manitoba	41,180,813	38,895,763
	Gouvernement fédéral	1,613,511	582,963
14	Administration municipale - Taxe foncière	12,456,169	11,365,872
	- Autres	-	-
	Autres divisions scolaires	709,458	628,326
	Premières nations	-	-
	Organismes privés et particuliers	152,727	140,782
	Autres sources	176,000	312,278
	Fonds générés par les écoles	906,589	
	Autres fonds à fins spéciales	46,254	
		57,241,521	51,925,984
17	**Charges**		
	Enseignement ordinaire	27,274,579	26,041,356
	Services de soutien aux élèves	6,874,354	5,806,231
	Centres d'apprentissage pour adultes	-	-
	Éducation et services communautaires	611,837	135,269
	Administration de la division	1,753,877	1,857,049
	Services pédagogiques et autres serv. de soutien	1,438,797	2,226,725
	Transport des élèves	4,952,040	4,724,963
	Fonctionnement et entretien	5,507,758	4,867,841
15	Frais et taxes - Intérêts	3,038,470	2,059,426
16	- Autres	755,042	733,766
	Amortissement	1,342,351	
	Autres charges de capital	156,793	-
	Fonds générés par les écoles	885,077	
	Autres fonds à fins spéciales	44,856	
		54,635,831	48,452,626
	Excédent (Déficit) de l'exercice en cours	2,605,690	3,473,358
	Excédent accumulé d'ouverture	31,285,608	27,812,250
13	Réévaluations : Imm. corp. et amortissements acc.	(28,506,060)	
	Autres immobilisations corporelles	98,287	0
	Excédent accumulé d'ouverture, réévalué	2,877,835	27,812,250
	Excédent accumulé de clôture	5,483,525	31,285,608

ÉTAT CONSOLIDÉ DU CHANGEMENT DE LA DETTE NETTE

pour l'exercice s'étant terminé le 30 juin 2007

Excédent (Déficit) de l'exercice en cours	2,605,690
Amortissement des immobilisations corporelles	1,342,351
Acquisition d'immobilisations corporelles	(6,903,848)
(Gain) Perte à la vente d'immobilisations corporelles	(0)
Produit de la vente d'immobilisations corporelles	-
	(5,561,497)
Inventaires – (Augmentation) Diminution	-
Charges payées d'avance – (Augmentation) Diminution	(31,691)
	(31,691)
(Augmentation) Diminution de la dette nette	(2,987,498)
Dette nette au début de l'exercice	(32,232,413)
Réévaluations : Autres que les immobilisations corporelles	98,287
Dete nette réévaluée, au début de l'exercice	(32,134,126)
Dette nette à la fin de l'exercice	(35,121,624)

ÉTAT CONSOLIDÉ DE L'ÉVOLUTION DES LIQUIDITÉS

pour l'exercice s'étant terminé le 30 juin 2007

Fonctionnement	
Excédent (Déficit) de l'exercice en cours	2,605,690
Éléments sans effet sur les liquidités inclus dans l'excédent (le déficit) de l'exercice en cours :	
Amortissement des immobilisations corporelles	1,342,351
(Gain) Perte à la liquidation des immobilisations corporelles	(0)
Augmentation (Diminution) des avantages sociaux à venir	186,649
Placements à court terme – (Augmentation) Diminution	(115,147)
Sommes recevables d'autres organismes – (Augmentation) Diminution	(1,873,127)
Comptes clients et recettes accumulées – (Augmentation) Diminution	30,182
Inventaires et charges payées d'avance – (Augmentation) Diminution	(31,691)
Sommes payables à d'autres organismes – Augmentation (Diminution)	(33,780)
Comptes fournisseurs et passif accumulé – Augmentation (Diminution)	1,066,559
Recettes reportées – Augmentation (Diminution)	10,471
Passif des fonds générés par les écoles – Augmentation (Diminution)	216,541
Réévaluations autres que celle des immobilisations corporelles	98,287
Liquidités issues des opérations du fonds d'adm. générale	3,502,985
Immobilisations	
Acquisition d'immobilisations corporelles	(6,903,848)
Produit de la vente d'immobilisations corporelles	-
Liquidités (appliquées aux) fournies par les opérations portant sur les imm.	(6,903,848)
Placements	
Autres placements – (Augmentation) Diminution	-
Liquidités fournies par (appliquées aux) opérations de placement	0
Financement	
Dette obligatoire – Augmentation (Diminution)	5,395,674
Autres emprunts – Augmentation (Diminution)	681,442
Liquidités fournies par (appliquées aux) opérations de financement	6,077,116
Encaisse et fonds en banque (Découverts) – (Augmentation) Diminution	2,676,253
Encaisse et fonds en banque (Découverts) au début de l'exercice	(12,094,554)
Encaisse et fonds en banque (Découverts) à la fin de l'exercice	(9,418,301)

Division scolaire franco-manitobaine

ÉTAT DES IMMOBILISATIONS CORPORELLES

au 30 juin 2007

	Immeubles et améliorations locatives – Écoles	Immeubles et améliorations locatives – Autres	Autobus scolaires	Autres véhicules	Mobilier / Accessoires et équipement	Matériel informatique et logiciels*	Terrains	Améliorations foncières	Immeubles en construction	Totaux
Coût des immobilisations corporelles										
Coût d'ouv., signalé antérieurement	55,890,655	-	-	-	1,274,398	-	6,321,524	-	-	63,486,577
Réévaluations	(13,073,525)	285,413	-	55,127	(664,249)	128,217	383,384	198,950	3,596,817	(9,089,866)
Coût d'ouverture, réévalué	42,817,130	285,413	-	55,127	610,149	128,217	6,704,908	198,950	3,596,817	54,396,711
Plus : Ajouts faits durant l'exercice	7,815,383	-	-	-	194,408	-	1,660,338	195,900	(2,962,180)	6,903,848
Moins : Liquidations et radiations	-	-	-	-	81,493	-	-	-	(0)	81,493
Coût de clôture	50,632,513	285,413	-	55,127	723,063	128,217	8,365,246	394,850	634,637	61,219,066
Amortissements cumulés										
Valeur d'ouv., signalée antérieurement	-	-	-	-	-	-	-	-	-	-
Réévaluations	18,591,164	285,413	-	45,813	446,430	47,374	-	-	-	19,416,194
Valeur d'ouverture, réévaluée	18,591,164	285,413	-	45,813	446,430	47,374	-	-	-	19,416,194
Plus : Amortissements : pér. courante	1,198,027	-	-	6,210	96,541	21,830	-	19,743		1,342,351
Moins : Amortissements cumulés sur les liquidations et les radiations	-	-	-	-	81,493	-	-	-	-	81,493
Amortissements cumulés de clôture	19,789,191	285,413	-	52,023	461,478	69,204	-	19,743	-	20,677,052
Immobilisations corporelles nettes	30,843,322	-	-	3,104	261,585	59,013	8,365,246	375,107	634,637	40,542,014
Produit de la vente d'immobilisations	-	-	-	-	-	-	-			-

*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 continuer son fonctionnement.

2. Chiffres comparatifs

La Division scolaire a adopté les normes de comptabilité prescrites par le Conseil sur la comptabilité dans le secteur public (le « CCSP ») au cours de l'exercice terminé le 30 juin 2007. Les normes ont été appliquées aux périodes antérieures avec un redressement cumulatif qui a été apporté à l'excédent accumulé d'ouverture présenté comme un retraitement dans l'état consolidé des recettes, des dépenses et de l'excédent accumulé. Les chiffres comparatifs de 2006 n'ont pas été retraités et sont présentés en conformité avec le manuel FRAME, les normes prescrites de comptabilité que la Division scolaire suivaient avant l'application des normes du CCSP.

3. Principales politiques comptables

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

Entité comptable et consolidation

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

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

Fonds en fiducie

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

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

Méthode de comptabilité

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

Comptabilité par fonds

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

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

Fonds générés par les écoles

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

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

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

Immobilisations corporelles

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

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

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

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

À l'exception des terrains, 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 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.

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.

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.

Tous les terrains acquis avant le 30 juin 2006 ont été évalués par la Crown Lands and Property Agency.

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 Association of School Trustees (MAST) - 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.

Utilisations des prévisions

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

Instruments financiers

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

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

4. Conversion aux normes du CCSP

À compter de l'exercice financier 2006-2007, la Commission scolaire a adopté les principes comptables généralement reconnus du CCSP. Tel qu'il est expliqué à la note 2, les chiffres comparatifs inclus dans ces états financiers n'ont pas été retraités afin d'assurer la conformité aux normes de comptabilité adoptées pour l'exercice financier courant.

Les changements suivants ont été mis en œuvre afin d'assurer la conformité aux normes du CCSP :

i. Les immobilisations corporelles ont été retraitées et amorties selon leur durée économique pour refléter leur valeur comptable nette. L'amortissement des immobilisations corporelles et le gain ou la perte à la liquidation des immobilisations sont constatés dans l'état consolidé des recettes, des dépenses et de l'excédent accumulé.

ii. Le fonds d'administration générale, le fonds de capital et d'emprunt et le fonds à fins spéciales sont consolidés dans les états financiers. Le fonds à fins spéciales fut créé afin d'inclure les fonds générés par les écoles et les œuvres de bienfaisance contrôlés par la Division scolaire.

iii. Le passif pour avantages sociaux futurs fut établi pour comptabiliser l'engagement de la Division scolaire à payer à ses employés les avantages sociaux futurs acquis.

iv. Les intérêts courus à payer ont été établis afin de comptabiliser les charges courues des intérêts sur la dette obligatoire et autres emprunts depuis le dernier paiement. Un montant équivalent est présenté comme somme recevable de la Province afin de compenser les intérêts courus à payer sur la dette obligatoire.

5. Découverts

La Division a autorisé des marges de crédit sous forme de découverts bancaires auprès de la Banque de Montréal pour des sommes de 13 500 000 $ pour le financement d'activités et de 12 500 000 $ pour le financement de projets d'immobilisations, sommes qui sont remboursables sur demande au taux préférentiel de la banque moins 0,5 % et dont l'intérêt est payé mensuellement. Les découverts comprennent des sommes pour projets d'immobilisations totalisant environ 3 735 000 $ 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.

6. Avantages sociaux futurs

La Division scolaire participe à un régime de retraite à cotisations déterminées administré par l'Association des commissaires d'écoles du Manitoba - Manitoba Association of School Trustees (MAST). 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 MAST, 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. Aucun passif découlant du régime de retraite n'est présenté dans les états financiers.

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 2007 se chiffre à 351 975 $ (374 376 $ en 2006).

7. 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 2006	Montants reçus au cours de l'exercice	Constatés au cours de l'exercice	Solde au 30 juin 2007
	$	$	$	$
Parlons petite enfance	59 054	-	10 509	48 545
Coalition petite enfance	67 750	251 469	211 446	107 773
Bébé en santé	7 528	61 800	56 901	12 427
C.T.I.	32 763	35 100	30 029	37 834
Manitoba Text Book Bureau	30 909	240 654	271 563	-
Autres	-	3 000	1 104	1 896
	198 004	592 023	581 552	208 475

8. 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 216 541 $ présentés au poste des découverts dans l'état consolidé de la situation financière.

9. Dette obligatoire

La dette obligatoire de la Division scolaire se présente sous la forme d'obligations de 20 ans acquittables, capital et intérêts, en 20 versements annuels égaux et arrivant à échéance à diverses dates de 2007 à 2027. Le remboursement du capital et des intérêts est entièrement financé par des subventions de la Province du Manitoba. Les obligations portent des taux d'intérêt variant de 4,875 % à 12,25 %. La dépense liée aux intérêts courus sur la dette obligatoire au 30 juin 2007 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
	$	$
2008	1 875 940	2 016 223
2009	1 934 312	1 858 744
2010	1 799 509	1 698 312
2011	1 693 670	1 556 108
2012	1 612 115	1 429 786
	8 915 546	8 559 173

10. Autres emprunts

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

	2007	2006
	$	$
Amélioration du rendement énergétique	1 486 541	1 025 323
Contrats de location-acquisition	220 224	-
	1 706 765	1 025 323

Les emprunts pour l'amélioration du rendement énergétique portent des intérêts au taux préférentiel de la banque moins 0,5 % arrivant à échéance en 2009, et les versements mensuels sont de 9 969 $, principal et intérêts. Les garanties sont un contrat de sûreté en plus d'une résolution d'emprunt.

Les contrats de location-acquisition pour les photocopieuses et voitures portent des intérêts à des taux allant de 4,08 % à 9,85 % par année, assortis d'échéances qui vont de 2008 à 2014 et d'un paiement mensuel global d'environ 8 677 $, principal et intérêts. Ces emprunts sont garantis par un contrat de location-acquisition.

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

	Principal	Intérêts
	$	$
2008	170 862	52 890
2009	157 872	43 603
2010	144 787	35 346
2011	134 391	27 789
2012	133 296	20 668
	741 208	180 296

11. Immobilisations corporelles nettes

L'état des immobilisations corporelles, qui est inclus à la page 23 des états financiers vérifiés, donne la ventilation des coûts, amortissements cumulés et valeurs comptables nettes par catégorie. Le montant des intérêts capitalisés au cours de l'exercice terminé le 30 juin 2007 et inclus au poste immeubles en construction s'élève à 257 283 $ (néant en 2006).

12. Excédents accumulés

Les excédents accumulés consolidés comprennent les éléments suivants au 30 juin 2007 :

	2007
	$
Fonds d'administration générale	
Excédent désigné	-
Excédent non désigné	192 057
	192 057
Fonds de capital	
Comptes de réserve de capital	-
Avoir propre dans les immobilisations corporelles	4 998 085
	4 998 085
Fonds à fins spéciales	
Fonds générés par les écoles	282 900
Autres fonds à fins spéciales	10 483
	293 383
Excédents accumulés consolidés	5 483 525

13. Retraitement de l'excédent d'ouverture accumulé

Le retraitement de l'excédent d'ouverture accumulé comprend les éléments suivants au 1 juillet 2006 :

	2006
	$
Fonds de capital	
Immobilisations corporelles	(9 089 866)
Amortissements cumulés	(19 416 194)
Dettes des équipements loués	(172 186)
	(28 678 246)
Fonds à fins spéciales	
Fonds générés par les écoles	261 388
Autres fonds à fins spéciales	9 085
	270 473
Total du retraitement de l'excédent d'ouverture accumulé	(28 407 773)

Le retraitement des postes notés ci-haut représentent les redressements sur exercices antérieurs pour l'excédent accumulé d'ouverture de l'exercice en cours. Ces redressements découlent de l'adoption des normes du CCSP.

14. 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 2006 et 60 % de l'année d'imposition 2007. Voici ci-dessous les recettes et les créances connexes à percevoir :

	2007	2006
	$	$
Recettes – Administration municipale – Impôt foncier	12 456 169	11 365 872
Sommes recevables auprès de l'administration municipale – Impôt foncier	7 593 358	6 073 240

15. Intérêts reçus et versés

La Division a reçu au cours de l'exercice des intérêts de 21 112 $ (exercice précédent 3 910 $); et a versé des intérêts de 3 038 470 $ (exercice précédent 2 059 426 $).

Voici les dépenses d'intérêts incluses aux postes frais et impôts pour l'exercice terminé le 30 juin 2007 :

	2007
	$
Fonds d'administration générale	
Frais et impôts – prêt à court terme, intérêts et frais bancaires	136 044
Fonds de capital	
Intérêts sur la dette obligatoire	2 803 823
Autres intérêts	98 603
	2 902 426
	3 038 470

La part cumulative des dépenses d'intérêts sur la dette obligatoire de 1 020 893 $ qui est incluse au poste Fonds de capital et d'emprunt - Intérêts sur la dette obligatoire, est contrebalancée par le montant cumulatif de la subvention pour le remboursement de la dette de la Province du Manitoba.

16. 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 2007 :

	2007
	$
Provision pour créances douteuses déduites des créances	39 245
Créances douteuses (incluses au poste frais et impôts)	39 245

17. 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 2007	Budget 2007	Chiffres réels 2006
	$	$	$
Salaires	33 684 752	33 240 764	32 192 154
Avantages sociaux et indemnités des employés	2 206 679	2 381 532	2 209 458
Services	9 740 019	9 883 946	8 992 534
Fournitures, matériel et petit équipement	2 598 589	2 519 486	2 070 549
Intérêts et frais bancaires	3 038 470	2 062 396	2 059 426
Créances douteuses	39 245	-	-
Impôt sur la paie	715 797	650 000	733 766
Transferts	183 203	137 249	194 739
Amortissements	1 342 351	-	-
Autres éléments de capital	156 793	-	-
Fonds générés par les écoles	885 077	-	-
Autres fonds à fins spéciales	44 856	-	-
	54 635 831	50 875 373	48 452 626

18. Éventualités

École Taché

La Division scolaire franco-manitobaine a inscrit dans son fonds de capital et d'emprunt les coûts liés à l'actif immobilisé de l'École Taché. La DSFM est en voie d'effectuer l'expropriation d'un terrain adjacent à l'École Taché. Les coûts engagés jusqu'à maintenant pour l'expropriation sont inscrits dans le fonds de capital et d'emprunt. Les coûts supplémentaires seront enregistrés au fonds de capital et d'emprunt dans l'année où ces coûts seront déterminés.

La Commission de l'évaluation foncière a déposé une décision en avril 2006 où elle prétendait confirmer certaines dépenses exigibles auprès de la DSFM. La DSFM a interjeté appel de cette décision devant la Cour d'appel du Manitoba. Il est impossible de déterminer les pertes ou les gains relativement à cette situation en ce moment. Si des pertes sont déclarées, les charges seront inscrites au cours de l'exercice dès qu'elles seront connues.

Autres

Au cours de l'exercice 2006-2007, la Division scolaire a été nommée dans une réclamation. Cette réclamation n'a présentement pas d'instance devant la Cour. Il est impossible de déterminer les pertes ou les gains relativement à cette situation en ce moment. Si des pertes sont déclarées, les charges seront inscrites au cours de l'exercice dès qu'elles seront connues.

19. Engagements contractuels

Des ententes pour le transport des élèves ont été conclues jusqu'à juin 2010. Les frais pour ces services se chiffrent à environ 4 500 000 $ par année.

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

20. Fonds en fiducie

La Division scolaire n'administre aucun fonds en fiducie.

21. 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 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 Collins Barrow independent external auditors appointed by the Board. The accompanying Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Division's consolidated financial statements.

Chairperson

Secretary-Treasurer

October 23, 2007

Collins Barrow

Chartered Accountants

401 Century Plaza
One Wesley Avenue
Winnipeg, Manitoba
R3C 4C6

T. 204.942.0221
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Auditors' Report

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

We have audited the Consolidated Statement of Financial Position for the Evergreen School Division as at June 30, 2007, and the Consolidated Statement of Revenue, Expenses, Consolidated Statement of change in Net Debt and Consolidated Statement of Cash Flow for the year ended June 30, 2007. These financial statements are the responsibility of the school division's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In common with many not for profit organizations, certain revenues are not susceptible to satisfactory audit verification for completeness. Accordingly, our verification of revenue for the special purpose fund was limited to the amounts recorded by the Division and we were not able to determine whether any adjustments might be necessary to revenue, current year surplus (deficit) and accumulated surplus.

In our opinion, except for the adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of revenue for the special purpose fund, as described in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the school division as at June 30, 2007 and the results of its operations and its cash flows for the year then ended in accordance with accepted accounting principles for school divisions in Manitoba as set out in notes 3 and 4 to the financial statements.

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

Winnipeg, Canada
October 23, 2007

Collins Barrow
CHARTERED ACCOUNTANTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2007	2006 (see Note 2)
	Financial Assets		
	Cash and Bank	-	-
6	Short Term Investments	99,669	-
	Due from - Provincial Government	577,847	252,267
	- Federal Government	122,982	81,902
14	- Municipal Government	2,833,716	2,825,701
	- Other School Divisions	-	-
	- First Nations	-	-
	Accounts Receivable	118,204	224,801
	Accrued Investment Income	1,991	-
	Other Investments	-	
		3,754,409	3,384,671
	Liabilities		
5	Overdraft	819,188	1,463,337
	Accounts Payable	547,969	329,610
	Accrued Liabilities	1,224,227	1,091,410
	Employee Future Benefits	-	-
	Accrued Interest Payable	319,750	-
	Due to - Provincial Government	-	-
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
7	Deferred Revenue	14,644	4,916
9	Debenture Debt	12,006,109	12,232,034
10	Other Borrowings	180,932	269,900
	School Generated Funds Liability	15,806	
		15,128,625	15,391,207
	Net Debt	(11,374,216)	(12,006,536)
	Non-Financial Assets		
11	Net Tangible Capital Assets (TCA Schedule)	14,445,929	22,233,438
	Inventories	-	-
	Prepaid Expenses	44,707	42,299
		14,490,636	22,275,737
12	**Accumulated Surplus**	3,116,420	10,269,201

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes		2007 Actual	2006 Actual (see Note 2)
	Revenue		
	Provincial Government	10,785,537	9,891,930
	Federal Government	-	1,469
14	Municipal Government - Property Tax	5,219,149	5,068,460
	- Other	-	-
	Other School Divisions	57,090	68,434
	First Nations	208,930	173,717
	Private Organizations and Individuals	140,079	143,790
	Other Sources	25,917	16,210
	School Generated Funds	275,250	
	Other Special Purpose Funds	20,499	
		16,732,451	15,364,010
	Expenses		
	Regular Instruction	7,996,890	7,839,946
	Student Support Services	2,107,970	1,774,050
	Adult Learning Centres	-	-
	Community Education and Services	193,919	204,208
	Divisional Administration	548,036	531,232
	Instructional and Other Support Services	422,078	607,650
	Transportation of Pupils	907,988	928,145
	Operations and Maintenance	1,762,827	1,756,033
15	Fiscal - Interest	1,148,281	753,077
	- Other	221,209	216,010
	Amortization	822,775	
	Other Capital Items	(3,000)	-
	School Generated Funds	262,953	
	Other Special Purpose Funds	13,050	
		16,404,976	14,610,351
	Current Year Surplus (Deficit)	327,475	753,659
	Opening Accumulated Surplus	10,269,201	9,515,542
	Restatements: Tangible Cap. Assets and Accum. Amort.	(7,679,702)	
13	Other than Tangible Cap. Assets	199,446	0
	Opening Accumulated Surplus, as restated	2,788,945	9,515,542
	Closing Accumulated Surplus	3,116,420	10,269,201

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2007

Current Year Surplus (Deficit)	327,475
Amortization of Tangible Capital Assets	822,775
Acquisition of Tangible Capital Assets	(714,968)
(Gain) / Loss on Sale of Tangible Capital Assets	(3,000)
Proceeds on Sale of Tangible Capital Assets	3,000
	107,807
Inventories (Increase)/Decrease	-
Prepaid Expenses (Increase)/Decrease	(2,408)
	(2,408)
(Increase)/Decrease in Net Debt	432,874
Net Debt at Beginning of Year	(12,006,536)
Restatements Other than Tangible Cap. Assets	199,446
Net Debt at Beginning of Year as Restated	(11,807,090)
Net Debt at End of Year	(11,374,216)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2007

Operating Transactions	
Current Year Surplus/(Deficit)	327,475
Non-Cash Items Included in Current Year Surplus/(Deficit):	
Amortization of Tangible Capital Assets	822,775
(Gain)/Loss on Disposal of Tangible Capital Assets	(3,000)
Employee Future Benefits Increase/(Decrease)	-
Short Term Investments (Increase)/Decrease	(99,669)
Due from Other Organizations (Increase)/Decrease	(374,675)
Accounts Receivable & Accrued Income (Increase)/Decrease	104,606
Inventories and Prepaid Expenses - (Increase)/Decrease	(2,408)
Due to Other Organizations Increase/(Decrease)	-
Accounts Payable & Accrued Liabilities Increase/(Decrease)	670,926
Deferred Revenue Increase/(Decrease)	9,728
School Generated Funds Liability Increase/(Decrease)	15,806
Restatements Other than Tangible Cap. Assets	199,446
Cash Provided by Operating Transactions	1,671,010
Capital Transactions	
Acquisition of Tangible Capital Assets	(714,968)
Proceeds on Sale of Tangible Capital Assets	3,000
Cash (Applied to)/Provided by Capital Transactions	(711,968)
Investing Transactions	
Other Investments (Increase)/Decrease	-
Cash Provided by (Applied to) Investing Transactions	0
Financing Transactions	
Debenture Debt Increase/(Decrease)	(225,925)
Other Borrowings Increase/(Decrease)	(88,968)
Cash Provided by (Applied to) Financing Transactions	(314,893)
Cash and Bank / Overdraft (Increase)/Decrease	644,149
Cash and Bank (Overdraft) at Beginning of Year	(1,463,337)
Cash and Bank (Overdraft) at End of Year	(819,188)

Evergreen School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2007

	Buildings and Leasehold Improvements		School	Other	Furniture / Fixtures &	Computer Hardware &		Land	Assets Under	
	School	Non-School	Buses	Vehicles	Equipment	Software *	Land	Improvements	Construction	Totals
Tangible Capital Asset Cost										
Opening Cost, as previously reported	18,886,774	404,676	2,094,460	175,204	505,146	-	167,178	-	-	22,233,438
Restatements	2,397,582	298,082	10,218	(1,100)	(239,161)	-	70,900	-	34,075	2,570,596
Opening Cost restated	21,284,356	702,758	2,104,678	174,104	265,985	-	238,078	-	34,075	24,804,034
Add: Additions during the year	265,944	-	-	-	17,312	-	-	-	431,712	714,968
Less: Disposals and write downs	-	-	42,576	-	-	-	-	-	-	42,576
Closing Cost	21,550,300	702,758	2,062,102	174,104	283,297	-	238,078	-	465,787	25,476,426
Accumulated Amortization										
Opening, as previously reported	-	-	-	-	-	-	-	-	-	-
Restatements	8,313,595	300,900	1,380,231	117,293	138,279	-	-	-	-	10,250,298
Opening restated	8,313,595	300,900	1,380,231	117,293	138,279	-	-	-	-	10,250,298
Add: Current period Amortization	607,245	18,634	137,475	25,620	33,801	-	-	-		822,775
Less: Accumulated Amortization on Disposals and Writedowns	-	-	42,576	-	-	-	-	-	-	42,576
Closing Accumulated Amortization	8,920,840	319,534	1,475,130	142,913	172,080	-	-	-	-	11,030,497
Net Tangible Capital Asset	12,629,460	383,224	586,972	31,191	111,217	-	238,078	-	465,787	14,445,929
Proceeds from Sale of Capital Assets	-	-	3,000	-	-	-	-			3,000

* Includes network infrastructure.

1. Nature of Organization and Economic Dependence

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

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. Comparative Figures

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. The 2006 comparative figures have not been restated and are presented in accordance with FRAME, the prescribed method of accounting that the Division followed prior to the 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 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

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.

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

e) Tangible Capital Assets

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

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

Asset Description	Capitalization Threshold ($)	Estimated Useful Life (years)
Land Improvements	25,000	10

Buildings - bricks, mortar and steel	25,000	40
Buildings - wood frame	25,000	25
School buses	20,000	10
Vehicles	10,000	5
Equipment	5,000	5
Network Infrastructure	25,000	10
Computer Hardware, Servers & Peripherals	5,000	4
Computer Software	10,000	4
Furniture and Fixtures	5,000	10
Leasehold Improvements	25,000	Over term of lease

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

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

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

3. Significant Accounting Policies - Continued

e) Tangible Capital Assets - continued

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

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

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

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

f) Employee Future Benefits

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

g) Capital Reserve

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

h) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities 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. As explained in Note 2, the comparative figures included in these financial statements have not been restated to conform to the accounting standards adopted for the current year.

The following changes have been implemented to comply with the PSAB standard:

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

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

ii. The Employee Future Benefits Liability was established to account for the Division's commitment to pay vested future benefits to its employees when the accruals can be determined with a reasonable degree of certainty or when their estimation is practicable. The Division applied this principal in prior years and consequently had no adjustment for the opening balances in the current year.

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

5. Overdraft

The Division has an authorized line of credit with The Gimli Credit Union Limited of $4,000,000.00 by way of overdrafts and is repayable on demand at prime less .875%; interest is paid monthly. $3,188,930 remains available on this line of credit. In addition, the Division has a line of credit with The Gimli Credit Union Limited of $2,000,000 by way of overdraft for a capital project totaling approximately $1,975,000 which will be submitted to PSFB for debenture funding. $1,842,060 remains available on this line of credit.. Overdrafts are secured by a temporary borrowing by-law.

6. Short Term Investments

Short term investments consist of deposit certificates that mature within one year. Investment income earned during the year was $3,847.

7. Deferred Revenue

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

8. School Generated Funds Liability

School Generated Funds Liability represents the non-controlled portion of school generated funds consolidated in the cash and bank balances in the amount of $15,806.

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 1987 to 2027. 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, 2007, 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
2008	$ 539,889	$ 761,655	$1,301,544
2009	617,877	802,214	1,420,091
2010	639,704	760,511	1,400,215
2011	682,150	718,065	1,400,215
2012	707,540	672,685	1,380,225
	$3,187,160	$3,715,130	$6,902,290

10. Other Borrowings

Other borrowings are debts other than overdrafts or debentures. This includes loans to purchase school buses.

School bus loan has 6.25% interest per annum, due in 2009 and a monthly payment of $8,808 including principal and interest. This loan is secured by way of a borrowing By-law.

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

	Principal	Interest	Total
2008	$ 97,143	$ 8,557	$ 105,700
2009	83,789	2,374	86,163
	$ 180,932	$ 10,931	$ 191,863

11. Net Tangible Capital Assets

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

	Gross Amount	Accumulated Amortization	2007 Net Book Value
Owned-tangible capital assets	$25,476,426	$11,030,497	$14,445,929
Capital lease	-	-	-
	$25,476,426	$11,030,497	$14,445,929

12. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2007	2006
Operating Fund		
Designated Surplus	$ 431,148	$ 309,277
Undesignated Surplus	472,666	592,921
	903,814	902,198
Capital Fund		
Reserve Accounts	433,064	164,328
Equity in Tangible Capital Assets	1,560,350	9,202,675
	1,993,414	9,367,003
Special Purpose Fund		
School Generated Funds	69,726	
Other Special Purpose Funds	149,466	
	219,192	-
Total Accumulated Surplus	$ 3,116,420	$10,269,201

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 moneys for school use, Scholarship Awards and donations for school projects.

13. Restatement of Opening Accumulated Surplus

Restatement of Opening Accumulated Surplus is comprised of:

	2007
Operating Fund	
Employee Future Benefits	$ -
Capital Fund	
Tangible Capital Assets	2,570,596
Accumulated Amortization	10,250,298
	(7,679,702)
Special Purpose Fund	
School Generated Funds	57,428
Other Special Purpose Funds	142,018

	199,446
Total Restatement of Operating Accumulated Surplus	$(7,480,256)

Restatements of the above accounts are prior period cumulative adjustments to the opening balance of the accumulated surplus of the current period. These adjustments are the result of adopting PSAB standards.

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

Education property tax or Special Levy is raised as the Division's contribution to the cost of providing public education for the 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; 44% from 2006 tax year and 56% from 2007 tax year. Below are the related revenue and receivable amounts:

	2007	2006
Revenue-Municipal Government-Property Tax	$5,219,149	$5,068,460
Receivable-Due from Municipal-Property Tax	$2,833,716	$2,825,701

15. Interest Received and Paid

The Division received interest during the year of $25,917 (previous year $16,210); interest paid during the year was $1,148,281(previous year $753,077).

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

	2007	2006
Operating Fund		
Fiscal-short term loan, interest and bank charges	$ 32,447	$ 27,625
Capital Fund		
Debenture debt interest	1,102,248	725,452
Other interest	13,586	
	$1,148,281	$ 753,077

The accrual portion of debenture debt interest expense of $319,304 included under the Capital Fund-Debenture debt interest, is offset by an accrual of the debt servicing grant from the Province of Manitoba.

16. 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 2007	Budget 2007	Actual 2006
Salaries	$10,379,998	$10,400,072	$10,029,362
Employees benefits and allowances	840,175	931,225	855,111
Services	1,538,442	1,553,165	1,515,997
Supplies, materials and minor equipment	1,129,114	1,214,329	1,183,834
Interest	1,148,281	832,944	753,077
Bad debts	-	-	-
Payroll tax	221,209	215,000	216,010
Transfers	51,979	75,500	56,960
Amortization	822,775		
(Gain) and disposal of capital assets	(3,000)		
School generated funds	262,953		
Other special purpose funds	13,050		
	$16,404,976	$15,222,235	$14,610,351

17. Subsequent Events

Subsequent to June 30, 2007, debentures listed below have been received from the Province of Manitoba. These debentures cover the overdraft and account payable in the Capital Fund in addition to other project costs covered in the overdraft in the Operating Fund.

Debenture Date	By-Law	Debenture Amount
July 15, 2007	5/07	$ 281,500
July 15, 2007	6/07	117,300
September 30, 2007	7/07	649,800

18. Budget Figures and Non Financial Information

The 2007 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.

AUDITOR'S REPORT

To the Board of Trustees
Flin Flon School Division
Flin Flon, Manitoba

We have audited the Consolidated statements of Financial Position, Revenue, Expenses, and Accumulated Surplus, Change in Net Debt and Cash Flow of the Flin Flon School Division as at June 30, 2007 and for the year then ended. The consolidated financial statements include the operating, capital and special purpose funds.

These financial statements are the responsibility of the School Division's administration. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by administration, as well as evaluation the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the School Division as at June 30, 2007 and the results of its operations and the changes in its financial position for the year then ended, in accordance with generally accepted accounting principles.

Our examination also included supplemental schedules of revenue and expenditure details for the year ended June 30, 2007. In our opinion, supplemental schedules when considered in relation to the basic financial statements, present 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 Wall Pandya

Chartered Accountants

Flin Flon, Manitoba
November 1, 2007

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2007	2006 (see Note)
	Financial Assets		
	Cash and Bank	392,976	245,671
	Short Term Investments	-	-
	Due from - Provincial Government	111,701	136,573
	- Federal Government	-	-
	- Municipal Government	1,372,245	1,345,198
	- Other School Divisions	-	-
	- First Nations	32,487	-
	Accounts Receivable	185,804	361,274
	Accrued Investment Income	-	-
	Other Investments	-	
		2,095,213	2,088,716
	Liabilities		
	Overdraft	-	-
	Accounts Payable	93,177	67,544
	Accrued Liabilities	1,085,463	1,176,397
	Employee Future Benefits	-	-
	Accrued Interest Payable	-	-
	Due to - Provincial Government	-	-
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
8	Deferred Revenue	397,235	272,052
7	Debenture Debt	1,566,724	974,365
	Other Borrowings	-	710
	School Generated Funds Liability	141,069	
		3,283,668	2,491,068
	Net Debt	(1,188,455)	(402,352)
	Non-Financial Assets		
16	Net Tangible Capital Assets (TCA Schedule)	3,139,402	10,592,607
	Inventories	-	-
	Prepaid Expenses	23,795	75,179
		3,163,197	10,667,786
15	**Accumulated Surplus**	1,974,742	10,265,434

Flin Flon School Division

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes		2007 Actual	2006 Actual (see Note)
	Revenue		
	Provincial Government	7,527,767	7,404,209
	Federal Government	30,338	26,328
	Municipal Government - Property Tax	2,798,304	2,681,602
	- Other	-	-
	Other School Divisions	215,476	203,702
	First Nations	99,213	58,962
	Private Organizations and Individuals	322,753	634,840
	Other Sources	68,314	107,713
	School Generated Funds	416,032	
	Other Special Purpose Funds	-	
		11,478,197	11,117,356
	Expenses		
	Regular Instruction	6,209,580	6,699,359
	Student Support Services	1,770,936	1,347,442
	Adult Learning Centres	82,800	-
	Community Education and Services	10,750	5,000
	Divisional Administration	550,663	522,493
	Instructional and Other Support Services	293,449	503,063
	Transportation of Pupils	287,487	277,150
	Operations and Maintenance	1,656,786	1,656,912
10	Fiscal - Interest	99,642	84,377
	- Other	212,893	179,725
	Amortization	257,841	
	Other Capital Items	-	-
	School Generated Funds	429,666	
	Other Special Purpose Funds	-	
		11,862,493	11,275,521
	Current Year Surplus (Deficit)	(384,296)	(158,165)
	Opening Accumulated Surplus	10,265,434	10,423,599
	Restatements: Tangible Cap. Assets and Accum. Amort.	(7,920,030)	
17	Other than Tangible Cap. Assets	13,634	0
	Opening Accumulated Surplus, as restated	2,359,038	10,423,599
	Closing Accumulated Surplus	1,974,742	10,265,434

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2007

Current Year Surplus (Deficit)	(384,296)
Amortization of Tangible Capital Assets	257,841
Acquisition of Tangible Capital Assets	(724,666)
(Gain) / Loss on Sale of Tangible Capital Assets	-
Proceeds on Sale of Tangible Capital Assets	-
	(466,825)
Inventories (Increase)/Decrease	-
Prepaid Expenses (Increase)/Decrease	51,384
	51,384
(Increase)/Decrease in Net Debt	(799,737)
Net Debt at Beginning of Year	(402,352)
Restatements Other than Tangible Cap. Assets	13,634
Net Debt at Beginning of Year as Restated	(388,718)
Net Debt at End of Year	(1,188,455)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2007

Operating Transactions	
Current Year Surplus/(Deficit)	(384,296)
Non-Cash Items Included in Current Year Surplus/(Deficit):	
Amortization of Tangible Capital Assets	257,841
(Gain)/Loss on Disposal of Tangible Capital Assets	-
Employee Future Benefits Increase/(Decrease)	-
Short Term Investments (Increase)/Decrease	-
Due from Other Organizations (Increase)/Decrease	(34,662)
Accounts Receivable & Accrued Income (Increase)/Decrease	175,470
Inventories and Prepaid Expenses - (Increase)/Decrease	51,384
Due to Other Organizations Increase/(Decrease)	-
Accounts Payable & Accrued Liabilities Increase/(Decrease)	(65,301)
Deferred Revenue Increase/(Decrease)	125,183
School Generated Funds Liability Increase/(Decrease)	141,069
Restatements Other than Tangible Cap. Assets	13,634
Cash Provided by Operating Transactions	280,322
Capital Transactions	
Acquisition of Tangible Capital Assets	(724,666)
Proceeds on Sale of Tangible Capital Assets	-
Cash (Applied to)/Provided by Capital Transactions	(724,666)
Investing Transactions	
Other Investments (Increase)/Decrease	-
Cash Provided by (Applied to) Investing Transactions	0
Financing Transactions	
Debenture Debt Increase/(Decrease)	592,359
Other Borrowings Increase/(Decrease)	(710)
Cash Provided by (Applied to) Financing Transactions	591,649
Cash and Bank / Overdraft (Increase)/Decrease	147,305
Cash and Bank (Overdraft) at Beginning of Year	245,671
Cash and Bank (Overdraft) at End of Year	392,976

Flin Flon School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2007

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	Totals
	School	Non-School								
Tangible Capital Asset Cost										
Opening Cost, as previously reported	8,897,051	75,000	-	53,630	1,200,707	-	366,219	-	-	10,592,607
Restatements	(225,141)	298,249	-	1,000	(1,034,961)	-	12,894	-	-	(947,959)
Opening Cost restated	8,671,910	373,249	-	54,630	165,746	-	379,113	-	-	9,644,648
Add: Additions during the year	623,166	-	-	-	101,500	-	-	-	-	724,666
Less: Disposals and write downs	-	-	-	-	-	-	-	-	-	-
Closing Cost	9,295,076	373,249	-	54,630	267,246	-	379,113	-	-	10,369,314
Accumulated Amortization										
Opening, as previously reported	-	-	-	-	-	-	-	-	-	-
Restatements	6,599,880	305,854	-	39,210	27,127	-	-	-	-	6,972,071
Opening restated	6,599,880	305,854	-	39,210	27,127	-	-	-	-	6,972,071
Add: Current period Amortization	209,371	14,930	-	6,168	27,372	-	-	-		257,841
Less: Accumulated Amortization on Disposals and Writedowns		-	-	-	-	-	-	-	-	-
Closing Accumulated Amortization	6,809,251	320,784	-	45,378	54,499	-	-	-	-	7,229,912
Net Tangible Capital Asset	2,485,825	52,465	-	9,252	212,747	-	379,113	-	-	3,139,402
Proceeds from Sale 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: COMPARATIVE FIGURES

The Division adopted Public Sector Accounting Board (PSAB) standards during the 2006/2007 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 Revenues, Expenses and Accumulated Surplus. The 2006 comparative figures have not been restated and are presented in accordance with FRAME, the prescribed method of accounting that the Division followed prior to the implantation of PSAB.

3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a) Reporting Entity and Consolidation

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

b) Trust Funds

The Division administers a number of bursary and scholarship funds. These bursary and scholarship funds and their related expenses are not included in the consolidated financials statements as they are not owned or controlled by the Division. A schedule of trust funds is attached as part of the notes to the consolidated financial statements. (see Note # 11)

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	$ 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 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 cost relating to this plan are included in the Division's financial statements.

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

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

(i) Defined Contribution/Insured Benefit Plans

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

Support staff who 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 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 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 NO amounts 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 risk is minimal. The carrying amounts of the financial instruments approximate their carrying values, unless otherwise noted.

4. 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. As explained in Note 2, the comparative figures included in these financial statements have not been restated to conform to the accounting standards adopted for the current year.

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 Employees Future Benefit Liability was not required at June 30, 2007.

(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.

5. OVERDRAFT

The Division has an authorized revolving line of credit with the Royal Bank of Canada valued at $ 3,050,130. 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.

The Division was not in an overdraft position at June 30, 2007.

6. SHORT TERM INVESTMENTS

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

7. DEBENTURE DEBT

Issue	Interest Rate	Maturity Date	Balance June 30, 2007	Balance June 30, 2006
$ 62,000	8.375%	15/12/2013	**33,370.92**	36,782.46
$ 90,000	8.875%	30/09/2015	**58,881.55**	63,056.78
$ 74,000	6.125%	30/04/2019	**54,267.35**	57,276.45
$ 170,000	6.625%	31/01/2022	**145,344.17**	150,927.36
$ 563,500	5.375%	30/06/2025	**529,864.95**	547,122.60
$ 119,200	5.000%	28/02/2026	**115,595.08**	119,200.00
$ 257,100	4.875%	15/02/2027	**257,100.00**	.00
$ 372,300	5.125%	15/05/2027	**372,300.00**	.00
			$**1,566,724.02**	$ 974,365.65

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

2008	$ 58,349
2009	$ 61,773
2010	$ 65,406
2011	$ 69,263
2012	$ 73,356

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

8. DEFERRED REVENUE

Deferred Revenue valued at $ 397,235.21 at June 30, 2007 consists of the following:

a) Education Property Tax Credit is valued at $ 651,736.41 for Calendar 2007. $ 325,868.21 or 50% was taken into Revenue in the 2006/2007 school year for the period from January to June 30, 2007, while the remaining $ 325,868.20 relating to July through December 2007 was setup as Deferred Revenue at June 30, 2007 and will be taken into Revenue in the 2007/2008 school year.

b) Because of the change to PSAB effective the 2006/2007 financial reporting period, the purchase of playground equipment at McIsaac School Ecole McIsaac funded by the Playground Committee is considered to have been donated to the School. It is recorded on the Division’s books by debiting Capital Assets and crediting Deferred Revenue. The equipment is considered to have a useful life of 5 years. In each of the five years, one fifth of the value of the asset will be recorded as Revenue with an offsetting debit to Deferred Revenue. At the end of the five year time period, the asset 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 donation was $ 71,367.00.

9. 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 $ 42,063

(c) The employees and officers of the Flin Flon School Division who received compensation $50,000 or more are as follows:

Abbott, R.	Teacher	$ 57,345		Hyndman, M.	Teacher	$ 52,052
Anderson, T	Teacher	$ 62,364		Mack, D.	Vice-Principal	$ 75,816
Aune, L.	Teacher	$ 54,933		Halpin, G.	Teacher	$ 67,673
Baker. L.	Teacher	$ 53,073		Hill, R.	Teacher	$ 61,199
Ballantyne, T.	Teacher	$ 67,453		Larouche, M.	Teacher	$53,416
Beck, C.	Teacher	$ 56,730		Lindsay, S.	Teacher	$67,796
Bedford, B.	Teacher	$ 70,415		Joa, J.	Teacher	$ 68,800
Belfry, J.	Principal	$ 81,683		Kowal, S.	Teacher	$ 67,796
Bodnarus, D	Teacher	$ 73,220		Lytwyn, S	Teacher	$53,174
Bongfeldt, D.	Sec-Treas	$ 77,816		Ly, D.	Teacher	$54,486
Bortis, B.	Co Principal	$ 71,494		Minter, C.	Vice-Principal	$ 81,700
Chrupalo, B.	Teacher	$51,859		Reid, S.	Teacher	$ 67,938
Clark, J.	Principal	$ 87,351		Myden, G.	Teacher	$ 72,337
Clark, K.	Teacher	$ 70,657		Nagy, L.	Teacher	$ 62,793
Collins, A.	Teacher	$ 67,997		Nowosad, J.	Teacher	$ 67,670
Danielson, L.	Teacher	$ 67,796		Pauley, W.	Principal	$85,888
Danko, J.	Teacher	$ 67,796		Payne, S.	Teacher	$ 70,475
Davey, C.	Teacher	$ 67,654		Pettersen, C.	Teacher	$ 67,805
Doverspike, G.	Maint. SV	$ 60,041		Phelan, A.M.	Teacher	$ 67,512
Dufour, S.	Vice-Principal	$ 75,457		Power, S.	Teacher	$67,791
Fontaine, G.	Teacher	$ 65,205		Reagan, M.	Teacher	$ 68,003
Dumenko, J.	Teacher	$54,,603		Nychuk, M.	Teacher	$ 51,859
Garinger, A.	Teacher	$ 68,489		Slater, B.	Teacher	$ 70,657
Garmey, H	Teacher	$ 61,641	*	Garinger, S.	Teacher	$67,671
Gawiak, D.	Teacher	$ 71,026		Tardiff, J.	Teacher	$53,430
Grove, D.	Assist. Sup't	$ 86,249		Tremblay,N	Teacher	$ 62,821
Guthrie, T.	Teacher	$ 69,587		Rideout, T	Teacher	$54,653
Veitch, B.	Superintend't	$111,466		Walker, B.	Teacher	$67,441
Willetts, R	Teacher	$ 57,628		Woodward, K	Co-Principal	$71,494
Jedele, C	Teacher	$ 58,428		Myden, D.	Teacher	$ 67,671
Williams, C.	Teacher	$ 58,851		Perera, R.	Network Admin	$51,096
Wollenhaupt, D.	Teacher	$ 67,796		Whitehead, K	Teacher	$56,249
Willetts, R.	Teacher	$ 57,628		Smith, L.	Teacher	$52,558
Priddle, S.	Vice-Principal	$ 77,809				

The above salaries are based on the 2006 calendar year payroll information.

* Sandra Garinger is on secondment to the Department of Education and although her salary is paid by the division, it is subsequently recovered from Manitoba Education

10. FISCAL INTEREST

Fiscal interest is recorded at June 30, 2007 in the amount of $ 99,642. This is comprised of the following:

Interest on Short Term borrowing	$ 42,090
Interest on Debenture Debt	$ 57,552

11. 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:

		2007	**2006**
Bank Balance at Beginning	**$ 144,339**	$ 155,760	
Add:			
Contributions		**11,201**	9,764
Interest/Change In Investments		**5,795**	4,445
		161,335	169,969
Deduct: Scholarships Paid/Transferred		**(21,527)**	(25,630)
Ending Bank Balance		**139,808**	144,339
Deduct: Scholarships Payable		**(5,150)**	(18,500)
Add: Due (to) from Operating		**(6,710)**	13,239
Ending Fund Balance		**$ 127,948**	$ 139,078

12. JOINT VENTURE

Flin Flon School Division has entered into a joint venture agreement with Big Island Drive-In. Under the terms of the agreement, Flin Flon School Division has upgraded an existing theatre building and has purchased certain equipment to operate it as a movie theatre. The Big Island Drive-In for its part will operate the theatre in conjunction with the students as part of Business Education. The cost of upgrades and purchase of equipment, in the amount of $ 75,473, has been capitalized as addition to School Buildings and equipment, respectively. The continued decrease in student enrolment at the high school has resulted in a corresponding decrease to those students enrolled in the Business and Marketing program. As a result there were insufficient numbers in the program to offer the work experience in the Theatre for the 2006/2007 school year. The Big Island Drive-In attempted to run the theatre on its own with reduced showing in hopes of generating increased interest in the facility. It was unsuccessful and the business venture discontinued in the spring of 2007. A balance at June 30, 2007 for the equipment of $ 56,446 remains on the books as a capital asset, however, the liability on the operating balance sheet for future recovery of the equipment costs has been removed. The equipment will remain in the theatre for other use by the school.

13. BUDGET FIGURES

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

14. ALLOWANCE FOR DOUBTFUL ACCOUNTS

All receivables presented on the consolidated statement of financial position are net of an allowance for doubtful accounts. Below is the total allowance for doubtful accounts as at June 30, 2007:

	2007
Due from First Nations	$ 32,487
Bad Debts Expense (included in fiscal other)	$ 32,487

15. ACCUMULATED SURPLUS – JUNE 30, 2007

The **operating surplus at June 30, 2007 was $ 474,499**. $ 146,718 has been committed to balancing the 2007/2008 budget. In addition, $ 65,265 unexpended in the Information Technology area at June 30, 2007 has been carried forward into July/August 2007 as part of a major upgrade of the Division's computer system. Other carryovers of professional development and bulk budgets in accordance with Policy 7:9 are valued at $ 53,736, and if fully expended in the current year would reduce the surplus by a similar amount.

The Board of Trustees also approved a maximum of $ 50,000 to be expended from surplus to complete the interior renovations at Parkdale School. At June 30, 2007 approximately $ 20,000 remained to be expended on the project. This will reduce surplus also.

Taking into consideration all of the above items, the surplus at June 30, 2008 is estimated to be $188,780, or 1.7% of budgeted expenditures for the 2007/2008 school year. This is well below the 3% recommended by the Minister of Education. It also assumes that there will be no other unexpected expenditures in the current school year, and that all other operating accounts for the 2007/2008 school year will be on budget.

The accumulated surplus is comprised of the following:

	2007
Operating Fund	
Designated Surplus	$ 285,719
Undesignated Surplus	$ 188,780
Total Operating Fund	$ 474,499
Capital Fund	
Reserve Accounts	$ 0
Equity in Tangible Capital Assets	$1,500,243
Total Capital Fund	$1,500,243

Special Purpose Fund	
School Generated Funds	$ 0
Other Special Purpose Funds	$ 0
Total Special Purpose Fund	$ 0
Total Accumulated Assets	$ 1,974,742

16. 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	2007 Net Book Value
Owned-tangible Capital Assets	$ 10,369,314	$ 7,229,912	$ 3,139,402

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

17. OTHER THAN TANIGIBLE CAPITAL ASSETS

The schedule of Special Purpose Fund Schedule of Revenue, Expenses and Accumulated Surplus on page 26 of the audited financial statements represents the net amount of school generated funds revenue over school generated funds expenses. An amount of $ 13,634 was utilized from the previous years bank account to balance revenue and expenses for the 2007/2008 school year.

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

Chairperson

Secretary-Treasurer

October 12, 2007

MEYERS NORRIS PENNY LLP

AUDITOR'S REPORT

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

To the Board of Trustees
Fort La Bosse School Division

We have audited the consolidated statement of financial position of the Fort La Bosse School Division as at June 30, 2007 and the consolidated statements of revenue, expenses, and accumulated surplus, change in net debt and cash flow for the year then ended. These consolidated financial statements are the responsibility of the Division's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly in all material respects, the financial position of the School Division as at June 30, 2007 and the results of its operations and cash flow for that fiscal year in accordance with Canadian generally accepted accounting principles.

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

Meyers Norris Penny LLP
AUDITOR

Brandon, Manitoba
October 12, 2007

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2007	2006 (see Note)
	Financial Assets		
	Cash and Bank	-	-
	Short Term Investments	-	-
	Due from - Provincial Government	1,231,415	957,411
	- Federal Government	111,962	74,816
	- Municipal Government	2,661,793	2,644,389
	- Other School Divisions	-	-
	- First Nations	219,479	-
	Accounts Receivable	20,648	337,543
	Accrued Investment Income	-	-
6	Other Investments	89,307	
		4,334,604	4,014,159
	Liabilities		
5	Overdraft	2,156,956	2,594,754
	Accounts Payable	222,987	284,972
	Accrued Liabilities	77,685	73,928
	Employee Future Benefits	-	-
	Accrued Interest Payable	274,147	-
	Due to - Provincial Government	-	-
	- Federal Government	-	-
	- Municipal Government	20,207	20,318
	- Other School Divisions	-	-
	- First Nations	-	-
7	Deferred Revenue	549,420	433,592
8	Debenture Debt	8,644,198	8,976,007
	Other Borrowings	-	-
	School Generated Funds Liability	-	
		11,945,600	12,383,571
	Net Debt	(7,610,996)	(8,369,412)
	Non-Financial Assets		
9	Net Tangible Capital Assets (TCA Schedule)	11,526,806	21,432,282
	Inventories	34,596	44,224
	Prepaid Expenses	53,664	93,443
		11,615,066	21,569,949
10	**Accumulated Surplus**	4,004,070	13,200,537

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes		2007 Actual	2006 Actual (see Note)
	Revenue		
	Provincial Government	9,876,602	9,233,715
	Federal Government	-	-
	Municipal Government - Property Tax	4,737,627	4,652,346
	- Other	-	-
	Other School Divisions	14,300	11,700
	First Nations	757,855	744,120
	Private Organizations and Individuals	15,200	7,000
	Other Sources	91,818	50,626
	School Generated Funds	500,441	
	Other Special Purpose Funds	18,172	
		16,012,015	14,699,507
	Expenses		
	Regular Instruction	7,863,219	7,589,328
	Student Support Services	1,544,200	1,508,281
	Adult Learning Centres	-	-
	Community Education and Services	122,903	113,244
	Divisional Administration	501,999	546,022
	Instructional and Other Support Services	339,542	415,432
	Transportation of Pupils	1,160,128	1,153,356
	Operations and Maintenance	1,670,371	1,692,976
13	Fiscal - Interest	1,017,487	753,404
	- Other	211,737	206,285
	Amortization	750,592	
	Other Capital Items	(1,250)	208,670
	School Generated Funds	403,412	
	Other Special Purpose Funds	16,665	
		15,601,005	14,186,998
	Current Year Surplus (Deficit)	411,010	512,509
	Opening Accumulated Surplus	13,200,537	12,688,028
	Restatements: Tangible Cap. Assets and Accum. Amort.	(9,824,661)	
11	Other than Tangible Cap. Assets	217,184	0
	Opening Accumulated Surplus, as restated	3,593,060	12,688,028
	Closing Accumulated Surplus	4,004,070	13,200,537

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2007

Current Year Surplus (Deficit)	411,010
Amortization of Tangible Capital Assets	750,592
Acquisition of Tangible Capital Assets	(669,777)
(Gain) / Loss on Sale of Tangible Capital Assets	(1,250)
Proceeds on Sale of Tangible Capital Assets	1,250
	80,815
Inventories (Increase)/Decrease	9,628
Prepaid Expenses (Increase)/Decrease	39,779
	49,407
(Increase)/Decrease in Net Debt	541,232
Net Debt at Beginning of Year	(8,369,412)
Restatements Other than Tangible Cap. Assets	217,184
Net Debt at Beginning of Year as Restated	(8,152,228)
Net Debt at End of Year	(7,610,996)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2007

Operating Transactions	
Current Year Surplus/(Deficit)	411,010
Non-Cash Items Included in Current Year Surplus/(Deficit):	
Amortization of Tangible Capital Assets	750,592
(Gain)/Loss on Disposal of Tangible Capital Assets	(1,250)
Employee Future Benefits Increase/(Decrease)	-
Short Term Investments (Increase)/Decrease	-
Due from Other Organizations (Increase)/Decrease	(548,033)
Accounts Receivable & Accrued Income (Increase)/Decrease	316,895
Inventories and Prepaid Expenses - (Increase)/Decrease	49,407
Due to Other Organizations Increase/(Decrease)	(111)
Accounts Payable & Accrued Liabilities Increase/(Decrease)	215,919
Deferred Revenue Increase/(Decrease)	115,828
School Generated Funds Liability Increase/(Decrease)	-
Restatements Other than Tangible Cap. Assets	217,184
Cash Provided by Operating Transactions	1,527,441
Capital Transactions	
Acquisition of Tangible Capital Assets	(669,777)
Proceeds on Sale of Tangible Capital Assets	1,250
Cash (Applied to)/Provided by Capital Transactions	(668,527)
Investing Transactions	
Other Investments (Increase)/Decrease	(89,307)
Cash Provided by (Applied to) Investing Transactions	(89,307)
Financing Transactions	
Debenture Debt Increase/(Decrease)	(331,809)
Other Borrowings Increase/(Decrease)	-
Cash Provided by (Applied to) Financing Transactions	(331,809)
Cash and Bank / Overdraft (Increase)/Decrease	437,798
Cash and Bank (Overdraft) at Beginning of Year	(2,594,754)
Cash and Bank (Overdraft) at End of Year	(2,156,956)

Fort La Bosse School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2007

	Buildings and Leasehold Improvements		School	Other	Furniture / Fixtures &	Computer Hardware &		Land	Assets Under	
	School	Non-School	Buses	Vehicles	Equipment	Software *	Land	Improvements	Construction	Totals
Tangible Capital Asset Cost										
Opening Cost, as previously reported	18,109,307	303,903	2,447,974	52,556	153,542	-	365,000	-	-	21,432,282
Restatements	911,670	224,699	(756,943)	(34,963)	(73,239)	81,260	(138,985)	-	85,927	299,426
Opening Cost restated	19,020,977	528,602	1,691,031	17,593	80,303	81,260	226,015	-	85,927	21,731,708
Add: Additions during the year	114,463	-	242,554	33,060	157,418	11,981	-	-	110,301	669,777
Less: Disposals and write downs	-	-	-	-	-	-	-	-	-	-
Closing Cost	19,135,440	528,602	1,933,585	50,653	237,721	93,241	226,015	-	196,228	22,401,485
Accumulated Amortization										
Opening, as previously reported	-	-	-	-	-	-	-	-	-	-
Restatements	8,955,921	404,279	692,180	5,278	33,358	33,071	-	-	-	10,124,087
Opening restated	8,955,921	404,279	692,180	5,278	33,358	33,071	-	-	-	10,124,087
Add: Current period Amortization	509,008	15,639	178,282	6,824	31,215	9,624	-	-		750,592
Less: Accumulated Amortization on Disposals and Writedowns	-	-	-	-	-	-	-	-	-	-
Closing Accumulated Amortization	9,464,929	419,918	870,462	12,102	64,573	42,695	-	-	-	10,874,679
Net Tangible Capital Asset	9,670,511	108,684	1,063,123	38,551	173,148	50,546	226,015	-	196,228	11,526,806
Proceeds from Sale of Capital Assets	-	-	1,250	-	-	-	-			1,250

* Includes network infrastructure.

1. Nature of Organization and Economic Dependence

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

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

2. Comparative Figures

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. The 2006 comparative figures have not been restated and are presented in accordance with FRAME, the prescribed method of accounting that the Division followed prior to the 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 and the Fort La Bosse School Division Foundation Inc. controlled by the Division.

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

b) Basis of Accounting

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

c) Fund Accounting

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

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

d) School Generated Funds

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

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

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

e) Tangible Capital Assets

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

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

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

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

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

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

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

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

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

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

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

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

f) Employee Future Benefits

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

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

(i) Defined contribution/ insured benefit plans

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

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

g) Capital Reserve

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

h) Use of Estimates

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

i) Financial Instruments

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

4. Conversion to PSAB

Commencing with the 2006/07 fiscal year, the Board has adopted generally accepted accounting principles established by PSAB. As explained in Note 2, the comparative figures included in these financial statements have not been restated to conform to the accounting standards adopted for the current year.

The following changes have been implemented to comply with the PSAB standard:

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

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

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

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

5. Overdraft

The Division has an authorized line of credit with CIBC of $3,710,000 by way of overdrafts and is repayable on demand at prime less .5%; interest is paid monthly. Included in the overdraft are capital projects totaling approximately $110,000 which will be submitted to PSFB for debenture funding. Overdrafts are secured by borrowing by-law.

6. Other Investments

Other investments consist of guaranteed investment certificates that mature between 2007 and 2008. Other investments are recorded at the lower of cost or market. As at June 30, 2007, the cost of short term investments was $89,307; investment income earned during the year was $2,236.

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, 2006	Additions in the period	Revenue recognized In the period	Balance as at June 30, 2007
Local Government General Support Grant	80,978	83,447	80,978	83,447
Education Property Tax Credit	352,614	420,403	352,614	420,403
Donated Capital Assets		51,625	6,055	45,570
	433,592	555,475	439,647	549,420

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 2008 to 2027. Payment of principal and interest is funded entirely by grants from the Province of Manitoba. The debentures carry interest rates that range from 5.000% to 12.250%. Debenture interest expense payable as at June 30, 2007, 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
2008	750,482	614,500	1,364,982
2009	545,943	677,638	1,223,581
2010	486,859	551,211	1,038,070
2011	442,856	558,748	1,001,604
2012	399,138	592,450	991,588
	2,565,278	2,994,547	5,619,825

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	2007 Net Book Value
Owned-tangible capital assets	22,401,485	10,874,679	11,526,806
Capital Lease	0	0	0
	22,401,485	10,874,679	11,526,806

10. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2007
Operating Fund	
Designated Surplus	80,000
Undesignated Surplus	1,023,142
	1,103,142
Capital Fund	
Reserve Accounts	80,093
Equity in Tangible Capital Assets	2,500,307
	2,580,400
Special Purpose Fund	
School Generated Funds	220,422
Other Special Purpose Funds	100,106
	320,528
Total Accumulated Surplus	4,004,070

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.

	2007
Board approved appropriation by motion	80,000
School budget carryovers by board policy	0
Designated surplus	80,000

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.

	2007
Bus reserves	80,093
Other reserves	0
	80,093

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

	2007
Foundation Scholarship	100,106
Other	0
Other Special Purpose Funds	100,106

11. Restatement of Accumulated Surplus

Restatement of Opening Accumulated Surplus is comprised of:

	2007
Capital Fund	
Tangible Capital Assets	299,426
Accumulated amortization	(10,124,087)
Donated Assets	
Accumulated amortization of deferred revenue	(4,808)
	(9,829,469)
Special Purpose Fund	
School Generated Funds	123,393
Other Special Purpose Funds	98,599
	221,992
Total Restatement of Opening Accumulated Surplus	(9,607,477)

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

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 2006 tax year and 57% from 2007 tax year. Below are the related revenue and receivable amounts:

	2007	2006
Revenue-Municipal Government-Property Tax	4,737,627	4,652,346
Receivable-Due from Municipal-Property Tax	2,661,793	2,644,389

13. Interest Received and Paid

The Division received interest during the year of $1,470 (previous year $5,145); interest paid during the year was $1,017,487 (previous year $753,404).

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

	2007
Operating Fund	
Fiscal-short term loan, interest and bank charges	81,232
Capital Fund	
Debenture debt interest	936,057
Other interest	198
	1,017,487

The accrual portion of debenture debt interest expense of $274,146 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 2007	Budget 2007	Actual 2006
Salaries	9,818,187	9,782,975	9,600,387
Employee benefits & allowances	673,430	688,700	678,049
Services	1,462,994	1,382,546	1,468,112
Supplies, materials & minor equipment	1,107,849	1,198,008	1,176,800
Interest	1,017,487	63,000	753,404
Bad debts	0	0	0
Payroll tax	211,737	210,000	206,285
Tuition and transfers	139,902	124,700	95,291
Amortization	750,592		
Other capital items	(1,250)		208,670
School generated funds	403,412		
Other special purpose funds	16,665		
	15,601,005	13,449,929	14,186,998

MANAGEMENT REPORT

PS 1200.005-6 (Reference)

Management's Responsibility for the Financial Statements

The accompanying consolidated financial statements of Frontier School Division are the responsibility of the Division management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants. A summary of the significant accounting policies are described in Note 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 Deloitte independent external auditors appointed by the Board. The accompanying Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Division's consolidated financial statements.

____________________	______________________
Chairperson	Secretary-Treasurer

November 15, 2007
(Same date as Auditors' Report)

AUDITORS' REPORT

TO THE BOARD OF TRUSTEES
FRONTIER SCHOOL DIVISION

We have audited the following financial statements of Frontier School Division (the "Division") as at June 30, 2007 and for the year then ended:

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

These consolidated financial statements are the responsibility of the Division's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, the above mentioned financial statements present fairly, in all material respects, the financial position of the Division as at June 30, 2007 and the results of its operations and 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.

Our examination also included the statements presented on pages 3, 5 and 8 to 20. In our opinion, such supplemental exhibits and schedules when considered in relation to the basic financial statements, present fairly, in all material respects, the information shown therein.

Our opinion on these financial statements does not extend to any budget information contained there-in.

Deloitte & Touche LLP

Chartered Accountants

Winnipeg, Manitoba
November 15, 2007

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2007	2006 (see Note 2)
	Financial Assets		
	Cash and Bank	1,863,227	-
	Short Term Investments	-	-
	Due from - Provincial Government	3,796,490	1,600,508
	- Federal Government	2,617	-
	- Municipal Government	2,100,841	1,776,228
	- Other School Divisions	-	-
	- First Nations	599,444	-
	Accounts Receivable	11,451,399	10,820,684
	Accrued Investment Income	-	-
	Other Investments	-	
		19,814,018	14,197,420
	Liabilities		
	Overdraft	-	1,648,815
	Accounts Payable	11,807,578	7,929,287
	Accrued Liabilities	5,632,098	4,195,090
6	Employee Future Benefits	656,982	-
	Accrued Interest Payable	711,401	-
	Due to - Provincial Government	-	-
	- Federal Government	-	279,371
	- Municipal Government	-	-
	- Other School Divisions	419,052	-
	- First Nations	-	-
	Deferred Revenue	428,287	71,445
8	Debenture Debt	26,691,543	15,391,621
	Other Borrowings	-	-
	School Generated Funds Liability	324,617	
		46,671,558	29,515,629
	Net Debt	(26,857,540)	(15,318,209)
	Non-Financial Assets		
10	Net Tangible Capital Assets (TCA Schedule)	33,567,763	83,721,286
	Inventories	-	-
	Prepaid Expenses	270,229	153,260
		33,837,992	83,874,546
11	**Accumulated Surplus**	6,980,452	68,556,337

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes			2007 Actual	2006 Actual (see Note 2)
	Revenue			
	Provincial Government		40,981,998	38,897,326
	Federal Government		218,480	12,038,554
	Municipal Government	- Property Tax	3,130,992	2,444,233
		- Other	178,236	176,796
	Other School Divisions		6,500	5,850
	First Nations		46,023,215	29,142,964
	Private Organizations and Individuals		3,250,706	3,203,009
	Other Sources		910,180	771,723
	School Generated Funds		-	
	Other Special Purpose Funds		-	
			94,700,307	86,680,455
	Expenses			
	Regular Instruction		41,048,930	38,588,866
	Student Support Services		13,518,961	11,404,292
	Adult Learning Centres		1,651,662	1,516,324
	Community Education and Services		1,597,243	1,479,713
	Divisional Administration		5,689,683	4,547,463
	Instructional and Other Support Services		4,753,198	5,130,359
	Transportation of Pupils		6,429,911	6,021,391
	Operations and Maintenance		14,920,342	14,466,675
14	Fiscal	- Interest	2,118,157	1,183,470
		- Other	1,256,434	1,303,858
	Amortization		1,801,594	
	Other Capital Items		(2,843)	56,707
	School Generated Funds		20,551	
	Other Special Purpose Funds		-	
			94,803,823	85,699,118
	Current Year Surplus (Deficit)		(103,516)	981,337
	Opening Accumulated Surplus		68,556,337	67,575,000
	Restatements:	Tangible Cap. Assets and Accum. Amort.	(60,234,885)	
		Other than Tangible Cap. Assets	(1,237,484)	0
	Opening Accumulated Surplus, as restated		7,083,968	67,575,000
	Closing Accumulated Surplus		6,980,452	68,556,337

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2007

Current Year Surplus (Deficit)	(103,516)
Amortization of Tangible Capital Assets	1,801,594
Acquisition of Tangible Capital Assets	(11,899,173)
(Gain) / Loss on Sale of Tangible Capital Assets	(2,843)
Proceeds on Sale of Tangible Capital Assets	19,060
	(10,081,362)
Inventories (Increase)/Decrease	-
Prepaid Expenses (Increase)/Decrease	(116,969)
	(116,969)
(Increase)/Decrease in Net Debt	(10,301,847)
Net Debt at Beginning of Year	(15,318,209)
Restatements Other than Tangible Cap. Assets	(1,237,484)
Net Debt at Beginning of Year as Restated	(16,555,693)
Net Debt at End of Year	(26,857,540)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2007

Operating Transactions	
Current Year Surplus/(Deficit)	(103,516)
Non-Cash Items Included in Current Year Surplus/(Deficit):	
Amortization of Tangible Capital Assets	1,801,594
(Gain)/Loss on Disposal of Tangible Capital Assets	(2,843)
Employee Future Benefits Increase/(Decrease)	656,982
Short Term Investments (Increase)/Decrease	-
Due from Other Organizations (Increase)/Decrease	(3,122,656)
Accounts Receivable & Accrued Income (Increase)/Decrease	(630,715)
Inventories and Prepaid Expenses - (Increase)/Decrease	(116,969)
Due to Other Organizations Increase/(Decrease)	139,681
Accounts Payable & Accrued Liabilities Increase/(Decrease)	6,026,700
Deferred Revenue Increase/(Decrease)	356,842
School Generated Funds Liability Increase/(Decrease)	324,617
Restatements Other than Tangible Cap. Assets	(1,237,484)
Cash Provided by Operating Transactions	4,092,233
Capital Transactions	
Acquisition of Tangible Capital Assets	(11,899,173)
Proceeds on Sale of Tangible Capital Assets	19,060
Cash (Applied to)/Provided by Capital Transactions	(11,880,113)
Investing Transactions	
Other Investments (Increase)/Decrease	-
Cash Provided by (Applied to) Investing Transactions	0
Financing Transactions	
Debenture Debt Increase/(Decrease)	11,299,922
Other Borrowings Increase/(Decrease)	-
Cash Provided by (Applied to) Financing Transactions	11,299,922
Cash and Bank / Overdraft (Increase)/Decrease	3,512,042
Cash and Bank (Overdraft) at Beginning of Year	(1,648,815)
Cash and Bank (Overdraft) at End of Year	1,863,227

OPERATING FUND SCHEDULE OF FINANCIAL POSITION

as at June 30

	2007	2006
Financial Assets		
Cash and Bank	4,561,375	119,066
Short Term Investments	-	-
Due from - Provincial Government	1,751,153	1,600,508
- Federal Government	2,617	-
- Municipal Government	2,100,841	1,776,228
- Other School Divisions	-	-
- First Nations	599,444	-
- Other Funds		329,710
Accounts Receivable	11,292,119	10,817,771
Accrued Investment Income	-	
	20,307,549	14,643,283
Liabilities		
Overdraft	3,061,678	1,767,881
Accounts Payable	6,676,671	6,287,384
Accrued Liabilities	5,632,098	4,195,090
Employee Future Benefits	656,982	
Accrued Interest Payable	-	
Due to - Provincial Government	-	-
- Federal Government	-	279,371
- Municipal Government	-	-
- Other School Divisions	419,052	-
- First Nations	-	-
- Capital Fund	1,473,331	-
Deferred Revenue	428,287	71,445
Other Borrowings	-	-
	18,348,099	12,601,171
Net Financial Assets (Net Debt)	1,959,450	2,042,112
Non-Financial Assets		
Inventories	-	-
Prepaid Expenses	270,229	153,260
	270,229	153,260
Accumulated Surplus (Deficit)	2,229,679	2,195,372

OPERATING FUND
SCHEDULE OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

	2007 Actual	2007 Budget	2006 Actual
Revenue			
Provincial Government	38,417,906	37,309,276	37,201,284
Federal Government	218,480	-	12,038,554
Municipal Government - Property Tax	3,130,992	3,107,727	2,444,233
- Other	178,236	178,000	176,796
Other School Divisions	6,500	-	5,850
First Nations	46,023,215	47,340,321	29,142,964
Private Organizations and Individuals	3,250,706	3,496,926	3,203,009
Other Sources	606,655	491,430	693,835
	91,832,690	91,923,680	84,906,525
Expenses			
Regular Instruction	41,048,930	39,859,976	38,588,866
Student Support Services	13,518,961	14,994,345	11,404,292
Adult Learning Centres	1,651,662	1,650,510	1,516,324
Community Education and Services	1,597,243	1,556,734	1,479,713
Divisional Administration	5,689,683	5,542,081	4,547,463
Instructional and Other Support Services	4,753,198	5,100,431	5,130,359
Transportation of Pupils	6,429,911	6,471,988	6,021,391
Operations and Maintenance	14,920,342	14,847,615	14,466,675
Fiscal	1,590,341	1,500,000	1,559,695
	91,200,271	91,523,680	84,714,778
Current Year Surplus (Deficit)	632,419	400,000	191,747
Net Transfers from (to) Capital Fund	(400,000)	(400,000)	(200,000)
Transfers from Special Purpose Funds	-		
Net Current Year Surplus (Deficit)	232,419	0	(8,253)
Opening Accumulated Surplus (Deficit)	2,195,372		2,203,625
Restatements: Employee Future Benefits	(198,112)		
	-		-
Opening Accumulated Surplus (Deficit), as restated	1,997,260		2,203,625
Closing Accumulated Surplus (Deficit)	2,229,679		2,195,372

CAPITAL FUND SCHEDULE OF FINANCIAL POSITION

as at June 30

		2007	2006
Financial Assets			
Cash and Bank			-
Short Term Investments		-	-
Due from	- Provincial Government	2,045,337	-
	- Federal Government	-	-
	- Municipal Government	-	-
	- First Nations	-	-
	- Other Funds	1,473,331	-
Accounts Receivable		159,280	2,913
Accrued Investment Income		-	
		3,677,948	2,913
Liabilities			
Overdraft		-	-
Accounts Payable		5,130,907	1,641,903
Accrued Liabilities		-	-
Accrued Interest Payable		711,401	
Due to	- Provincial Government	-	-
	- Federal Government	-	-
	- Municipal Government	-	-
	- First Nations	-	-
	- Operating Fund	-	329,710
Deferred Revenue		-	
Debenture Debt		26,691,543	15,391,621
Other Borrowings		-	-
		32,533,851	17,363,234
Net Debt		(28,855,903)	(17,360,321)
Non-Financial Assets			
Net Tangible Capital Assets		33,567,763	83,721,286
Accumulated Surplus / Equity *		4,711,860	66,360,965
* Comprised of:			
Reserve Accounts		237,214	97,566
Equity in Tangible Capital Assets		4,474,646	66,263,399
		4,711,860	66,360,965

CAPITAL FUND
SCHEDULE OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

			2007	2006
Revenue				
Provincial Government				
Grants			-	-
Debt Servicing - Principal			844,578	768,409
- Interest			1,719,514	927,633
Federal Government			-	-
Municipal Government			-	-
Other Sources:				
Investment Income			-	-
Donations			-	-
Insurance Proceeds			-	-
		303,525		
			303,525	77,888
			2,867,617	1,773,930
Expenses				
Amortization			1,801,594	
Debenture Debt Interest			1,719,514	927,633
Other Interest			64,736	-
Other Capital Items			-	
Loss / (Gain) on Disposal of Capital Assets			(2,843)	56,707
			3,583,001	984,340
Current Year Surplus / (Deficit)			(715,384)	789,590
Net Transfers from (to) Operating Fund			400,000	200,000
Transfers from Special Purpose Fund			-	
Net Current Year Surplus (Deficit)			(315,384)	989,590
Opening Accumulated Surplus / Equity			66,360,965	65,371,375
Restatements:	Tangible Capital Assets and Accum. Amortization		(60,234,885)	
	Change in Capital Leases		(1,098,836)	
Opening Accumulated Surplus / Equity as restated			5,027,244	65,371,375
Closing Accumulated Surplus / Equity			4,711,860	66,360,965

Frontier School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2007

	Buildings and Leasehold Improvements		School	Other	Furniture / Fixtures &	Computer Hardware &		Land	Assets Under	Totals
	School	Non-School	Buses	Vehicles	Equipment	Software *	Land	Improvements	Construction	
Tangible Capital Asset Cost										
Opening Cost, as previously reported	64,987,028	8,023,470	2,691,689	196,860	6,597,029	-	1,225,210	-	-	83,721,286
Restatements	3,422,385	4,986,300	843,789	(196,860)	(5,741,543)	-	-	-	2,428,246	5,742,317
Opening Cost restated	68,409,413	13,009,770	3,535,478	-	855,486	-	1,225,210	-	2,428,246	89,463,603
Add: Additions during the year	3,723,647	45,352	608,354	-	182,755	-	-	-	7,339,065	11,899,173
Less: Disposals and write downs	143,281	30,000	57,668	-	-	-	-	-	-	230,949
Closing Cost	71,989,779	13,025,122	4,086,164	-	1,038,241	-	1,225,210	-	9,767,311	101,131,827
Accumulated Amortization										
Opening, as previously reported	-	-	-	-	-	-	-	-	-	-
Restatements	53,404,775	10,769,562	1,681,625	-	121,240	-	-	-	-	65,977,202
Opening restated	53,404,775	10,769,562	1,681,625	-	121,240	-	-	-	-	65,977,202
Add: Current period Amortization	1,179,907	172,407	319,501	-	129,779	-	-	-		1,801,594
Less: Accumulated Amortization on Disposals and Writedowns	143,281	28,200	43,251	-	-	-	-	-	-	214,732
Closing Accumulated Amortization	54,441,401	10,913,769	1,957,875	-	251,019	-	-	-	-	67,564,064
Net Tangible Capital Asset	17,548,378	2,111,353	2,128,289	-	787,222	-	1,225,210	-	9,767,311	33,567,763
Proceeds from Sale of Capital Assets	-	5,010	14,050	-	-	-	-			19,060

* Includes network infrastructure.

Frontier School Division

SCHEDULE OF CAPITAL RESERVE ACCOUNTS

For the Year Ended June 30, 2007

Fund Name >	**Buses**					**Totals**
Opening Balance, July 1, 2006	97,566	-	-	-	-	97,566
Additions: (Provide a description of each transaction)						
Transfer from Operations	400,000	-				400,000
						-
						-
						-
						-
						-
						-
						-
						-
Total Additions	400,000	-	-	-	-	400,000
Withdrawals: (Provide a description of each transaction)						
Move to general surplus	260,352	-				260,352
	-					-
						-
						-
						-
						-
						-
						-
						-
Total Withdrawals	260,352	-	-	-	-	260,352
Closing Balance, June 30, 2007	237,214	-	-	-	-	237,214

SPECIAL PURPOSE FUND
SCHEDULE OF FINANCIAL POSITION

as at June 30

	2007
Financial Assets	
Cash and Bank	363,530
Short Term Investments	-
Accrued Investment Income	-
Other Investments	-
	363,530
Liabilities	
School Generated Funds Liability	324,617
Accounts Payable	-
Accrued Liabilities	-
Due to Other Funds	-
Deferred Revenue	-
	324,617
Accumulated Surplus *	38,913
* Comprised of:	
School Generated Funds Accumulated Surplus	38,913
Other Funds Accumulated Surplus	-
	38,913

SPECIAL PURPOSE FUND
SCHEDULE OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

		2007
Revenue		
School Generated Funds		-
Other Funds		-
		-
		0
Expenses		
School Generated Funds		20,551
Other Funds		-
		-
		20,551
Current Year Surplus (Deficit)		(20,551)
Transfers (to) Operating Fund		-
Transfers (to) Capital Fund		-
Net Current Year Surplus (Deficit)		(20,551)
Opening Accumulated Surplus		-
Restatements:	School Generated Funds	59,464
	Other Funds	-
Opening Accumulated Surplus as restated		59,464
Closing Accumulated Surplus		38,913

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 by grants from the Province of Manitoba (Province), special levy on the property assessment included in the Division's boundaries, and funding from First Nation governments. The Division is exempt from income tax.

2. Comparative Figures

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. The 2006 comparative figures have not been restated and are presented in accordance with FRAME, the prescribed method of accounting that the Division followed prior to the 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 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.

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.

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 at $1,225,210

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. follows:

Asset Description	Estimated Useful Life (years)
Land Improvement	10
Building- brick, mortar and steel	40
Building – woodframe	25
School buses	10
Vehicles	5
Equipment	5
Network Infrastructure	10
Computer Hardware and Software	4
Furniture and 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 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.

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

(i) Defined contribution/ insured benefit plans

Frontier School Division established a future benefit liability for life insurance paid to retired employees

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

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

Frontier School Division has a Defined Benefit Pension Plan for non teaching employees. Employees and Frontier School Division currently contribute equal amounts (2006-2007: 6%, 2005-2006: 5%). The plan is evaluated using both the "Going Concern Valuation" and the "Solvency Valuation". The last review was on December 2005 and there was a surplus in the plan using both methods.

For the 2005 year, the Employees Contribution was $ 1,088,800; Frontier School Divisions contribution was $ 1,088,800 and the balance of the cost was covered through the "Allocation from Surplus" of $ 629,700

An update to 2007 is included in Appendix 1.

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.

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

h) Capital Reserve

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

i) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from the estimates. Changes in estimates are recorded in the accounting period in which these changes are determined.

j) Financial instruments

There are no significant terms and conditions related to financial instruments (cash, accounts receivable, investments, bank indebtedness, accounts payable and long-term debt) that may affect the amount, timing and certainty of future cash flows. The Division is exposed to a potential risk any time credit is granted. The carrying amounts of the financial instruments approximate their fair value, 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. As explained in Note 2, the comparative figures included in these financial statements have not been restated to conform to the accounting standards adopted for the current year.

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) Assets acquired under capital leases as well as the related obligations were capitalized.

(iii) 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

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

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

5. Overdraft

The Division has an authorized Line of Credit with The Royal Bank of $15,000,000 by way of overdrafts and is repayable on demand, interest is at prime less *.5%;* interest is calculated and charged monthly. Included in the overdrafts are capital projects, which will be submitted to funders totaling approximately $300,000. Overdrafts are secured by a Borrowing By-Law.

6. Employee Future Benefits

Employee future benefits are benefits earned by employees in the current period, but will not be paid out until future periods. Employee Future Benefits are comprised of future insurance payments to retired employees as well as the provision for teachers' special leave.

Employee Future Benefit Liabilities (EFBL)		2007
Retirees Insurance Plan	$	80,000
Superintendents Retirement		458,870
Special Leave Provision for Teachers		118,112
Grand Total	$	656,982

The defined benefit plan provided to non-teaching management staff is actuarially valuated every three years using a number of assumptions about future events, including, interest rates, wage and salary increases, and employee turnover and mortality to determine the accrued benefit obligation (includes any related interest owing). The most recent actuarial report was prepared on December 31, 2005. 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 6.5%. See Appendix 1.

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.

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.

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 $ 363,530, as follows:

	2007
Student Council Funds	$ 33,333
Travel Club/Arrangements	66,266
Graduation	38,363
Music Enhancement	55,530
Community Development	56,501
Other purposes:	74,623
Total	**324,617**

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 2007 to 2027. Payment of principal and interest is funded entirely by grants from the Province of Manitoba, except for the debenture debt on self-funded capital projects. The debentures carry interest rates that range from 4.875% to 11.75%. Debenture interest expense payable as at June 30, 2007, 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
2008	$1,564,106.08	$1,276,938.97	$2,841,045.05
2009	$1,470,630.76	$1,180,181.55	$2,650,812.31
2010	$1,391,652.25	$1,247,765.73	$2,639,417.98
2011	$1,308,209.69	$1,179,748.00	$2,487,957.69
2012	$1,234,513.72	$1,232,687.58	$2,467,201.30
	$6,969,112.50	$6,117,321.83	$13,086,434.33

The fair value of the debenture debt is approximately $ 16,266,542.

9. Other Borrowings

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

Capital lease loans on buses, satellite equipment and copiers have interest rates ranging from 3.6% to 7.27% per annum, due between 2008 to 2012 and a monthly payment of $36,939 principal and interest. These loans are secured by the assets to which the leases relate.

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

	Principal	Interest	Total
2008	$ 417,883	$ 60,873	$ 475,755
2009	358,541	36,474	395,015
2010	303,075	18,081	321,156
2011	139,816	4,025	143,841
2012	30,556	364	30,920
Total	$ 1,249,871	$ 119,817	$1,366,688

The fair value of Other Borrowings is approximately $ 1,251,753

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 asset class

	Gross Amount	Accumulated Amortization	2007 Net Book Value
Owned-tangible capital assets	$ 99,142,055	$ 66,193,129	$32,948,926
Capital lease	1,989,772	370,0935	1,618,837
	$ 101,131,827	$ 67,564,064	$33,567,763

11. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

		2007
Operating Fund		
Designated Surplus	$	
Undesignated Surplus		2,229,679
Capital Fund	$	
Reserve Accounts		237,214
Equity in Tangible Assets		4,474,646
Special Purpose Funds	$	
School Generated Funds		38,913
Total Accumulated Surplus	$	6,980,452

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.

		2007
Bus Reserves	$	237,214

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

12. Restatement of Opening Accumulated Surplus

Restatement of Opening Accumulated Surplus is comprised of:

		2007
Operating Fund	$	
Employee Future Benefits		198,112
Capital Fund	$	
Tangible Capital Assets		5,742,317
Capital lease change		(1,098,836)
Accumulated Amortization		(65,977,202)
Special Purpose Funds	$	
School Generated Funds		59,464
Total Restatement of Opening Surplus	$	(61,354,257)

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

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

Education property tax or Special Levy is raised as the Division's contribution to the cost of providing public education for the students resident in the division. The Municipal Government-Property Tax shown on the consolidated revenue and expense is raised over the two calendar (tax) years; 60% from 2006 tax year and 40% from 2007 tax year. Below are the related revenue and receivable amounts:

	2007	2006
Revenue-Municipal Government-Property Tax	$ 3,502,474	$ 2,838,981
Receivable- Due from Municipal-Property Tax	2,100,841	1,776,228

14. Interest Received and Paid

The Division received interest during the year of $2,099,846 (previous year $1,324,576); interest paid during the year was $2,118,157(previous year $1,183,470).

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

	2007
Operating Fund	
Fiscal-short term loan, interest and bank charges	$ 333,907
Capital Fund	
Debenture debt interest	$ 1,719,514
Other interest	$ 64,736
	$ 2,118,157

The accrual portion of debenture debt interest expense of $ 705,737 included under the Capital Fund-Debenture debt interest, is offset by an accrual of the debt servicing grant from the Province of Manitoba.

15. Expenses by object

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

	Actual 2007	Budget 2007	Actual 2006
Salaries	$ 58,705,943	$ 58,289,689	$ 55,750,646
Employees benefits & allowances	6,344,480	6,766,735	4,894,940
Services	13,402,602	14,009,616	12,746,217
Supplies, materials & minor equipment	6,955,034	7,766,309	6,225,864
Interest	333,907	200,000	255,837
Bad debts	-	-	-
Payroll tax	1,256,434	1,300,000	1,303,858
Amortization	1,801,594	-	-
Other capital items		-	-
School generated funds	20,551	-	-
Other special purpose funds	-	-	-
	$ 88,928,657	$ 88,332,349	$ 81,177,362

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Auditors' Report

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

We have audited the consolidated statement of financial position of **The Garden Valley School Division** as at June 30, 2007 and the consolidated statements of revenue, expenses and accumulated surplus, change in net debt and cash flow for the year then ended. These financial statements are the responsibility of the School Division's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly in all material respects, the financial position of the School Division as at June 30, 2007 and the results of its operations and its cash flows for the fiscal year then ended in accordance with Canadian generally accepted accounting principles.

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

BDO Dunwoody LLP

Chartered Accountants

Winnipeg, Manitoba
September 21, 2007

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2007	2006 (see Note 2)
	Financial Assets		
	Cash and Bank	-	-
3	Short Term Investments	25,000	31,646
	Due from - Provincial Government	983,760	380,767
	- Federal Government	109,427	221,629
	- Municipal Government	3,762,053	2,820,746
	- Other School Divisions	207,752	224,767
	- First Nations	-	-
	Accounts Receivable	34,711	51,747
	Accrued Investment Income	-	-
	Other Investments	-	
		5,122,703	3,731,302
	Liabilities		
5	Overdraft	241,765	2,035,720
	Accounts Payable	947,249	782,012
	Accrued Liabilities	33,339	52,540
6	Employee Future Benefits	53,288	-
	Accrued Interest Payable	525,615	-
	Due to - Provincial Government	109,615	108,635
	- Federal Government	1,287,142	1,207,531
	- Municipal Government	123,856	96,597
	- Other School Divisions	164,233	115,858
	- First Nations	-	-
7	Deferred Revenue	976,946	705,754
8	Debenture Debt	19,404,657	15,242,399
	Other Borrowings	-	-
	School Generated Funds Liability	-	
		23,867,705	20,347,046
	Net Debt	(18,745,002)	(16,615,744)
	Non-Financial Assets		
9	Net Tangible Capital Assets (TCA Schedule)	31,230,447	35,337,488
	Inventories	-	-
	Prepaid Expenses	72,574	63,691
		31,303,021	35,401,179
10	**Accumulated Surplus**	12,558,019	18,785,435

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes		2007 Actual	2006 Actual (see Note)
	Revenue		
	Provincial Government	19,918,458	16,987,148
	Federal Government	-	-
	Municipal Government - Property Tax	7,795,300	5,680,386
	- Other	-	-
	Other School Divisions	237,180	262,346
	First Nations	-	-
	Private Organizations and Individuals	15,000	14,644
	Other Sources	246,098	301,722
	School Generated Funds	230,437	
	Other Special Purpose Funds	-	
		28,442,473	23,246,246
	Expenses		
	Regular Instruction	15,612,852	13,865,769
	Student Support Services	4,079,362	3,146,123
	Adult Learning Centres	-	-
	Community Education and Services	33,087	28,518
	Divisional Administration	836,183	745,743
	Instructional and Other Support Services	674,257	861,651
	Transportation of Pupils	982,998	864,767
	Operations and Maintenance	2,255,228	1,892,117
13	Fiscal - Interest	1,614,996	770,183
	- Other	407,004	363,066
	Amortization	1,446,663	
	Other Capital Items	(55,493)	-
	School Generated Funds	233,820	
	Other Special Purpose Funds	-	
		28,120,957	22,537,937
	Current Year Surplus (Deficit)	321,516	708,309
	Opening Accumulated Surplus	18,785,435	18,077,126
	Restatements: Tangible Cap. Assets and Accum. Amort.	(6,635,831)	
11	Other than Tangible Cap. Assets	86,899	0
	Opening Accumulated Surplus, as restated	12,236,503	18,077,126
	Closing Accumulated Surplus	12,558,019	18,785,435

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2007

Current Year Surplus (Deficit)	321,516
Amortization of Tangible Capital Assets	1,446,663
Acquisition of Tangible Capital Assets	(3,975,453)
(Gain) / Loss on Sale of Tangible Capital Assets	(55,493)
Proceeds on Sale of Tangible Capital Assets	55,493
	(2,528,790)
Inventories (Increase)/Decrease	-
Prepaid Expenses (Increase)/Decrease	(8,883)
	(8,883)
(Increase)/Decrease in Net Debt	(2,216,157)
Net Debt at Beginning of Year	(16,615,744)
Restatements Other than Tangible Cap. Assets	86,899
Net Debt at Beginning of Year as Restated	(16,528,845)
Net Debt at End of Year	(18,745,002)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2007

Operating Transactions	
Current Year Surplus/(Deficit)	321,516
Non-Cash Items Included in Current Year Surplus/(Deficit):	
Amortization of Tangible Capital Assets	1,446,663
(Gain)/Loss on Disposal of Tangible Capital Assets	(55,493)
Employee Future Benefits Increase/(Decrease)	53,288
Short Term Investments (Increase)/Decrease	6,646
Due from Other Organizations (Increase)/Decrease	(1,415,083)
Accounts Receivable & Accrued Income (Increase)/Decrease	17,036
Inventories and Prepaid Expenses - (Increase)/Decrease	(8,883)
Due to Other Organizations Increase/(Decrease)	156,225
Accounts Payable & Accrued Liabilities Increase/(Decrease)	671,651
Deferred Revenue Increase/(Decrease)	271,192
School Generated Funds Liability Increase/(Decrease)	-
Restatements Other than Tangible Cap. Assets	86,899
Cash Provided by Operating Transactions	1,551,657
Capital Transactions	
Acquisition of Tangible Capital Assets	(3,975,453)
Proceeds on Sale of Tangible Capital Assets	55,493
Cash (Applied to)/Provided by Capital Transactions	(3,919,960)
Investing Transactions	
Other Investments (Increase)/Decrease	-
Cash Provided by (Applied to) Investing Transactions	0
Financing Transactions	
Debenture Debt Increase/(Decrease)	4,162,258
Other Borrowings Increase/(Decrease)	-
Cash Provided by (Applied to) Financing Transactions	4,162,258
Cash and Bank / Overdraft (Increase)/Decrease	1,793,955
Cash and Bank (Overdraft) at Beginning of Year	(2,035,720)
Cash and Bank (Overdraft) at End of Year	(241,765)

Garden Valley School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2007

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	Totals
	School	Non-School								
Tangible Capital Asset Cost										
Opening Cost, as previously reported	30,894,733	240,768	2,101,759	19,352	1,751,690	-	329,186	-	-	35,337,488
Restatements	6,642,749	770,134	(957,127)	12,848	(1,025,734)	52,032	1,282,789	-	7,301,585	14,079,276
Opening Cost restated	37,537,482	1,010,902	1,144,632	32,200	725,956	52,032	1,611,975	-	7,301,585	49,416,764
Add: Additions during the year	9,727,521	-	180,170	-	156,632	20,970	-	-	(6,109,840)	3,975,453
Less: Disposals and write downs	-	-	-	-	-	-	-	-	-	-
Closing Cost	47,265,003	1,010,902	1,324,802	32,200	882,588	73,002	1,611,975	-	1,191,745	53,392,217
Accumulated Amortization										
Opening, as previously reported	-	-	-	-	-	-	-	-	-	-
Restatements	19,266,537	529,864	602,357	13,460	279,756	23,133	-	-	-	20,715,107
Opening restated	19,266,537	529,864	602,357	13,460	279,756	23,133	-	-	-	20,715,107
Add: Current period Amortization	1,142,095	21,324	111,816	6,440	152,499	12,489	-	-		1,446,663
Less: Accumulated Amortization on Disposals and Writedowns	-	-	-	-	-	-	-	-	-	-
Closing Accumulated Amortization	20,408,632	551,188	714,173	19,900	432,255	35,622	-	-	-	22,161,770
Net Tangible Capital Asset	26,856,371	459,714	610,629	12,300	450,333	37,380	1,611,975	-	1,191,745	31,230,447
Proceeds from Sale of Capital Assets	55,493	-	-	-	-	-	-			55,493

* Includes network infrastructure.

1. Nature of Organization and Economic Dependence

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

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

2. Comparative Figures

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. The 2006 comparative figures have not been restated and are presented in accordance with FRAME, the prescribed method of accounting that the Division followed prior to the 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).

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	5,000	5 years
Network infrastructure	25,000	10 years
Computer hardware, servers, peripherals	5,000	4 years
Computer software	10,000	4 years
Furniture and fixtures	5,000	10 years
Leasehold improvements	25,000	Over term of lease

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

With the exception of land, 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.

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 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 Association of School Trustees (MAST) for administrative employees. Under this plan, specific fixed amounts are contributed by the Division each period for services rendered by the employees, matching employee contributions. No responsibility is assumed by the Division to make any further contribution.

Defined Benefit/Self-Insured Employee Future Benefit Plans

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

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.

4. Conversion to PSAB

Commencing with the 2006/07 fiscal year, the Board has adopted generally accepted accounting principles established by PSAB. As explained in Note 2, the comparative figures included in these financial statements have not been restated to conform to the accounting standards adopted for the current year.

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 debenture.

5. Bank Overdraft

The Division has an authorized line of credit with the Heartland Credit Union Ltd. of $11,200,000 by way of overdrafts and is repayable on demand. The various overdrafts bear interest at the bank's prime rate minus .50% and minus .625%; interest is paid monthly. Included in the overdraft are capital projects totalling approximately $1,168,578 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.

6. Employee Future Benefits

The Division sponsors a defined contribution pension plan, run by the Manitoba Association of School Trustees (MAST). 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 MAST pension plan has a specific percentage for the employees to contribute. The Division contributions equal the employee contributions to the plan. No pension liability is included in the financial statements.

The employee future benefit expense is a part of the Employee Benefits and Allowances expense account. The total pension expense for the 2007 year was $226,580 ($207,449 in 2006).

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, 2006	Additions in period	Revenue recognized in period	Balance as at June 30, 2007
Education Property Tax Credit (EPTC)	$ 705,754	$ 976,946	$ 430,547	$ 976,946

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 2008 to 2027. Payment of principal and interest is funded entirely by grants from the Province of Manitoba. The debentures carry interest rates that range from 5% to 12.125%. Debenture interest expense payable as at June 30, 2007, 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:

	Total
2008	$ 2,271,613
2009	2,206,622
2010	2,197,886
2011	2,180,537
2012	1,943,170
	$ 10,799,828

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 $78,596 (included in Assets under Construction in previous year $95,310).

10. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2007
Operating Fund	
Designated Surplus	$ 128,974
Undesignated Surplus	1,073,170
	$ 1,202,144
Capital Fund	
Reserve Accounts	$ 12,214
Equity in Tangible Capital Assets	11,260,145
	$ 11,272,359
Special Purpose Fund	
School Generated Funds	$ 83,516
Other Special Purpose Funds	-
	$ 83,516
Total Accumulated Surplus	$ 12,558,019

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:

	2007
Board approved appropriation by motion	$ 55,493
School budget carryovers by board policy	73,481
Designated surplus	$ 128,974

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.

	2007
Bus reserves	$ 12,214
Other reserves	-
Capital Reserve	$ 12,214

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

11. Restatement of Opening Accumulated Surplus

Restatement of Opening Accumulated Surplus is comprised of:

	2007
Capital Fund	
Tangible Capital Assets	$14,079,276
Accumulated Amortization	(20,715,107)
	(6,635,831)
Special Purpose Fund	
School Generated Funds	86,899
Other Special Purpose Funds	-
	86,899
Total Restatement of Opening Accumulated Surplus	$ (6,548,932)

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

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; 50% from 2006 tax year and 50% from 2007 tax year. Below are the related revenue and receivable amounts:

	2007	2006

Revenue – Municipal Government – Property Tax	$ 7,795,300	$ 5,680,386
Receivable – Due from Municipal – Property Tax	$ 3,762,053	$ 2,820,746

13. Interest Received and Paid

The Division received interest during the year of $1,587,009 (previous year $712,225); interest paid during the year was $1,089,381 (previous year $770,183).

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

	2007
Operating Fund	
Fiscal-short term loan, interest and bank charges	$ 81,200
Capital Fund	
Debenture interest	1,533,796
Other interest	-
	$ 1,614,996

The accrual portion of debenture debt interest expense of $525,615 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 2007	Budget 2007	Actual 2006
Salaries	$ 18,782,081	$ 18,830,600	$ 16,762,989
Employees benefits and allowances	1,445,061	1,284,625	1,262,886
Services	2,018,281	1,877,285	1,766,030
Supplies, materials & minor equipment	2,029,734	1,949,530	1,453,899
Interest	1,614,996	106,000	770,183
Payroll tax	407,004	325,000	363,066
Transfers	198,810	147,000	158,884
Amortization	1,446,663	-	-
Other capital items	(55,493)	-	-
School generated funds	233,820	-	-
Other special purpose funds	-	-	-
	$ 28,120,957	$ 24,520,040	$ 22,537,937

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 $128,974 at June 30, 2007 ($146,309 at June 30, 2006). The details of the Designated Surplus as disclosed at note 10 and page 5 of the audited financial statements

The school division has equipment lease agreements. Future annual minimum operating lease commitments as at June 30, 2007 are as follows:

2008	$ 25,720
2009	26,704
2010	13,598

16. Subsequent Events

Subsequent to year end, the Board of Trustees approved the purchase of land in Schanzenfeld, Manitoba for the construction of a future school for $240,000 subject to PSFB and financing approval.

Subsequent to year end, the Board of Trustees approved the purchase of a property in Winkler, Manitoba for the relocation of administrative offices for $1,900,000 subject to PSFB and financing approval.

HANOVER
SCHOOL DIVISION

October 19, 2007

Manitoba Education & Training
Schools' Finance Branch
511-1181 Portage Avenue
Winnipeg, MB
R3G 0T3

Attention: Mr. Steve Power

Dear Mr. Power:

Re: Management Report

Management's Responsibility for the Financial Statements

The accompanying consolidated financial statements of Hanover 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 judgement, 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 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 of internal control matters prior to their approval of the consolidated financial statements.

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

Chairperson – Ron Falk

Secretary-Treasurer – Henry J. Braun

HJB/sf

Encl.

"Hanover is a student-centred school division striving for excellence while developing skills and promoting values for a productive and wholesome life."

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,O Dunwoody LLP
Chartered Accountants
and Advisors

378 Main Street
Selkirk Manitoba Canada R1A 1T8
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Telefax: (204) 482-4969
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Auditors' Report

To the Chairperson and Board of Trustees of
Hanover School Division

We have audited the consolidated statement of financial position of **Hanover School Division** as at June 30, 2007 and the consolidated statement of revenue, expenses and accumulated surplus, change in net debt and cash flow for the year then ended. These financial statements are the responsibility of the School Division's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly in all material respects, the financial position of the School Division as at June 30, 2007 and the results of its operations and its cash flows for the fiscal year then ended in accordance with Canadian generally accepted accounting principles.

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

BDO Dunwoody LLP

Chartered Accountants

Selkirk, Manitoba
September 21, 2007

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2007	2006 (see Note 3)
	Financial Assets		
	Cash and Bank	-	-
*	Short Term Investments	10	10
	Due from - Provincial Government	1,559,163	1,790,007
	- Federal Government	133,073	68,102
	- Municipal Government	8,067,969	6,384,027
	- Other School Divisions	183	-
	- First Nations	-	-
	Accounts Receivable	206,275	158,008
	Accrued Investment Income	-	-
	Other Investments	-	
		9,966,673	8,400,154
	Liabilities		
*	Overdraft	879,064	1,603,075
	Accounts Payable	2,435,217	2,217,828
	Accrued Liabilities	2,150,248	2,639,613
*	Employee Future Benefits	102,444	-
	Accrued Interest Payable	800,957	-
	Due to - Provincial Government	271	163,018
	- Federal Government	5,028	6,851
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
*	Deferred Revenue	1,409,948	1,044,632
*	Debenture Debt	25,560,438	27,109,190
*	Other Borrowings	450,000	900,000
	School Generated Funds Liability	71,428	
		33,865,043	35,684,207
	Net Debt	(23,898,370)	(27,284,053)
	Non-Financial Assets		
*	Net Tangible Capital Assets (TCA Schedule)	33,055,260	62,034,394
	Inventories	177,071	121,440
	Prepaid Expenses	406,935	303,812
		33,639,266	62,459,646
*	**Accumulated Surplus**	9,740,896	35,175,593

Hanover School Division

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes		2007 Actual	2006 Actual (see Note 3)
	Revenue		
	Provincial Government	37,999,876	35,508,491
	Federal Government	-	-
	Municipal Government - Property Tax	13,816,180	10,671,320
	- Other	-	-
	Other School Divisions	230,346	197,904
	First Nations	-	-
	Private Organizations and Individuals	395,797	352,832
	Other Sources	113,860	89,001
	School Generated Funds	1,963,274	
	Other Special Purpose Funds	-	
		54,519,333	46,819,548
	Expenses		
	Regular Instruction	28,759,920	26,951,943
	Student Support Services	6,484,136	4,995,256
	Adult Learning Centres	-	-
	Community Education and Services	146,528	132,433
	Divisional Administration	1,282,669	1,162,008
	Instructional and Other Support Services	1,360,641	1,583,718
	Transportation of Pupils	2,542,821	2,318,777
	Operations and Maintenance	4,986,499	4,643,913
*	Fiscal - Interest	2,113,751	2,176,144
	- Other	734,363	698,808
	Amortization	1,962,868	
	Other Capital Items	(1,000)	-
	School Generated Funds	1,906,236	
	Other Special Purpose Funds	-	
		52,279,432	44,663,000
	Current Year Surplus (Deficit)	2,239,901	2,156,548
	Opening Accumulated Surplus	35,175,593	33,019,045
	Restatements: Tangible Cap. Assets and Accum. Amort.	(27,948,351)	
*	Other than Tangible Cap. Assets	273,753	0
	Opening Accumulated Surplus, as restated	7,500,995	33,019,045
	Closing Accumulated Surplus	9,740,896	35,175,593

* NOTE REQUIRED

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2007

Current Year Surplus (Deficit)	2,239,901
Amortization of Tangible Capital Assets	1,962,868
Acquisition of Tangible Capital Assets	(932,085)
(Gain) / Loss on Sale of Tangible Capital Assets	(1,000)
Proceeds on Sale of Tangible Capital Assets	1,000
	1,030,783
Inventories (Increase)/Decrease	(55,631)
Prepaid Expenses (Increase)/Decrease	(103,123)
	(158,754)
(Increase)/Decrease in Net Debt	3,111,930
Net Debt at Beginning of Year	(27,284,053)
Restatements Other than Tangible Cap. Assets	273,753
Net Debt at Beginning of Year as Restated	(27,010,300)
Net Debt at End of Year	(23,898,370)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2007

Operating Transactions	
Current Year Surplus/(Deficit)	2,239,901
Non-Cash Items Included in Current Year Surplus/(Deficit):	
Amortization of Tangible Capital Assets	1,962,868
(Gain)/Loss on Disposal of Tangible Capital Assets	(1,000)
Employee Future Benefits Increase/(Decrease)	102,444
Short Term Investments (Increase)/Decrease	-
Due from Other Organizations (Increase)/Decrease	(1,518,252)
Accounts Receivable & Accrued Income (Increase)/Decrease	(48,267)
Inventories and Prepaid Expenses - (Increase)/Decrease	(158,754)
Due to Other Organizations Increase/(Decrease)	(164,570)
Accounts Payable & Accrued Liabilities Increase/(Decrease)	528,981
Deferred Revenue Increase/(Decrease)	365,316
School Generated Funds Liability Increase/(Decrease)	71,428
Restatements Other than Tangible Cap. Assets	273,753
Cash Provided by Operating Transactions	3,653,848
Capital Transactions	
Acquisition of Tangible Capital Assets	(932,085)
Proceeds on Sale of Tangible Capital Assets	1,000
Cash (Applied to)/Provided by Capital Transactions	(931,085)
Investing Transactions	
Other Investments (Increase)/Decrease	-
Cash Provided by (Applied to) Investing Transactions	0
Financing Transactions	
Debenture Debt Increase/(Decrease)	(1,548,752)
Other Borrowings Increase/(Decrease)	(450,000)
Cash Provided by (Applied to) Financing Transactions	(1,998,752)
Cash and Bank / Overdraft (Increase)/Decrease	724,011
Cash and Bank (Overdraft) at Beginning of Year	(1,603,075)
Cash and Bank (Overdraft) at End of Year	(879,064)

Hanover School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2007

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	Totals
	School	Non-School								
Tangible Capital Asset Cost										
Opening Cost, as previously reported	50,600,241	1,839,946	5,635,902	-	3,401,664	-	556,641	-	-	62,034,394
Restatements	1,479,436	276,457	-	157,037	(2,144,029)	83,443	90,026	-	-	(57,630)
Opening Cost restated	52,079,677	2,116,403	5,635,902	157,037	1,257,635	83,443	646,667	-	-	61,976,764
Add: Additions during the year	186,551	-	489,595	-	40,827	-	-	-	215,112	932,085
Less: Disposals and write downs	-	-	44,164	-	31,011	-	-	-	-	75,175
Closing Cost	52,266,228	2,116,403	6,081,333	157,037	1,267,451	83,443	646,667	-	215,112	62,833,674
Accumulated Amortization										
Opening, as previously reported	-	-	-	-	-	-	-	-	-	-
Restatements	22,591,339	700,045	3,355,735	115,709	1,049,611	78,282	-	-	-	27,890,721
Opening restated	22,591,339	700,045	3,355,735	115,709	1,049,611	78,282	-	-	-	27,890,721
Add: Current period Amortization	1,410,772	35,857	434,413	18,145	61,116	2,565	-	-		1,962,868
Less: Accumulated Amortization on Disposals and Writedowns	-	-	44,164	-	31,011	-	-	-	-	75,175
Closing Accumulated Amortization	24,002,111	735,902	3,745,984	133,854	1,079,716	80,847	-	-	-	29,778,414
Net Tangible Capital Asset	28,264,117	1,380,501	2,335,349	23,183	187,735	2,596	646,667	-	215,112	33,055,260
Proceeds from Sale of Capital Assets	-	-	1,000	-	-	-	-			1,000

* Includes network infrastructure.

HANOVER SCHOOL DIVISION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2007

1. Nature of Organization and Economic Dependence

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

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

2. Comparative Figures

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. The 2006 comparative figures have not been restated and are presented in accordance with FRAME, the prescribed method of accounting that the Division followed prior to the 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).

Reporting Entity and Consolidation

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

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

Basis of Accounting

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

Fund Accounting

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

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

School Generated Funds

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

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

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

Tangible Capital Assets

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

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

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.

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

<u>Defined contribution plan</u>

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

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.

4. Conversion to PSAB

Commencing with the 2006/07 fiscal year, the Board has adopted generally accepted accounting principles established by PSAB. As explained in Note 2, the comparative figures included in these financial statements have not been restated to conform to the accounting standards adopted for the current year.

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. 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. Bank Overdraft

The Division has an authorized line of credit with Royal Bank of $ 23,000,000 by way of overdrafts and is repayable on demand at the bank's prime rate less .75%; interest is paid monthly. Overdrafts are secured by a borrowing by-law.

6. Employee Future Benefits

The Division sponsors a defined contribution pension plan, run by the Manitoba Association of School Trustees (MAST). 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 MAST pension plan has a specific percentage for the employees to contribute. The Division contributions equal the employee contributions to the plan. No pension liability is included in the financial statements.

The employee future benefit expense is a part of the Employee Benefits and Allowances expense account. It includes the Division's contribution of $560,334 in 2007.

Employee future benefits recorded as a liability represents vacation and sick leave payable for administrative employees.

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, 2006	Additions in period	Revenue recognized in period	Balance as at June 30, 2007
Education Property Tax Credit (EPTC)	$ 1,040,382	$ 3,524,870	$3,155,304	$1,409,948
Other	4 250	-	4,250	-
	$ 1,044,632	3,524,870	3,159,554	1,409,948

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 $ 113,017.

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, 2007 covers a period of twelve months from April 1, 2006 to March 31, 2007 with the difference in cash at June 30, 2007 and the net income for the year ending March 31, 2007 being booked to School

Funds liability.

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 instalments and maturing at various dates from 2007 to 2027. Payment of principal and interest is funded entirely by grants from the Province of Manitoba, except for the debenture debt on self-funded capital projects. The debentures carry interest rates that range from 5% to 12.25%. Debenture interest expense payable as at June 30, 2007, 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
2008	$ 3,518,501
2009	3,343,853
2010	3,206,488
2011	3,057,605
2012	2,812,298
	$ 15,938,744

10. Other Borrowings

Other borrowings are debts other than overdrafts or debentures. This includes a loan to purchase a new bus garage.

	2007	2006
Bus Garage loan	$ 450,000	$ 900,000

Bus garage loan has interest at prime less .75%, payable monthly. This loan is secured by way of a security agreement. The loan is payable in full on February 1,2008.

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).

12. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2007
Operating Fund	
Designated Surplus	0
Undesignated Surplus	2,557,801
	2,557,801
Capital Fund	
Reserve Accounts	0
Equity in Tangible Capital Assets	6,852,304
	6,852,304

Special Purpose Fund	
School Generated Funds	330,791
	330,791
Total Accumulated Surplus	9,740,896

13. Restatement of Opening Accumulated Surplus

Restatement of Opening Accumulated Surplus is comprised of:

	2007
Operating Fund	
Employee Future Benefits	0
Capital Fund	
Tangible Capital Assets	(57,630)
Accumulated Amortization	(27,890,721)
	(27,948,351)
Special Purpose Fund	
School Generated Funds	273,753
	273,753
Total Restatement of Opening Accumulated Surplus	(27,674,598)

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

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

Education property tax or Special Levy is raised as the Division's contribution to the cost of providing public education for the 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 2006 tax year and 60% from 2007 tax year. Below are the related revenue and receivable amounts:

	2007	2006
Revenue – Municipal Government – Property Tax	$ 16971,484	$ 13,241,019
Receivable – Due from Municipal – Property Tax	$ 8,067,969	$ 6,384,027

15. Interest Received and Paid

The Division received interest during the year of $ 6,683 (previous year $ 4,465); interest paid during the year was $ 2,113,751 (previous year $2,176,144).

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

		2007
Operating Fund		
Fiscal-short term loan, interest and bank charges	$	176,548
Capital Fund		
Debenture interest		1,937,203
Other interest		0
	$	2,113,751

The accrual portion of debenture debt interest expense of $ 800,957 included under the Capital Fund-Debenture debt interest is offset by an accrual of the debt servicing grant from the Province of Manitoba.

16. 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 2007	Budget 2007	Actual 2006
Salaries	$ 35,520,587	$35,308,119	$ 32,644,724
Employees benefits and allowances	2,623,936	2,595,359	2,379,357
Services	3,106,057	3,151,567	2,930,052
Supplies, materials & minor equipment	3,968,157	4,731,427	3,465,428
Interest	2,113,751	2,195,836	2,176,144
Bad debts	0	0	0
Payroll tax	734,363	760,000	698,808
Amortization	1,962,868	0	0
Transfers	344,477	255,625	368,487
Other capital items	(1,000)	0	0
School generated funds	1,906,236	0	0
Other special purpose funds	0	0	0
	$ 52,279,472	$ 48,997,933	$ 44,663,000

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

In accordance with Section 190.1 of The Public Schools Act, the Division is required to collect a special levy on behalf of la Division scolaire franco-manitobaine. As at June 30, 2007, the amount of this special levy was $ 113,845 (2006 - $102,895). These amounts are not included in the Division's consolidated financial statements.

18. Commitments

The school division has equipment lease agreements. Future annual minimum operating lease commitments as at June 30, 2007 are as follows:

2008	$ 324,958
2009	276,459
2010	228,934
2011	166,736
2012	30,275
Thereafter	5,857

19. Subsequent Events

Subsequent to June 30, 2007 the Division purchased a property for a new Administrative building in Steinbach at a price of $1.5 million. Additional renovations are planned to the property in the next year. Costs of the purchase and renovations wll be financed by a $2 million loan with the Royal Bank at a rate of 5.39%.

DARLENE A. DUFILY
Superintendent/CEO
204-467-5100

ROSS METCALFE
Assistant Superintendent
204-467-5100

AL LEIMAN
Secretary-Treasurer
204-467-5100

GLENDA McKIM
Student Services Administrator
204-467-5100

DEBBIE FLEURY
Transportation Supervisor
204-467-8730

PAT LENNOX
Maintenance Supervisor
204-467-8730

MANAGEMENT REPORT

Management's Responsibility for the Financial Statements

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

Chairperson

Secretary-Treasurer

October 5, 2007

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Auditors' Report

To the Chairperson and Board of Trustees of
Interlake School Division

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

We have audited the consolidated statement of financial position of **Interlake School Division** as at June 30, 2007 and the consolidated statement of revenues, expenses and accumulated surplus, change in net debt and cash flow for the year then ended. These financial statements are the responsibility of the School Division's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating overall financial statement presentation.

In our opinion, these financial statements present fairly in all material respects, the financial position of the School Division as at June 30, 2007 and the results of its operations for the fiscal year then ended in accordance with Canadian generally accepted accounting principles.

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

BDO Dunwoody LLP

Chartered Accountants

Selkirk, Manitoba
October 5, 2007

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2007	2006 (see Note 3)
	Financial Assets		
	Cash and Bank	-	-
*	Short Term Investments	10,293	-
	Due from - Provincial Government	1,219,803	305,854
	- Federal Government	51,396	77,455
	- Municipal Government	4,608,160	4,528,927
	- Other School Divisions	-	-
	- First Nations	-	-
	Accounts Receivable	34,786	21,494
	Accrued Investment Income	-	-
	Other Investments	-	
		5,924,438	4,933,730
	Liabilities		
*	Overdraft	1,688,278	1,893,540
	Accounts Payable	91,971	91,543
	Accrued Liabilities	269,798	911,947
*	Employee Future Benefits	748,654	-
	Accrued Interest Payable	239,456	-
	Due to - Provincial Government	-	-
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
*	Deferred Revenue	1,176,285	871,171
*	Debenture Debt	9,573,492	8,989,057
	Other Borrowings	-	-
	School Generated Funds Liability	226,149	
		14,014,083	12,757,258
	Net Debt	(8,089,645)	(7,823,528)
	Non-Financial Assets		
*	Net Tangible Capital Assets (TCA Schedule)	12,395,142	29,775,221
	Inventories	66,787	68,815
	Prepaid Expenses	61,368	64,997
		12,523,297	29,909,033
*	**Accumulated Surplus**	4,433,652	22,085,505

Interlake School Division

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes		2007 Actual	2006 Actual (see Note 3)
	Revenue		
	Provincial Government	19,351,089	18,891,437
	Federal Government	-	-
	Municipal Government - Property Tax	8,999,380	8,406,537
	- Other	-	-
	Other School Divisions	39,950	43,500
	First Nations	-	-
	Private Organizations and Individuals	187,301	228,129
	Other Sources	155,615	112,193
	School Generated Funds	623,795	
	Other Special Purpose Funds	-	
		29,357,130	27,681,796
	Expenses		
	Regular Instruction	15,186,214	15,023,879
	Student Support Services	4,285,210	3,530,701
	Adult Learning Centres	-	-
	Community Education and Services	96,858	93,627
	Divisional Administration	990,383	977,895
	Instructional and Other Support Services	985,041	1,313,803
	Transportation of Pupils	1,789,239	1,834,449
	Operations and Maintenance	3,091,346	2,946,948
*	Fiscal - Interest	654,178	626,452
	- Other	438,137	420,145
	Amortization	903,765	
	Other Capital Items	(3,102)	198,711
	School Generated Funds	661,554	
	Other Special Purpose Funds	-	
		29,078,823	26,966,610
	Current Year Surplus (Deficit)	278,307	715,186
	Opening Accumulated Surplus	22,085,505	21,370,319
	Restatements: Tangible Cap. Assets and Accum. Amort.	(18,045,780)	
*	Other than Tangible Cap. Assets	115,620	0
	Opening Accumulated Surplus, as restated	4,155,345	21,370,319
	Closing Accumulated Surplus	4,433,652	22,085,505

* NOTE REQUIRED

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2007

Current Year Surplus (Deficit)	278,307
Amortization of Tangible Capital Assets	903,765
Acquisition of Tangible Capital Assets	(1,569,466)
(Gain) / Loss on Sale of Tangible Capital Assets	-
Proceeds on Sale of Tangible Capital Assets	-
	(665,701)
Inventories (Increase)/Decrease	2,028
Prepaid Expenses (Increase)/Decrease	3,629
	5,657
(Increase)/Decrease in Net Debt	(381,737)
Net Debt at Beginning of Year	(7,823,528)
Restatements Other than Tangible Cap. Assets	115,620
Net Debt at Beginning of Year as Restated	(7,707,908)
Net Debt at End of Year	(8,089,645)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2007

Operating Transactions	
Current Year Surplus/(Deficit)	278,307
Non-Cash Items Included in Current Year Surplus/(Deficit):	
Amortization of Tangible Capital Assets	903,765
(Gain)/Loss on Disposal of Tangible Capital Assets	-
Employee Future Benefits Increase/(Decrease)	748,654
Short Term Investments (Increase)/Decrease	(10,293)
Due from Other Organizations (Increase)/Decrease	(967,123)
Accounts Receivable & Accrued Income (Increase)/Decrease	(13,292)
Inventories and Prepaid Expenses - (Increase)/Decrease	5,657
Due to Other Organizations Increase/(Decrease)	-
Accounts Payable & Accrued Liabilities Increase/(Decrease)	(402,265)
Deferred Revenue Increase/(Decrease)	305,114
School Generated Funds Liability Increase/(Decrease)	226,149
Restatements Other than Tangible Cap. Assets	115,620
Cash Provided by Operating Transactions	1,190,293
Capital Transactions	
Acquisition of Tangible Capital Assets	(1,569,466)
Proceeds on Sale of Tangible Capital Assets	-
Cash (Applied to)/Provided by Capital Transactions	(1,569,466)
Investing Transactions	
Other Investments (Increase)/Decrease	-
Cash Provided by (Applied to) Investing Transactions	0
Financing Transactions	
Debenture Debt Increase/(Decrease)	584,435
Other Borrowings Increase/(Decrease)	-
Cash Provided by (Applied to) Financing Transactions	584,435
Cash and Bank / Overdraft (Increase)/Decrease	205,262
Cash and Bank (Overdraft) at Beginning of Year	(1,893,540)
Cash and Bank (Overdraft) at End of Year	(1,688,278)

Interlake School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2007

	Buildings and Leasehold Improvements		School	Other	Furniture / Fixtures &	Computer Hardware &		Land	Assets Under	Totals
	School	Non-School	Buses	Vehicles	Equipment	Software *	Land	Improvements	Construction	
Tangible Capital Asset Cost										
Opening Cost, as previously reported	21,823,246	1,173,982	3,782,225	146,597	2,615,585	-	233,586	-	-	29,775,221
Restatements	(3,947,806)	(2)		37,230	(2,244,465)	-	(62,955)	-	-	(6,217,998)
Opening Cost restated	17,875,440	1,173,980	3,782,225	183,827	371,120	-	170,631	-	-	23,557,223
Add: Additions during the year	1,067,601	40,444	351,836	-	109,585	-	-	-	-	1,569,466
Less: Disposals and write downs	-	-	113,114	-	-	-	-	-	-	113,114
Closing Cost	18,943,041	1,214,424	4,020,947	183,827	480,705	-	170,631	-	-	25,013,575
Accumulated Amortization										
Opening, as previously reported	-	-	-	-	-	-	-	-	-	-
Restatements	8,990,237	229,733	2,340,211	74,415	193,186	-	-	-	-	11,827,782
Opening restated	8,990,237	229,733	2,340,211	74,415	193,186	-	-	-	-	11,827,782
Add: Current period Amortization	488,627	43,235	271,864	32,289	67,750	-	-	-		903,765
Less: Accumulated Amortization on Disposals and Writedowns	-	-	113,114	-	-	-	-	-	-	113,114
Closing Accumulated Amortization	9,478,864	272,968	2,498,961	106,704	260,936	-	-	-	-	12,618,433
Net Tangible Capital Asset	9,464,177	941,456	1,521,986	77,123	219,769	-	170,631	-	-	12,395,142
Proceeds from Sale of Capital Assets	-	-	-	-	-	-	-			-

* Includes network infrastructure.

INTERLAKE SCHOOL DIVISION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As at June 30, 2007

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. Comparative Figures

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. The 2006 comparative figures have not been restated and are presented in accordance with FRAME, the prescribed method of accounting that the Division followed prior to the implementation of PSAB.

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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 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 plan

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

Pension - No amounts are recorded in the financial statements for future pension costs. The Division participates in the Manitoba Association of School Trustees (MAST) Pension Plan for non-teaching employees. Contributions are made by the Division and each eligible employee. After two years of participating, contributions become vested. The Division pays the operating costs of the plan and investment management fees for the plan for all active employees. Contribution costs are calculated as a percentage of salary, which ranges from 9.0% to 11.65%, depending upon the employees age, less the employees contributions to the Canada Pension Plan in that particular year.

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

Life Insurance - The Division participates in the Manitoba Public School Employee Life Insurance Plan, underwritten by Canada Life. Costs for the compulsory 200% x salary coverage are shared equally by the employee and the Division. Expenses are recorded as incurred. No future obligation is recorded on the financial statements.

Defined benefit plan

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

Sick Leave Allowance - The Division offers a sick leave allowance to employees, of which unused days are accumulated to maximum of 85 – 115, depending upon the employee group. Employees with five years of continuous years 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.

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. Benefit costs are expensed as incurred. No future obligation is recorded on the financial statements.

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.

4. Conversion to PSAB

Commencing with the 2006/07 fiscal year, the Board has adopted generally accepted accounting principles established by PSAB. As explained in Note 2, the comparative figures included in these financial statements have not been restated to conform to the accounting standards adopted for the current year.

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. 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 revolving demand facility with South Interlake Credit Union of $8,000,000 by way of overdrafts. Overdrafts bear interest at Prime less 0.75% and are secured by a borrowing by-law supporting the facility

6. Employee Future Benefits

The Division sponsors a defined contribution pension plan, run by the Manitoba Association of School Trustees (MAST). 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 MAST pension plan has a specific percentage for the employees to contribute. The Division contributions equal the employee contributions to the plan. No pension liability is included in the financial statements. Employee benefits and allowances includes the Division's contribution of $316,650.

Employee future benefits recorded as a liability represents sick leave payable for eligible employees of $748,654.

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, 2006	Additions in period	Revenue recognized in period	Balance as at June 30, 2007
Education Property Tax Credit (EPTC)	$ 871,171	$ 2,502,734	$ 2,197,620	$ 1,176,285

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 $ 158,580.

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, 2007 covers a period of twelve months from April 1, 2006 to March 31, 2007 with the difference in cash at June 30, 2007 and the net income for the year ending March 31, 2007 being booked to School Funds liability.

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 instalments and maturing at various dates from 2007 to 2027. Payment of principal and interest is funded entirely by grants from the Province of Manitoba, except for the debenture debt on self-funded capital projects. The debentures carry interest rates that range from 5.00% to 12.125%. Debenture interest expense payable as at June 30, 2007, 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
2008	$ 1,178,466
2009	1,129,872
2010	1,110,655
2011	1,067,090
2012	978,140
	$ 5,464,223

10. Net Tangible Capital Assets

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

11. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2007
Operating Fund	
Designated Surplus	$ -
Undesignated Surplus	1,194,855
	1,194,855
Capital Fund	
Reserve Accounts	339,286
Equity in Tangible Capital Assets	2,821,650
	3,160,936
Special Purpose Fund	
School Generated Funds	77,861
Other Special Purpose Funds	-
	77,861
Total Accumulated Surplus	$ 4,433,652

12. Restatement of Opening Accumulated Surplus

Restatement of Opening Accumulated Surplus is comprised of:

	2007
Operating Fund	
Employee Future Benefits	-
Capital Fund	
Tangible Capital Assets	(6,217,998)
Accumulated Amortization	(11,827,782)
	(18,045,780)
Special Purpose Fund	
School Generated Funds	115,620
Other Special Purpose Funds	-
	115,620
Total Restatement of Opening Accumulated Surplus	(17,930,160)

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

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

Education property tax or Special Levy is raised as the Division's contribution to the cost of providing public education for the students resident in the division. The Municipal Government-Property Tax shown on the consolidated revenue and expense is raised over the two calendar (tax) years; 47% from 2006 tax year and 53% from 2007 tax year. Below are the related revenue and receivable amounts:

	2007	2006
Revenue – Municipal Government – Property Tax	$ 8,999,380	$ 8,406,537
Receivable – Due from Municipal – Property Tax	$ 4,608,160	$ 4,528,927

14. Interest Received and Paid

The Division received interest during the year of $46,123 (previous year $18,166); interest paid during the year was $654,178 (previous year $626,452).

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

	2007
Operating Fund	
Fiscal-short term loan, interest and bank charges	$ 44,544
Capital Fund	
Debenture interest	609,634
Other interest	-
	$ 654,178

The accrual portion of debenture debt interest expense of $ 239,456 included under the Capital Fund-Debenture debt interest is offset by an accrual of the debt servicing grant from the Province of Manitoba.

15. Expenses by object

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

2007	Actual 2007	Budget 2006	Actual
Salaries	$ 20,327,156	$20,541,826	$ 19,474,201
Employees benefits and allowances	1,430,406	1,470,830	1,469,551
Services	2,398,102	2,271,348	2,444,815
Supplies, materials & minor equipment	1,822,385	1,874,696	1,995,838
Interest	654,178	100,000	626,452
Bad debts	-	-	-
Payroll tax	438,137	440,000	420,145
Amortization	903,765	-	-
Transfers	446,242	368,300	336,897
Other capital items	-	-	-
Loss / (Gain) on disposal of capital assets	(3,102)	-	198,711
School generated funds	661,554	-	-
Other special purpose funds	-	-	-
	$ 29,078,823	$ 27,067,000	$ 26,966,610

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, 2007, the amount of this special levy was $10,810 (2006 - $3,248). These amounts are not included in the Division's consolidated financial statements.

17. Trust Funds

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

MANAGEMENT REPORT

Management's Responsibility for the Financial Statements

The accompanying consolidated financial statements of Kelsey School Division are the responsibility of the Division management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants. A summary of the significant accounting policies are described in Note 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 Haugen Morrish Angers, Chartered Accountants, independent external auditors appointed by the Board. The accompanying Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Division's consolidated financial statements.

Chairperson

Secretary-Treasurer

September 21, 2007

HAUGEN MORRISH ANGERS
CHARTERED ACCOUNTANTS

■ P.O. Box 1200, 334 Ross Avenue
The Pas, Manitoba R9A 1L2
■ Tel: (204) 623-5437
Fax: (204) 623-6390
1-800-663-2679

AUDITORS' REPORT

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

KELSEY SCHOOL DIVISION NO. 45

We have audited the consolidated statement of financial position of Kelsey School Division No. 45 as at June 30, 2007 and the consolidated statement of revenue, expenses and accumulated surplus, consolidated statement of change in net debt and the consolidated statement of cash flow for the year then ended. These financial statements are the responsibility of the school division's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Kelsey School Division No. 45 as at June 30, 2007 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

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

Haugen Morrish Angers

CHARTERED ACCOUNTANTS

The Pas, Manitoba
September 21, 2007

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2007	2006 (see Note 4)
	Financial Assets		
	Cash and Bank	-	-
	Short Term Investments	-	-
	Due from - Provincial Government	524,249	497,469
	- Federal Government	51,910	-
	- Municipal Government	1,600,244	2,126,195
	- Other School Divisions	6,825	-
	- First Nations	389,507	-
	Accounts Receivable	14,890	520,522
	Accrued Investment Income	-	-
	Other Investments	-	
		2,587,625	3,144,186
	Liabilities		
*	Overdraft	1,199,993	1,896,694
	Accounts Payable	589,144	622,216
	Accrued Liabilities	473,792	568,246
	Employee Future Benefits	-	-
	Accrued Interest Payable	-	-
	Due to - Provincial Government	-	-
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
*	Deferred Revenue	14,720	19,575
*	Debenture Debt	2,976,168	3,080,334
	Other Borrowings	-	-
	School Generated Funds Liability	48,695	
		5,302,512	6,187,065
	Net Debt	(2,714,887)	(3,042,879)
	Non-Financial Assets		
*	Net Tangible Capital Assets (TCA Schedule)	3,021,797	14,842,464
	Inventories	-	-
	Prepaid Expenses	40,179	24,673
		3,061,976	14,867,137
*	**Accumulated Surplus**	347,089	11,824,258

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes			2007 Actual	2006 Actual (see Note)
	Revenue			
	Provincial Government		12,086,775	11,298,789
	Federal Government		-	18,976
	Municipal Government	- Property Tax	3,303,642	3,144,439
		- Other	-	-
	Other School Divisions		6,825	-
	First Nations		164,090	166,735
	Private Organizations and Individuals		74,949	-
	Other Sources		95,876	88,591
	School Generated Funds		495,197	
	Other Special Purpose Funds		-	
			16,227,354	14,717,530
	Expenses			
	Regular Instruction		7,362,016	7,328,316
	Student Support Services		3,365,191	2,505,499
	Adult Learning Centres		478,327	435,091
	Community Education and Services		59,373	58,022
	Divisional Administration		557,741	504,408
	Instructional and Other Support Services		441,822	910,294
	Transportation of Pupils		465,775	465,347
	Operations and Maintenance		1,977,011	1,811,347
*	Fiscal	- Interest	362,969	297,469
		- Other	251,800	234,904
	Amortization		399,643	
	Other Capital Items		11,242	106,187
	School Generated Funds		468,478	
	Other Special Purpose Funds		-	
			16,201,388	14,656,884
	Current Year Surplus (Deficit)		25,966	60,646
	Opening Accumulated Surplus		11,824,258	11,763,612
*	Restatements:	Tangible Cap. Assets and Accum. Amort.	(11,681,062)	
*		Other than Tangible Cap. Assets	177,927	0
	Opening Accumulated Surplus, as restated		321,123	11,763,612
	Closing Accumulated Surplus		347,089	11,824,258

* NOTE REQUIRED

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2007

Current Year Surplus (Deficit)	25,966
Amortization of Tangible Capital Assets	399,643
Acquisition of Tangible Capital Assets	(260,038)
(Gain) / Loss on Sale of Tangible Capital Assets	-
Proceeds on Sale of Tangible Capital Assets	-
	139,605
Inventories (Increase)/Decrease	-
Prepaid Expenses (Increase)/Decrease	(15,506)
	(15,506)
(Increase)/Decrease in Net Debt	150,065
Net Debt at Beginning of Year	(3,042,879)
Restatements Other than Tangible Cap. Assets	177,927
Net Debt at Beginning of Year as Restated	(2,864,952)
Net Debt at End of Year	(2,714,887)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2007

Operating Transactions	
Current Year Surplus/(Deficit)	25,966
Non-Cash Items Included in Current Year Surplus/(Deficit):	
Amortization of Tangible Capital Assets	399,643
(Gain)/Loss on Disposal of Tangible Capital Assets	-
Employee Future Benefits Increase/(Decrease)	-
Short Term Investments (Increase)/Decrease	-
Due from Other Organizations (Increase)/Decrease	50,929
Accounts Receivable & Accrued Income (Increase)/Decrease	505,632
Inventories and Prepaid Expenses - (Increase)/Decrease	(15,506)
Due to Other Organizations Increase/(Decrease)	-
Accounts Payable & Accrued Liabilities Increase/(Decrease)	(127,526)
Deferred Revenue Increase/(Decrease)	(4,855)
School Generated Funds Liability Increase/(Decrease)	48,695
Restatements Other than Tangible Cap. Assets	177,927
Cash Provided by Operating Transactions	1,060,905
Capital Transactions	
Acquisition of Tangible Capital Assets	(260,038)
Proceeds on Sale of Tangible Capital Assets	-
Cash (Applied to)/Provided by Capital Transactions	(260,038)
Investing Transactions	
Other Investments (Increase)/Decrease	-
Cash Provided by (Applied to) Investing Transactions	0
Financing Transactions	
Debenture Debt Increase/(Decrease)	(104,166)
Other Borrowings Increase/(Decrease)	-
Cash Provided by (Applied to) Financing Transactions	(104,166)
Cash and Bank / Overdraft (Increase)/Decrease	696,701
Cash and Bank (Overdraft) at Beginning of Year	(1,896,694)
Cash and Bank (Overdraft) at End of Year	(1,199,993)

Kelsey School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2007

	Buildings and Leasehold Improvements		School	Other	Furniture / Fixtures &	Computer Hardware &		Land	Assets Under	Totals
	School	Non-School	Buses	Vehicles	Equipment	Software *	Land	Improvements	Construction	
Tangible Capital Asset Cost										
Opening Cost, as previously reported	12,719,899	-	881,373	36,731	897,179	-	307,282	-	-	14,842,464
Restatements	1,224,341	303,458	(277,895)	33,470	(753,234)	104,700	(111,069)	-	-	523,771
Opening Cost restated	13,944,240	303,458	603,478	70,201	143,945	104,700	196,213	-	-	15,366,235
Add: Additions during the year	15,215	-	184,611	-	-	-	-	-	60,212	260,038
Less: Disposals and write downs	-	-		-	-	-	-	-		-
Closing Cost	13,959,455	303,458	788,089	70,201	143,945	104,700	196,213	-	60,212	15,626,273
Accumulated Amortization										
Opening, as previously reported	-	-	-	-	-	-	-	-	-	-
Restatements	11,481,241	303,458	207,953	52,140	83,638	76,403	-	-	-	12,204,833
Opening restated	11,481,241	303,458	207,953	52,140	83,638	76,403	-	-	-	12,204,833
Add: Current period Amortization	291,243	-	63,805	12,541	26,258	5,796	-	-		399,643
Less: Accumulated Amortization on Disposals and Writedowns								-	-	-
Closing Accumulated Amortization	11,772,484	303,458	271,758	64,681	109,896	82,199	-	-	-	12,604,476
Net Tangible Capital Asset	2,186,971	-	516,331	5,520	34,049	22,501	196,213	-	60,212	3,021,797
Proceeds from Sale 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. COMPARATIVE FIGURES

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. The 2006 comparative figures have not been restated and are presented in accordance with FRAME, the prescribed method of accounting that the Division followed prior to the 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.

a) *Reporting Entity and Consolidation*

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

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

b) *Basis of Accounting*

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

c) *Fund Accounting*

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

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

d) *School Generated Funds*

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

Only revenue and expenses of school generated funds controlled by the Division are included in the Consolidated Statement of Revenue, Expenses and Accumulated

Surplus. To be deemed as controlled, a school must have the unilateral authority to make the decisions as to when, how and on what the funds are to be spent.

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

e) *Tangible Capital Assets*

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

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

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

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

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

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

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.

4. CONVERSION TO PSAB

Commencing with the 2006/07 fiscal year, the Board has adopted generally accepted accounting principles established by PSAB. As explained in Note 2, the comparative figures included in these financial statements have not been restated to conform to the accounting standards adopted for the current year.

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 controlled by the Division.

5. 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.

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, 2006	Additions in the period	Time Expired Funding Lost	Balance as at June 30, 2007
Environmental Assistance	$ 19,575	$ -	$ 4,855	$ 14,720
	$ 19,575	$ -	$ 4,855	$ 14,720

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 $48,695.

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 2009 to 2026. Payment of principal and interest is funded entirely by grants from the Province of Manitoba. The debentures carry interest rates that range from 5% to 12.5%. Debenture interest expense payable as at June 30, 2007 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
2008	$ 221,027	$ 214,990	$ 436,017
2009	240,147	195,871	436,018
2010	220,918	174,946	395,864
2011	230,576	156,449	387,025
2012	195,998	137,336	333,334
	$ 1,108,666	$ 879,592	$ 1,988,258

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	2007 Net Book Value
Owned-tangible capital assets	$ 15,626,273	$ 12,604,476	$ 3,021,797
	$ 15,626,273	$ 12,604,476	$ 3,021,797

10. ACCUMULATED SURPLUS (DEFICIT)

The consolidated accumulated surplus is comprised of the following:

	2007
Operating Fund	
Designated Surplus	-
Undesignated Surplus	157,026
	157,026
Capital Fund	
Reserve Accounts	-
Equity in Tangible Capital Assets	(14,583)
	(14,583)
Special Purpose Fund	
School Generated Funds	204,646
Other Special Purpose Funds	-
	204,646
Total Accumulated Surplus (Deficit)	$ 347,089

11. RESTATEMENT OF OPENING ACCUMULATED SURPLUS

Restatement of Opening Accumulated Surplus is comprised of:

	2007
Operating Fund	
Employee Future Benefits	-
Capital Fund	
Tangible Capital Assets as reported at June 30, 2006	(14,842,464)
Tangible Capital Assets -revalued	15,366,235
Accumulated Amortization	(12,204,833)
	(11,681,062)
Special Purpose Fund	
School Generated Funds	177,927
Other Special Purpose Funds	-
	177,927
Total Restatement of Opening Accumulated Surplus	$ (11,503,135)

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

12. MUNICIPAL GOVERNMENT - PROPERTY TAX AND RELATED DUE FROM MUNICIPAL GOVERNMENT

Education property tax or Special Levy is raised as the Division's contribution to the cost of providing public education for the students resident in the division. The Municipal Government-Property Tax shown on the consolidated revenue and expense is raised over the two calendar (tax) years; 40% from 2006 tax year and 60% from 2007 tax year. Below are the related revenue and receivable amounts:

	2007	2006
Revenue-Municipal Government-Property Tax	$ 3,303,642	$ 3,144,439
Receivable-Due from Municipal-Property Tax	$ 1,600,244	$ 2,126,195

13. INTEREST RECEIVED AND PAID

The Division received interest during the year of $793 (previous year $Nil); interest paid during the year was $362,969 (previous year $297,469).

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

		2007
Operating Fund		
Fiscal-short term loan, interest and bank charges	$	39,218
Capital Fund		
Debenture debt		323,751
Interest		
Other interest		-
	$	362,969

The accrual portion of debenture debt interest expense of $95,872 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 2007	Budget 2007	Actual 2006
Salaries	$ 11,460,869	$ 10,656,628	$ 11,049,921
Employees benefits & allowances	1,004,018	935,632	963,736
Services	1,322,235	1,259,590	1,225,436
Supplies, materials & minor equipment	904,381	866,372	764,177
Interest	362,969	35,000	297,469
Bad debts	-	-	-
Payroll tax	251,800	240,000	234,904
Amortization	399,643	-	-
Other capital items	11,242	-	106,187
School generated funds	468,478	-	-
Transfers	15,753	20,500	15,054
	$ 16,201,388	$ 14,013,722	$ 14,656,884

MANAGEMENT REPORT

Management's Responsibility for the Financial Statements

The accompanying consolidated financial statements of Lakeshore School Division are the responsibility of the Division management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants. A summary of the significant accounting policies are described in Note 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 Collins Barrow independent external auditors appointed by the Board. The accompanying Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Division's consolidated financial statements.

Chairperson

Secretary-Treasurer

September 14, 2007

Collins Barrow
Chartered Accountants

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R3C 4C6

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Auditors' Report

To the Chairperson and Trustees
Lakeshore School Division

We have audited the Consolidated Statement of Financial Position for the Lakeshore School Division as at June 30, 2007, 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 ended June 30, 2007. These financial statements are the responsibility of the school division's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In common with many not for profit organizations, certain revenues are not susceptible to satisfactory audit verification for completeness. Accordingly, our verification of revenue for the special purpose fund was limited to the amounts recorded by the Division and we were not able to determine whether any adjustments might be necessary to Special Purpose Fund Revenue, Net Current year surplus (deficit) and Closing Accumulated Surplus.

In our opinion, except for the adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of Special Purpose Fund Revenue, as described in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the school division as at June 30, 2007 and the results of its operations and its cash flows for the year then ended in accordance with accepted accounting principles for school divisions in Manitoba as set out in notes 3 and 4 to the financial statements.

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

Winnipeg, Canada
September 14, 2007

Collins Barrow
CHARTERED ACCOUNTANTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2007	2006 (see Note 2)
	Financial Assets		
5	Cash and Bank	810,019	-
	Short Term Investments	-	-
	Due from - Provincial Government	350,787	241,786
	- Federal Government	199,762	123,523
13	- Municipal Government	1,868,562	1,636,544
	- Other School Divisions	13,865	-
	- First Nations	34,320	-
	Accounts Receivable	38,783	105,228
	Accrued Investment Income	-	-
	Other Investments	-	
		3,316,098	2,107,081
	Liabilities		
	Overdraft	-	41,350
	Accounts Payable	1,484,991	911,969
	Accrued Liabilities	1,000,734	1,023,936
6	Employee Future Benefits	52,243	-
	Accrued Interest Payable	293,596	-
	Due to - Provincial Government	-	-
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
7	Deferred Revenue	90,165	141,426
9	Debenture Debt	11,492,107	6,439,949
	Other Borrowings	-	-
	School Generated Funds Liability	-	
		14,413,836	8,558,630
	Net Debt	(11,097,738)	(6,451,549)
	Non-Financial Assets		
10	Net Tangible Capital Assets (TCA Schedule)	14,155,310	20,031,048
	Inventories	-	-
	Prepaid Expenses	47,770	18,215
		14,203,080	20,049,263
11	**Accumulated Surplus**	3,105,342	13,597,714

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes		2007 Actual	2006 Actual (see Note)
	Revenue		
	Provincial Government	9,464,274	9,008,547
	Federal Government	-	-
13	Municipal Government - Property Tax	3,445,326	2,734,636
	- Other	-	-
	Other School Divisions	94,735	88,921
	First Nations	627,247	455,150
	Private Organizations and Individuals	231,014	210,771
	Other Sources	90,621	47,691
	School Generated Funds	428,355	
	Other Special Purpose Funds	10,903	
		14,392,475	12,545,716
	Expenses		
	Regular Instruction	6,820,421	6,246,162
	Student Support Services	1,896,021	1,525,651
	Adult Learning Centres	207,851	187,179
	Community Education and Services	241,663	193,306
	Divisional Administration	434,448	395,628
	Instructional and Other Support Services	401,380	573,465
	Transportation of Pupils	1,231,521	1,226,935
	Operations and Maintenance	1,121,896	1,061,237
14	Fiscal - Interest	695,283	285,166
	- Other	193,253	184,064
	Amortization	542,774	
	Other Capital Items	(3,097)	-
	School Generated Funds	438,098	
	Other Special Purpose Funds	9,332	
		14,230,844	11,878,793
	Current Year Surplus (Deficit)	161,631	666,923
	Opening Accumulated Surplus	13,597,714	12,930,791
12	Restatements: Tangible Cap. Assets and Accum. Amort.	(10,783,212)	
12	Other than Tangible Cap. Assets	129,209	0
	Opening Accumulated Surplus, as restated	2,943,711	12,930,791
	Closing Accumulated Surplus	3,105,342	13,597,714

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2007

Current Year Surplus (Deficit)	161,631
Amortization of Tangible Capital Assets	542,774
Acquisition of Tangible Capital Assets	(5,450,248)
(Gain) / Loss on Sale of Tangible Capital Assets	(3,097)
Proceeds on Sale of Tangible Capital Assets	3,097
	(4,907,474)
Inventories (Increase)/Decrease	-
Prepaid Expenses (Increase)/Decrease	(29,555)
	(29,555)
(Increase)/Decrease in Net Debt	(4,775,398)
Net Debt at Beginning of Year	(6,451,549)
Restatements Other than Tangible Cap. Assets	129,209
Net Debt at Beginning of Year as Restated	(6,322,340)
Net Debt at End of Year	(11,097,738)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2007

Operating Transactions	
Current Year Surplus/(Deficit)	161,631
Non-Cash Items Included in Current Year Surplus/(Deficit):	
Amortization of Tangible Capital Assets	542,774
(Gain)/Loss on Disposal of Tangible Capital Assets	(3,097)
Employee Future Benefits Increase/(Decrease)	52,243
Short Term Investments (Increase)/Decrease	-
Due from Other Organizations (Increase)/Decrease	(465,443)
Accounts Receivable & Accrued Income (Increase)/Decrease	66,445
Inventories and Prepaid Expenses - (Increase)/Decrease	(29,555)
Due to Other Organizations Increase/(Decrease)	-
Accounts Payable & Accrued Liabilities Increase/(Decrease)	843,416
Deferred Revenue Increase/(Decrease)	(51,261)
School Generated Funds Liability Increase/(Decrease)	-
Restatements Other than Tangible Cap. Assets	129,209
Cash Provided by Operating Transactions	1,246,362
Capital Transactions	
Acquisition of Tangible Capital Assets	(5,450,248)
Proceeds on Sale of Tangible Capital Assets	3,097
Cash (Applied to)/Provided by Capital Transactions	(5,447,151)
Investing Transactions	
Other Investments (Increase)/Decrease	-
Cash Provided by (Applied to) Investing Transactions	0
Financing Transactions	
Debenture Debt Increase/(Decrease)	5,052,158
Other Borrowings Increase/(Decrease)	-
Cash Provided by (Applied to) Financing Transactions	5,052,158
Cash and Bank / Overdraft (Increase)/Decrease	851,369
Cash and Bank (Overdraft) at Beginning of Year	(41,350)
Cash and Bank (Overdraft) at End of Year	810,019

Lakeshore School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2007

	Buildings and Leasehold Improvements		School	Other	Furniture / Fixtures &	Computer Hardware &		Land	Assets Under	Totals
	School	Non-School	Buses	Vehicles	Equipment	Software *	Land	Improvements	Construction	
Tangible Capital Asset Cost										
Opening Cost, as previously reported	16,163,505	288,996	2,981,663	23,240	518,173	-	55,471	-	-	20,031,048
Restatements	(4,881,143)	209,073	(1,259,326)	(23,240)	(242,083)	-	(19,206)	-	3,764,114	(2,451,811)
Opening Cost restated	11,282,362	498,069	1,722,337	-	276,090	-	36,265	-	3,764,114	17,579,237
Add: Additions during the year	1,156,543	-	405,084	-	65,690	-	-	-	3,822,931	5,450,248
Less: Disposals and write downs	-	-	-	-	-	-	-	-	-	-
Closing Cost	12,438,905	498,069	2,127,421	-	341,780	-	36,265	-	7,587,045	23,029,485
Accumulated Amortization										
Opening, as previously reported	-	-	-	-	-	-	-	-	-	-
Restatements	7,031,423	477,870	706,631	-	115,477	-	-	-	-	8,331,401
Opening restated	7,031,423	477,870	706,631	-	115,477	-	-	-	-	8,331,401
Add: Current period Amortization	304,318	1,393	192,488	-	44,575	-	-	-		542,774
Less: Accumulated Amortization on Disposals and Writedowns	-	-	-	-	-	-	-	-	-	-
Closing Accumulated Amortization	7,335,741	479,263	899,119	-	160,052	-	-	-	-	8,874,175
Net Tangible Capital Asset	5,103,164	18,806	1,228,302	-	181,728	-	36,265	-	7,587,045	14,155,310
Proceeds from Sale of Capital Assets	-	-	3,097	-	-	-	-			3,097

* 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. Comparative Figures

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. The 2006 comparative figures have not been restated and are presented in accordance with FRAME, the prescribed method of accounting that the Division followed prior to the 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 and The Lakeshore Foundation of Manitoba Inc. 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 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.

3. Significant Accounting Policies - Continued

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 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.

3. Significant Accounting Policies - Continued

e) 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	5,000	5
Network Infrastructure	25,000	10
Computer Hardware, Servers & Peripherals	5,000	4
Computer Software	10,000	4
Furniture and Fixtures	5,000	10
Leasehold Improvements	25,000	Over term of lease

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

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

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

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. Theses benefits include supplemental employment benefits and sick leave. These benefits are event driven and the costs are recognized when the event becomes known.

g) 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.

3. Significant Accounting Policies - Continued

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. As explained in Note 2, the comparative figures included in these financial statements have not been restated to conform to the accounting standards adopted for the current year.

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.

iii. The Employee Future Benefits Liability was established to account for the Division's commitment to pay vested future benefits to its employees when the accruals can be determined with a reasonable degree of certainty or when their estimation is practicable.

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

5. Overdraft

The Division has an authorized line of credit with the Canadian Imperial Bank of Commerce of $2,900,000 by way of overdrafts and is repayable on demand at prime less 0.25%: interest is paid monthly. $2,900,000 remains available on this line of credit. The Division also has two authorized lines of credit with the CIBC for a total of $7,348,423 for capital projects by way of overdrafts and is repayable on demand at prime less 0.25%: interest is paid monthly. $6,298,640 remains available on these lines of credit. Overdrafts are secured by temporary borrowing by-laws.

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 and include supplemental employment and sick leave benefits.

7. Deferred Revenue

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

8. School Generated Funds Liability

School Generated Funds Liability represents the non-controlled portion of school generated funds consolidated in the cash and bank balances in the amount of $103,991.

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 2007 to 2027. 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 11.625%. Debenture interest expense payable as at June 30, 2007, 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
2008	$ 441,474	$ 641,212	$1,082,686
2009	446,712	613,748	1,060,459
2010	466,128	587,009	1,053,137
2011	493,712	559,425	1,053,137
2012	523,010	530,127	1,053,137
	$2,371,036	$2,931,521	$5,302,556

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	2007 Net Book Value
Owned-tangible capital assets	$23,029,485	$8,874,175	$14,155,310
Capital lease	-	-	-
	$23,029,485	$8,874,175	$14,155,310

11. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2007	2006
Operating Fund		
Designated Surplus	$ -	$ -
Undesignated Surplus	673,650	688,525
	673,650	688,525
Capital Fund		
Reserve Accounts	3,097	50,028
Equity in Tangible Capital Assets	2,307,558	12,859,161
	2,310,655	12,909,189
Special Purpose Fund		
School Generated Funds	103,991	
Other Special Purpose Funds	17,046	
	121,037	-
Total Accumulated Surplus	$ 3,105,342	$13,597,714

11. 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.

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.

12. Restatement of Opening Accumulated Surplus

Restatement of Opening Accumulated Surplus is comprised of:

	2007
Operating Fund	
Employee Future Benefits	$ -
Capital Fund	
Tangible Capital Assets	(2,451,811)
Accumulated Amortization	(8,331,401)
	(10,783,212)
Special Purpose Fund	
School Generated Funds	129,209
Other Special Purpose Funds	-
	129,209
Total Restatement of Operating Accumulated Surplus	$(10,654,003)

Restatements of the above accounts are prior period cumulative adjustments to the opening balance of the accumulated surplus of the current period. These adjustments are the result of adopting PSAB standards.

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

Education property tax or Special Levy is raised as the Division's contribution to the cost of providing public education for the students resident in the division. The Municipal Government-Property Tax shown on the consolidated revenue and expense is raised over the two calendar (tax) years; 40% from 2006 tax year and 60% from 2007 tax year. Below are the related revenue and receivable amounts:

	2007	2006
Revenue-Municipal Government-Property Tax	$3,445,326	$3,274,788
Receivable-Due from Municipal-Property Tax	$1,868,562	$1,636,544

14. Interest Received and Paid

The Division received interest during the year of $40,135 (2006; $6,088); interest paid during the year was $695,283 (2006; $285,166).

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

	2007	2006
Operating Fund		
Fiscal-short term loan, interest and bank charges	$ 11,089	$ 25,413
Capital Fund		
Debenture debt interest	684,194	259,753
	$ 695,283	$ 285,166

The accrual portion of debenture debt interest expense of $293,596 included under the Capital Fund-Debenture debt interest, is offset by an accrual of the debt servicing grant from the Province of Manitoba.

15. Expenses by Object

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

	Actual 2007	Budget 2007	Actual 2006
Salaries	$9,056,782	$8,949,790	$8,544,746
Employees benefits and allowances	763,778	815,085	730,785
Services	1,117,900	984,775	1,116,597
Supplies, materials and minor equipment	1,380,783	1,179,945	982,467
Interest	695,283	25,000	285,166
Bad debts	-	-	-
Payroll tax	193,253	200,000	184,064
Transfers	35,958	43,100	34,968
Amortization	542,774		
Loss (Gain) and disposal of capital assets	(3,097)		
School generated funds	438,098		
Other special purpose funds	9,332		
	$14,230,844	$12,197,695	$11,878,793

16. Budget Figures and Non Financial Information

The 2007 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.

Lord Selkirk School Division

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MANAGEMENT REPORT

Management's Responsibility for the Financial Statements

The accompanying consolidated financial statements of Lord Selkirk School Division 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 BDO Dunwoody LLP independent external auditors appointed by the Board. The accompanying Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Division's consolidated financial statements.

Chairperson

Secretary-Treasurer

September 27, 2007

BDO Dunwoody LLP
Chartered Accountants
and Advisors

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Auditors' Report

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

We have audited the consolidated statement of financial position of **Lord Selkirk School Division** as at June 30, 2007 and the consolidated statement of revenues, expenses and accumulated surplus, change in net debt and cash flow for the year then ended. These financial statements are the responsibility of the School Division's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly in all material respects, the financial position of the School Division as at June 30, 2007 and the results of its operations and its cash flows for the fiscal year then ended in accordance with Canadian generally accepted accounting principles.

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

BDO Dunwoody LLP

Chartered Accountants

Selkirk, Manitoba
September 27, 2007

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2007	2006 (see Note 3)
	Financial Assets		
	Cash and Bank	837,521	-
	Short Term Investments	-	-
	Due from - Provincial Government	1,032,135	565,015
	- Federal Government	129,842	81,822
	- Municipal Government	8,762,510	8,075,042
	- Other School Divisions	12,285	10,384
	- First Nations	100,221	123,035
	Accounts Receivable	41,597	61,706
	Accrued Investment Income	-	-
	Other Investments	-	
		10,916,111	8,917,004
	Liabilities		
	Overdraft	-	926,323
	Accounts Payable	3,986,208	3,600,605
	Accrued Liabilities	2,949,511	2,535,752
	Employee Future Benefits	-	-
	Accrued Interest Payable	463,883	-
	Due to - Provincial Government	-	-
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
*	Deferred Revenue	1,770,140	1,464,148
*	Debenture Debt	17,892,950	11,165,887
	Other Borrowings	-	-
	School Generated Funds Liability	50,820	
		27,113,512	19,692,715
	Net Debt	(16,197,401)	(10,775,711)
	Non-Financial Assets		
*	Net Tangible Capital Assets (TCA Schedule)	27,542,760	46,065,400
	Inventories	34,427	36,535
	Prepaid Expenses	58,755	70,860
		27,635,942	46,172,795
*	**Accumulated Surplus**	11,438,541	35,397,084

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes		2007 Actual	2006 Actual (see Note)
	Revenue		
	Provincial Government	27,879,594	26,614,757
	Federal Government	38,464	65,016
	Municipal Government - Property Tax	14,978,085	13,486,351
	- Other	-	-
	Other School Divisions	178,550	177,250
	First Nations	410,787	414,822
	Private Organizations and Individuals	600,270	583,489
	Other Sources	199,614	199,343
	School Generated Funds	982,624	
	Other Special Purpose Funds	-	
		45,267,988	41,541,028
	Expenses		
	Regular Instruction	24,072,706	22,930,895
	Student Support Services	6,231,547	5,462,648
	Adult Learning Centres	300,880	295,859
	Community Education and Services	342,549	363,134
	Divisional Administration	1,212,096	1,063,642
	Instructional and Other Support Services	1,106,032	1,625,754
	Transportation of Pupils	2,014,279	1,938,820
	Operations and Maintenance	4,154,631	4,195,676
*	Fiscal - Interest	820,023	789,157
	- Other	673,872	643,659
	Amortization	1,810,537	
	Other Capital Items	-	341,869
	School Generated Funds	970,184	
	Other Special Purpose Funds	-	
		43,709,336	39,651,113
	Current Year Surplus (Deficit)	1,558,652	1,889,915
	Opening Accumulated Surplus	35,397,084	33,507,169
	Restatements: Tangible Cap. Assets and Accum. Amort.	(25,781,719)	
*	Other than Tangible Cap. Assets	264,524	0
	Opening Accumulated Surplus, as restated	9,879,889	33,507,169
	Closing Accumulated Surplus	11,438,541	35,397,084

* NOTE REQUIRED

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2007

Current Year Surplus (Deficit)	1,558,652
Amortization of Tangible Capital Assets	1,810,537
Acquisition of Tangible Capital Assets	(9,069,616)
(Gain) / Loss on Sale of Tangible Capital Assets	-
Proceeds on Sale of Tangible Capital Assets	-
	(7,259,079)
Inventories (Increase)/Decrease	2,108
Prepaid Expenses (Increase)/Decrease	12,105
	14,213
(Increase)/Decrease in Net Debt	(5,686,214)
Net Debt at Beginning of Year	(10,775,711)
Restatements Other than Tangible Cap. Assets	264,524
Net Debt at Beginning of Year as Restated	(10,511,187)
Net Debt at End of Year	(16,197,401)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2007

Operating Transactions	
Current Year Surplus/(Deficit)	1,558,652
Non-Cash Items Included in Current Year Surplus/(Deficit):	
Amortization of Tangible Capital Assets	1,810,537
(Gain)/Loss on Disposal of Tangible Capital Assets	-
Employee Future Benefits Increase/(Decrease)	-
Short Term Investments (Increase)/Decrease	-
Due from Other Organizations (Increase)/Decrease	(1,181,695)
Accounts Receivable & Accrued Income (Increase)/Decrease	20,109
Inventories and Prepaid Expenses - (Increase)/Decrease	14,213
Due to Other Organizations Increase/(Decrease)	-
Accounts Payable & Accrued Liabilities Increase/(Decrease)	1,263,245
Deferred Revenue Increase/(Decrease)	305,992
School Generated Funds Liability Increase/(Decrease)	50,820
Restatements Other than Tangible Cap. Assets	264,524
Cash Provided by Operating Transactions	4,106,397
Capital Transactions	
Acquisition of Tangible Capital Assets	(9,069,616)
Proceeds on Sale of Tangible Capital Assets	-
Cash (Applied to)/Provided by Capital Transactions	(9,069,616)
Investing Transactions	
Other Investments (Increase)/Decrease	-
Cash Provided by (Applied to) Investing Transactions	0
Financing Transactions	
Debenture Debt Increase/(Decrease)	6,727,063
Other Borrowings Increase/(Decrease)	-
Cash Provided by (Applied to) Financing Transactions	6,727,063
Cash and Bank / Overdraft (Increase)/Decrease	1,763,844
Cash and Bank (Overdraft) at Beginning of Year	(926,323)
Cash and Bank (Overdraft) at End of Year	837,521

Lord Selkirk School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2007

	Buildings and Leasehold Improvements		School	Other	Furniture / Fixtures &	Computer Hardware &		Land	Assets Under	Totals
	School	Non-School	Buses	Vehicles	Equipment	Software *	Land	Improvements	Construction	
Tangible Capital Asset Cost										
Opening Cost, as previously reported	37,846,787	1,441,294	4,082,382	53,923	2,641,014	-	-	-	-	46,065,400
Restatements	(9,035,740)	2,099,319	(846,792)	46,336	(1,516,149)	959,746	279,518	1,210,339	2,042,059	(4,761,364)
Opening Cost restated	28,811,047	3,540,613	3,235,590	100,259	1,124,865	959,746	279,518	1,210,339	2,042,059	41,304,036
Add: Additions during the year	565,532	234,316	433,430	-	251,019	396,687	-	87,651	7,100,981	9,069,616
Less: Disposals and write downs	-	-	-	-	-	-	-	-	-	-
Closing Cost	29,376,579	3,774,929	3,669,020	100,259	1,375,884	1,356,433	279,518	1,297,990	9,143,040	50,373,652
Accumulated Amortization										
Opening, as previously reported	-	-	-	-	-	-	-	-	-	-
Restatements	16,655,544	1,721,006	1,379,577	74,526	358,293	533,793	-	297,616	-	21,020,355
Opening restated	16,655,544	1,721,006	1,379,577	74,526	358,293	533,793	-	297,616	-	21,020,355
Add: Current period Amortization	804,393	109,764	330,775	14,018	209,564	216,607	-	125,416		1,810,537
Less: Accumulated Amortization on Disposals and Writedowns	-	-	-	-	-	-	-	-	-	-
Closing Accumulated Amortization	17,459,937	1,830,770	1,710,352	88,544	567,857	750,400	-	423,032	-	22,830,892
Net Tangible Capital Asset	11,916,642	1,944,159	1,958,668	11,715	808,027	606,033	279,518	874,958	9,143,040	27,542,760
Proceeds from Sale of Capital Assets	-	-	-	-	-	-	-			-

* Includes network infrastructure.

LORD SELKIRK SCHOOL DIVISION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As at June 30, 2007

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. Comparative Figures

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. The 2006 comparative figures have not been restated and are presented in accordance with FRAME, the prescribed method of accounting that the Division followed prior to the 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).

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.

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

Defined contribution plan

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

Capital Reserve

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

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.

4. Conversion to PSAB

Commencing with the 2006/07 fiscal year, the Board has adopted generally accepted accounting principles established by PSAB. As explained in Note 2, the comparative figures included in these financial statements have not been restated to conform to the accounting standards adopted for the current year.

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. 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. Employee Future Benefits

The Division sponsors a defined contribution pension plan, run by the Manitoba Association of School Trustees (MAST). 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 MAST pension plan has a specific percentage for the employees to contribute. The Division contributions equal the employee contributions to the plan. No pension liability is included in the financial statements.

The employee future benefit expense is a part of the Employee Benefits and Allowances expense account. It includes the Division's contribution of $549,456 in 2007.

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, 2006	Additions in period	Revenue recognized in period	Balance as at June 30, 2007
Education Property Tax Credit (EPTC)	$ 1,211,982	$ 3,776,385	$3,590,818	$ 1,397,549
Capital Fund Donations	-	110,189	2,798	107,391
2003 Western Canada Games	50,394	-	50,394	-
Making Education Work	4,555	114,646	101,583	17,618
START	978	20,648	978	20,648
Breakfast Programs	13,896	4,688	9,123	9,461
International Students Program	132,567	185,641	153,322	164,886
Community Stadium	26,484	1,106	-	27,590
Other	23,292	24,997	23,392	24,997
	1,464,148	4,238,300	3,932,408	1,770,140

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 $ 50,820.

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 2007 to 2027. Payment of principal and interest is funded entirely by grants from the Province of Manitoba, except for the debenture debt on self-funded capital projects. The debentures carry interest rates that range from 4.875% to 12%. Debenture interest expense payable as at June 30, 2007, 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
2008	$ 1,885,271
2009	1,845,090
2010	1,820,202
2011	1,669,080
2012	1,643,991
	$ 8,833,635

9. Net Tangible Capital Assets

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

10. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2007
Operating Fund	
Designated Surplus	$ 807,016
Undesignated Surplus	1,567,052
	2,374,068
Capital Fund	
Reserve Accounts	196,395
Equity in Tangible Capital Assets	8,591,114
	8787,509
Special Purpose Fund	
School Generated Funds	276,964
Other Special Purpose Funds	0
	276,964
Total Accumulated Surplus	$11,438,541

11. Restatement of Opening Accumulated Surplus

Restatement of Opening Accumulated Surplus is comprised of:

	2007
Operating Fund	
Employee Future Benefits	-
Capital Fund	
Tangible Capital Assets	(4,761,364)
Accumulated Amortization	(21,020,355)
	(25,781,719)
Special Purpose Fund	
School Generated Funds	264,524
Other Special Purpose Funds	0
	264,524
Total Restatement of Opening Accumulated Surplus	(25,517,195)

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

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

Education property tax or Special Levy is raised as the Division's contribution to the cost of providing public education for the students resident in the division. The Municipal Government-Property Tax shown on the consolidated revenue and expense is raised over the two calendar (tax) years; 40% from 2006 tax year and 60% from 2007 tax year. Below are the related revenue and receivable amounts:

	2007	2006
Revenue – Municipal Government – Property Tax	$ 18,568,903	$ 16,488,354
Receivable – Due from Municipal – Property Tax	$ 8,762,510	$ 8,075,042

13. Interest Received and Paid

The Division received interest during the year of $42,026 (previous year $16,156); interest paid during the year was $820,023 (previous year $789,157).

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

	2007
Operating Fund	
Fiscal-short term loan, interest and bank charges	$ 64,755
Capital Fund	
Debenture interest	755,268
Other interest	-
	$ 820,023

The accrual portion of debenture debt interest expense of $ 463,883 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:

2007	Actual 2007	Budget 2006	Actual
Salaries	$ 31,140,183	$31,000,325	$ 29,902,432
Employees benefits and allowances	2,523,319	2,471,625	2,264,370
Services	3,045,313	2,863,070	2,937,365
Supplies, materials & minor equipment	2,531,246	3,014,200	2,571,538
Interest	820,023	85,000	789,157
Bad debts	-	-	-
Payroll tax	673,872	666,325	643,659
Amortization	1,810,537	-	-
Transfers	194,659	211,430	200,723
Other capital items	-	-	341,869
School generated funds	970,184	-	-
Other special purpose funds		-	-
	$ 43,709,336	$ 40,311,975	$ 39,651,113

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 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 BDO Dunwoody LLP Chartered Accountants and Advisors, independent external auditors appointed by the Board. The accompanying Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Division's consolidated financial statements.

Chairperson Secretary-Treasurer

September 28, 2007

BDO Dunwoody LLP/s.r.l.
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Auditors' Report

To the Chairperson and Board of Trustees of
Louis Riel School Division

We have audited the consolidated statement of financial position of **Louis Riel School Division** as at June 30, 2007 and the consolidated statements of revenue, expenses and accumulated surplus, change in net debt and cash flow for the year then ended. These financial statements are the responsibility of the School Division's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly in all material respects, the financial position of the School Division as at June 30, 2007 and the results of its operations and its cash flows for the fiscal year then ended in accordance with Canadian generally accepted accounting principles.

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

BDO Dunwoody LLP

Chartered Accountants

Winnipeg, Manitoba
September 28, 2007

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2007	2006 (see Note 2)
	Financial Assets		
	Cash and Bank	-	-
	Short Term Investments	-	-
	Due from - Provincial Government	1,782,514	1,913,852
	- Federal Government	229,004	228,279
13	- Municipal Government	24,233,619	25,602,123
	- Other School Divisions	279,420	178,613
	- First Nations	-	-
	Accounts Receivable	1,204,315	293,757
	Accrued Investment Income	-	-
	Other Investments	-	
		27,728,872	28,216,624
	Liabilities		
5	Overdraft	4,572,956	2,571,816
	Accounts Payable	4,079,088	4,417,019
	Accrued Liabilities	1,450,925	6,847,738
	Employee Future Benefits	-	-
	Accrued Interest Payable	714,136	-
	Due to - Provincial Government	16,911	31,786
	- Federal Government	3,622	10,314
	- Municipal Government	-	-
	- Other School Divisions	1,658,306	1,296,784
	- First Nations	-	-
7	Deferred Revenue	6,110,353	4,888,979
9	Debenture Debt	24,018,312	25,871,002
	Other Borrowings	-	-
8	School Generated Funds Liability	178,224	
		42,802,833	45,935,438
	Net Debt	(15,073,961)	(17,718,814)
	Non-Financial Assets		
10	Net Tangible Capital Assets (TCA Schedule)	40,266,119	129,263,220
	Inventories	49,434	54,853
	Prepaid Expenses	662,142	411,946
		40,977,695	129,730,019
11	**Accumulated Surplus**	25,903,734	112,011,205

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes		2007 Actual	2006 Actual (see Note 2)
	Revenue		
	Provincial Government	87,221,677	82,583,616
	Federal Government	-	-
13	Municipal Government - Property Tax	41,880,844	42,728,439
	- Other	-	-
	Other School Divisions	496,197	603,139
	First Nations	-	-
	Private Organizations and Individuals	1,245,733	1,084,021
	Other Sources	492,806	340,864
	School Generated Funds	4,828,638	
	Other Special Purpose Funds	-	
		136,165,895	127,340,079
	Expenses		
	Regular Instruction	72,455,264	73,522,249
	Student Support Services	23,829,540	18,314,720
	Adult Learning Centres	-	-
	Community Education and Services	781,357	739,587
	Divisional Administration	3,894,633	3,521,616
	Instructional and Other Support Services	6,133,320	7,260,186
	Transportation of Pupils	2,145,754	2,047,288
	Operations and Maintenance	14,253,687	13,966,371
14	Fiscal - Interest	2,770,018	2,165,155
	- Other	2,043,275	2,008,306
	Amortization	2,565,310	
	Other Capital Items	2,574	73,827
	School Generated Funds	4,597,270	
	Other Special Purpose Funds	-	
		135,472,002	123,619,305
	Current Year Surplus (Deficit)	693,893	3,720,774
	Opening Accumulated Surplus	112,011,205	108,290,431
12	Restatements: Tangible Cap. Assets and Accum. Amort.	(88,383,000)	
	Other than Tangible Cap. Assets	1,581,636	0
	Opening Accumulated Surplus, as restated	25,209,841	108,290,431
	Closing Accumulated Surplus	25,903,734	112,011,205

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2007

Current Year Surplus (Deficit)	693,893
Amortization of Tangible Capital Assets	2,565,310
Acquisition of Tangible Capital Assets	(1,953,783)
(Gain) / Loss on Sale of Tangible Capital Assets	2,574
Proceeds on Sale of Tangible Capital Assets	-
	614,101
Inventories (Increase)/Decrease	5,419
Prepaid Expenses (Increase)/Decrease	(250,196)
	(244,777)
(Increase)/Decrease in Net Debt	1,063,217
Net Debt at Beginning of Year	(17,718,814)
Restatements Other than Tangible Cap. Assets	1,581,636
Net Debt at Beginning of Year as Restated	(16,137,178)
Net Debt at End of Year	(15,073,961)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2007

Operating Transactions	
Current Year Surplus/(Deficit)	693,893
Non-Cash Items Included in Current Year Surplus/(Deficit):	
Amortization of Tangible Capital Assets	2,565,310
(Gain)/Loss on Disposal of Tangible Capital Assets	2,574
Employee Future Benefits Increase/(Decrease)	-
Short Term Investments (Increase)/Decrease	-
Due from Other Organizations (Increase)/Decrease	1,398,310
Accounts Receivable & Accrued Income (Increase)/Decrease	(910,558)
Inventories and Prepaid Expenses - (Increase)/Decrease	(244,777)
Due to Other Organizations Increase/(Decrease)	339,955
Accounts Payable & Accrued Liabilities Increase/(Decrease)	(5,020,608)
Deferred Revenue Increase/(Decrease)	1,221,374
School Generated Funds Liability Increase/(Decrease)	178,224
Restatements Other than Tangible Cap. Assets	1,581,636
Cash Provided by Operating Transactions	1,805,333
Capital Transactions	
Acquisition of Tangible Capital Assets	(1,953,783)
Proceeds on Sale of Tangible Capital Assets	-
Cash (Applied to)/Provided by Capital Transactions	(1,953,783)
Investing Transactions	
Other Investments (Increase)/Decrease	-
Cash Provided by (Applied to) Investing Transactions	0
Financing Transactions	
Debenture Debt Increase/(Decrease)	(1,852,690)
Other Borrowings Increase/(Decrease)	-
Cash Provided by (Applied to) Financing Transactions	(1,852,690)
Cash and Bank / Overdraft (Increase)/Decrease	(2,001,140)
Cash and Bank (Overdraft) at Beginning of Year	(2,571,816)
Cash and Bank (Overdraft) at End of Year	(4,572,956)

Louis Riel School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2007

	Buildings and Leasehold Improvements		School	Other	Furniture / Fixtures &	Computer Hardware &		Land	Assets Under	Totals
	School	Non-School	Buses	Vehicles	Equipment	Software *	Land	Improvements	Construction	
Tangible Capital Asset Cost										
Opening Cost, as previously reported	116,923,265	3,958,669	2,052,088	640,655	2,110,257	-	3,578,286	-	-	129,263,220
Restatements	(25,321,264)	(540,272)	(106,180)	(537,714)	(1,587,495)	339,158	719,924	-	-	(27,033,843)
Opening Cost restated	91,602,001	3,418,397	1,945,908	102,941	522,762	339,158	4,298,210	-	-	102,229,377
Add: Additions during the year	1,031,267	-			20,456	41,910		-	860,150	1,953,783
Less: Disposals and write downs	-	-			-	-	-	-	-	-
Closing Cost	92,633,268	3,418,397	1,945,908	102,941	543,218	381,068	4,298,210	-	860,150	104,183,160
Accumulated Amortization										
Opening, as previously reported	-	-	-	-	-	-	-	-	-	-
Restatements	58,107,656	2,185,089	583,260	10,354	280,020	182,778		-	-	61,349,157
Opening restated	58,107,656	2,185,089	583,260	10,354	280,020	182,778	-	-	-	61,349,157
Add: Current period Amortization	2,092,020	90,623	188,457	20,588	68,105	105,517		-		2,565,310
Less: Accumulated Amortization on Disposals and Writedowns	-	-	(2,574)						-	(2,574)
Closing Accumulated Amortization	60,199,676	2,275,712	774,291	30,942	348,125	288,295	-	-	-	63,917,041
Net Tangible Capital Asset	32,433,592	1,142,685	1,171,617	71,999	195,093	92,773	4,298,210	-	860,150	40,266,119
Proceeds from Sale of Capital Assets	-	-	-	-	-	-	-			-

* Includes network infrastructure.

LOUIS RIEL SCHOOL DIVISION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2007

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. Comparative Figures

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. The 2006 comparative figures have not been restated and are presented in accordance with FRAME, the prescribed method of accounting that the Division followed prior to the 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 controlled by the Division.

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

b) Trust funds

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

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

c) Basis of Accounting

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

d) Fund Accounting

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

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

e) School Generated Funds

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

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

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

f) Tangible Capital Assets

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

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

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

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

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

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

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

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

All tangible capital assets, except for land, 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.

g) Employee Future Benefits

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

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

(i) Defined contribution plan

The division provides retirement benefits to its administrative employees through a defined contribution plan under the Manitoba Association of School Trustees Pension Plan (MAST). 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.

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 management's best estimates as additional information becomes available in the future.

j) Financial instruments

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

4. Conversion to PSAB

Commencing with the 2006/07 fiscal year, the Board has adopted generally accepted accounting principles established by PSAB. As explained in Note 2, the comparative figures included in these financial statements have not been restated to conform to the accounting standards adopted for the current year.

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

5. Overdraft

The Division has an authorized line of credit with The Royal Bank of $25,000,000 by way of overdrafts and is repayable on demand at prime less .75%; interest is paid monthly. Overdrafts are secured by a borrowing by-law.

6. Employee Future Benefits

The Division sponsors a defined contribution pension plan run by the Manitoba Association of School Trustees (MAST). 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 MAST 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 $1,419,694 in 2006/2007.

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, 2006	Additions in the period	Revenue recognized in the period	Balance as at June 30, 2007
Manitoba Textbook Bureau	$ 304,017	$ 216,652	$ 506,074	$ 14,595
Education Property Tax Credit	4,447,937	5,970,655	4,447,937	5,970,655
Other	137,025	412,988	424,911	125,103
	$ 4,888,979	$ 6,600,295	$ 5,378,922	$ 6,110,353

The above amounts are included in the total deferred revenue balance of the Division for funding that will not be recognized until the following fiscal year. The total deferred revenue balance at June 30, 2007 is $6,110,353 (2006 $4,888,979).

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 $178,224.

	2007
Parent council funds	$ 22,855
Other parent group funds	-
Students council funds	126,590
Travel club funds	28,779
	$ 178,224

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 2007 to 2027. Payment of principal and interest is funded entirely by grants from the Province of Manitoba, except for the debenture debt on self-funded capital projects. The debentures carry interest rates that range from 5.125% to 12.125%. Debenture interest expense payable as at June 30, 2007, 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
2008	$ 2,599,620	$ 1,829,130	$ 4,428,750
2009	2,359,956	1,581,624	3,941,580
2010	1,996,630	1,364,357	3,360,987
2011	1,752,589	1,190,975	2,943,564
2012	1,772,336	1,044,749	2,817,085
	$ 10,481,131	$ 7,010,835	$ 17,491,966

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.

11. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2007
Operating Fund	
Designated Surplus	1,372,801
Undesignated Surplus	5,102,239
	6,475,040
Capital Fund	
Reserve Accounts	2,028,339
Equity in Tangible Capital Assets	15,587,351
	17,615,690
Special Purpose Fund	
School Generated Funds	1,813,004
Other Special Purpose Funds	-
	1,813,004
Total Accumulated Surplus	$ 25,903,734

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.

	2007
Board approved approriation by motion	818,748
School budget carryovers by board policy	554,053
Designated surplus	$ 1,372,801

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.

	2007
Bus reserves	2,028,339
Other reserves	
Capital Reserve	$ 2,028,339

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

12. Restatement of Opening Accumulated Surplus

Restatement of Opening Accumulated Surplus is comprised of:

	2007
Operating Fund	
Employee Future Benefits	-
Capital Fund	
Tangible Capital Assets	(27,033,843)
Accumulated Amortization	61,349,157
	(88,383,000)
Special Purpose Fund	
School Generated Funds	1,581,636
Other Special Purpose Funds	-
	1,581,636
Total Restatement of Opening Accumulated Surplus	$ (86,801,364)

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

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

Education property tax or Special Levy is raised as the Division's contribution to the cost of providing public education for the students resident in the division. The Municipal Government-Property Tax shown on the consolidated revenue and expense is raised over the two calendar (tax) years; 40% from 2006 tax year and 60% from 2007 tax year. Below are the related revenue and receivable amounts:

	2007	2006
Revenue-Municipal Government-Property Tax	$ 41,880,844	$ 42,728,439
Receivable-Due from Municipal-Property Tax	$ 24,233,619	$ 25,602,123

14. Interest Received and Paid

The Division received interest during the year of $304,696 (previous year $245,325); interest paid during the year was $2,770,018 (previous year $2,165,155).

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

		2007
Operating Fund		
Fiscal-short term loan, interest and bank charges	$	9,815
Capital Fund		
Debenture debt interest		2,760,203
Other interest		
	$	2,770,018

The accrual portion of debenture debt interest expense of $714,135 included under the Capital Fund-Debenture debt interest, is offset by an accrual of the debt servicing grant from the Province of Manitoba.

15. Expenses by Object

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

	Actual 2007	Budget 2007	Actual 2006
Salaries	$ 95,578,253	$ 94,475,579	$ 91,489,864
Employees benefits & allowances	6,800,720	6,239,618	6,998,689
Services	13,959,872	11,288,650	15,110,621
Supplies, materials & minor equipment	7,154,710	8,139,940	5,772,842
Interest	2,770,018	1,868,570	2,165,155
Bad debts	-	-	-
Payroll tax	2,043,275	1,942,500	2,008,307
Amortization	2,565,310	-	
Other capital items	2,574	-	73,827
School generated funds	4,597,270	-	-
Other special purpose funds	-	-	
	$ 135,472,002	$ 123,954,857	$ 123,619,305

16. Contractual Obligations

Agreements respecting student transportation were entered into for terms ranging from one to three years. Future annual minimum operating commitments as at June 30, 2007 are as follows:

2008 $1,307,000
2009 $1,346,000
2010 $1,386,000

21. 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, 2007, the amount of the special levy was $6,673,135 ($6,212,379 in 2006).

These amounts are not included in the Division's consolidated financial statements.

MANAGEMENT RESPONSIBILITY REPORT

Management's Responsibility for the Financial Statements

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

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

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

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

Chairperson	Secretary-Treasurer

October 12, 2007

AUDITOR'S REPORT

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

To the Board of Trustees
Mountain View School Division

We have audited the consolidated statement of financial position of the Mountain View School Division as at June 30, 2007 and the consolidated statements of revenue, expenses, and accumulated surplus, change in net debt and cash flow for the year then ended. These consolidated financial statements are the responsibility of the Division's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly in all material respects, the financial position of the School Division as at June 30, 2007 and the results of its operations and cash flow for that fiscal year in accordance with Canadian generally accepted accounting principles.

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

Meyers Norris Penny LLP

Brandon, Manitoba
October 12, 2007

AUDITOR

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2007	2006 (see Note 2)
	Financial Assets		
	Cash and Bank	-	-
	Short Term Investments	-	-
	Due from - Provincial Government	1,132,844	764,895
	- Federal Government	55,340	98,451
	- Municipal Government	5,089,587	4,969,811
	- Other School Divisions	220,754	124,208
	- First Nations	298,180	-
	Accounts Receivable	67,378	306,046
	Accrued Investment Income	-	-
	Other Investments	-	
		6,864,083	6,263,411
	Liabilities		
5	Overdraft	2,309,115	2,735,586
	Accounts Payable	1,127,815	1,499,552
	Accrued Liabilities	1,756,152	1,613,135
7	Employee Future Benefits	141,646	-
	Accrued Interest Payable	245,752	-
	Due to - Provincial Government	5,676	-
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	34,586	27,064
	- First Nations	-	-
8	Deferred Revenue	1,121,082	891,563
10	Debenture Debt	9,962,450	7,238,434
11	Other Borrowings	96,363	1,533,117
	School Generated Funds Liability	110,308	
		16,910,945	15,538,451
	Net Debt	(10,046,862)	(9,275,040)
	Non-Financial Assets		
12	Net Tangible Capital Assets (TCA Schedule)	13,336,757	40,866,840
	Inventories	184,473	7,358
	Prepaid Expenses	446,138	330,192
		13,967,368	41,204,390
13	**Accumulated Surplus**	3,920,506	31,929,350

CONSOLIDATED STATEMENT
OF REVENUE, EXPENSES
AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes		2007 Actual	2006 Actual (see Note 2)
	Revenue		
	Provincial Government	22,205,441	21,208,612
	Federal Government	47,961	218,302
	Municipal Government - Property Tax	8,393,654	7,954,019
	- Other	-	-
	Other School Divisions	375,130	399,025
	First Nations	611,651	280,877
	Private Organizations and Individuals	320,645	311,527
	Other Sources	163,977	102,756
	School Generated Funds	369,341	
	Other Special Purpose Funds	-	
		32,487,800	30,475,118
	Expenses		
	Regular Instruction	17,247,490	16,898,745
	Student Support Services	4,263,175	3,534,660
	Adult Learning Centres	111,169	75,000
	Community Education and Services	59,055	93,862
	Divisional Administration	911,447	880,620
	Instructional and Other Support Services	1,027,194	1,454,322
	Transportation of Pupils	2,233,271	2,132,260
	Operations and Maintenance	3,768,731	3,496,292
16	Fiscal - Interest	931,958	645,458
	- Other	482,031	468,568
	Amortization	1,151,315	
	Other Capital Items	(238,749)	187,172
	School Generated Funds	348,885	
	Other Special Purpose Funds	-	
		32,296,972	29,866,959
	Current Year Surplus (Deficit)	190,828	608,159
	Opening Accumulated Surplus	31,929,350	31,321,191
	Restatements: Tangible Cap. Assets and Accum. Amort.	(28,372,150)	
14	Other than Tangible Cap. Assets	172,478	0
	Opening Accumulated Surplus, as restated	3,729,678	31,321,191
	Closing Accumulated Surplus	3,920,506	31,929,350

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2007

Current Year Surplus (Deficit)	190,828
Amortization of Tangible Capital Assets	1,151,315
Acquisition of Tangible Capital Assets	(2,041,053)
(Gain) / Loss on Sale of Tangible Capital Assets	(238,749)
Proceeds on Sale of Tangible Capital Assets	286,420
	(842,067)
Inventories (Increase)/Decrease	(177,115)
Prepaid Expenses (Increase)/Decrease	(115,946)
	(293,061)
(Increase)/Decrease in Net Debt	(944,300)
Net Debt at Beginning of Year	(9,275,040)
Restatements Other than Tangible Cap. Assets	172,478
Net Debt at Beginning of Year as Restated	(9,102,562)
Net Debt at End of Year	(10,046,862)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2007

Operating Transactions	
Current Year Surplus/(Deficit)	190,828
Non-Cash Items Included in Current Year Surplus/(Deficit):	
Amortization of Tangible Capital Assets	1,151,315
(Gain)/Loss on Disposal of Tangible Capital Assets	(238,749)
Employee Future Benefits Increase/(Decrease)	141,646
Short Term Investments (Increase)/Decrease	-
Due from Other Organizations (Increase)/Decrease	(839,340)
Accounts Receivable & Accrued Income (Increase)/Decrease	238,668
Inventories and Prepaid Expenses - (Increase)/Decrease	(293,061)
Due to Other Organizations Increase/(Decrease)	13,198
Accounts Payable & Accrued Liabilities Increase/(Decrease)	17,032
Deferred Revenue Increase/(Decrease)	229,519
School Generated Funds Liability Increase/(Decrease)	110,308
Restatements Other than Tangible Cap. Assets	172,478
Cash Provided by Operating Transactions	893,842
Capital Transactions	
Acquisition of Tangible Capital Assets	(2,041,053)
Proceeds on Sale of Tangible Capital Assets	286,420
Cash (Applied to)/Provided by Capital Transactions	(1,754,633)
Investing Transactions	
Other Investments (Increase)/Decrease	-
Cash Provided by (Applied to) Investing Transactions	0
Financing Transactions	
Debenture Debt Increase/(Decrease)	2,724,016
Other Borrowings Increase/(Decrease)	(1,436,754)
Cash Provided by (Applied to) Financing Transactions	1,287,262
Cash and Bank / Overdraft (Increase)/Decrease	426,471
Cash and Bank (Overdraft) at Beginning of Year	(2,735,586)
Cash and Bank (Overdraft) at End of Year	(2,309,115)

Mountain View School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2007

	Buildings and Leasehold Improvements		School	Other	Furniture / Fixtures &	Computer Hardware &		Land	Assets Under	Totals
	School	Non-School	Buses	Vehicles	Equipment	Software *	Land	Improvements	Construction	
Tangible Capital Asset Cost										
Opening Cost, as previously reported	32,325,453	2,377,325	3,690,302	300,153	1,794,533	-	379,074	-	-	40,866,840
Restatements	(3,165,048)	(756,378)	-	69,200	284,229	50,679	248,989	25,000	1,710,490	(1,532,839)
Opening Cost restated	29,160,405	1,620,947	3,690,302	369,353	2,078,762	50,679	628,063	25,000	1,710,490	39,334,001
Add: Additions during the year	1,588,823	1,365,211	407,660	26,305	43,029	118,252	-	-	(1,508,227)	2,041,053
Less: Disposals and write downs	-	359,195	188,158	-	-	-	47,671	-		595,024
Closing Cost	30,749,228	2,626,963	3,909,804	395,658	2,121,791	168,931	580,392	25,000	202,263	40,780,030
Accumulated Amortization										
Opening, as previously reported	-	-	-	-	-	-	-	-	-	-
Restatements	21,453,117	711,284	2,451,997	287,622	1,874,150	42,391	-	18,750	-	26,839,311
Opening restated	21,453,117	711,284	2,451,997	287,622	1,874,150	42,391	-	18,750	-	26,839,311
Add: Current period Amortization	715,736	71,014	241,945	37,162	60,865	22,093	-	2,500		1,151,315
Less: Accumulated Amortization on Disposals and Writedowns	-	359,195	188,158	-	-	-	-	-	-	547,353
Closing Accumulated Amortization	22,168,853	423,103	2,505,784	324,784	1,935,015	64,484	-	21,250	-	27,443,273
Net Tangible Capital Asset	8,580,375	2,203,860	1,404,020	70,874	186,776	104,447	580,392	3,750	202,263	13,336,757
Proceeds from Sale of Capital Assets	-	240,000	6,420	-	-	-	40,000			286,420

* 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. Comparative Figures

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. The 2006 comparative figures have not been restated and are presented in accordance with FRAME, the prescribed method of accounting that the Division followed prior to the 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) 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 also 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 this plan, specific fixed amounts are contributed by the Division each period for services rendered by the employees.

h) Capital Reserve

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

i) Use of Estimates

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

j) Financial instruments

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

4. Conversion to PSAB

Commencing with the 2006/07 fiscal year, the Board has adopted generally accepted accounting principles established by PSAB. As explained in Note 2, the comparative figures included in these financial statements have not been restated to conform to the accounting standards adopted for the current year.

The following changes have been implemented to comply with the PSAB standard:

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

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

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

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

5. Overdraft

The Division has an authorized line of credit with the Bank of Montreal of $ 2,714,120 by way of overdrafts and is repayable on demand at prime less.6%; interest is paid monthly. Included in the overdraft are capital projects totaling approximately $400,000 which will be submitted to PSFB for debenture funding. Overdrafts are secured by borrowing by-law.

6. Short Term Investments

Currently the Division has no short term investments.

7. Employee Future Benefits

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

	Type of Plan				2007
Employee Future Benefit Liabilities (EFBL)					
Vacation Accrual	defined benefits			$	141,646
Pension plan	defined benefits				
Accrued EFBL		$	-		
Deduct: Pension plan assets			-		
Unamortized actuarial (gains)/losses			-		-
Long-term disability	defined contribution				-
Continuation benefits-health care, dental or life ins.	defined benefits/ vesting				-
Supplemental unemployment benefits	defined benefits/event driven				-
Total Employee Future Benefit Liability				$	141,646
Employee future benefit expense (EFB)				$	-
Payment made during the year				$	-

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

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

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

8. Deferred Revenue

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

	Balance as at June 30, 2006	Additions in the period	Revenue recognized in the period	Balance as at June 30, 2007
Manitoba Textbook Bureau	$ -	$ -	$ -	$ -
Donated Capital Assets	-	-	-	-
Property Tax Credit & Healthy Child	891,563	1,121,082	891,563	1,121,082
	$ 891,563	$ 1,121,082	$ 891,563	$ 1,121,082

9. School Generated Funds Liability

School Generated Funds Liability includes the non-controlled portion of school generated funds consolidated in the cash and bank balances in the amount of $110,308.

	2007
Parent council funds	$ -
Other parent group funds	-
Students council funds	110,308
Travel club funds	-
	$ 110,308

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, 2007 covers a period of nine months from July 1, 2006 to March 31, 2007.

10. Debenture Debt

The debenture debt of the Division is in the form of twenty-year debentures payable, principal and interest, in twenty equal yearly installments and maturing at various dates from 2008 to 2027. Payment of principal and interest is funded entirely by grants from the Province of Manitoba, except for the debenture debt on self-funded capital projects . The debentures carry interest rates that range from 4.875% to 12.125%.

11. Other Borrowings

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

	2007	2006
Admin Facility Financing - Short term	$ -	$ 1,530,056
Division Vehicle Loan	-	3,062
Capital Finance for Video Conf Systems	96,363	-
	$ 96,363	$ 1,533,117

Admin Facility-short term Financing loan had an interest rate of prime-.6%, due upon receipt of debenture and interest charges paid monthly. This loan is secured by way of a borrowing by-law.

Division Vehicle loan had 0.0% interest per annum, due in 2006 and a monthly payment of $1020.42 principal. This loan is secured by way of Financing Agreement.

Capital Financing for the Video Conferencing systems has an interest rate of prine-.6% interest per annum, due in 2011 and a monthly payment of $1967.00 principal. This loan is secured by way of borrowing by-law.

12. Net Tangible Capital Assets

The Schedule of Tangible Capital Assets (TCA), page 23 of the audited financial statements, provides a breakdown of cost, accumulated amortization and net book value by class. The amount of interest capitalized in the period included in Assets under Construction was $0.00 (previous year $0.00).

	Gross Amount	Accumulated Amortization	2007 Net Book Value
Owned-tangible capital assets	$ 40,780,030	$ 27,443,273	$ 13,336,757
Capital lease	-	-	-
	$ 40,780,030	$ 27,443,273	$ 13,336,757

13. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2007
Operating Fund	
Designated Surplus	105,875
Undesignated Surplus	689,159
	795,034
Capital Fund	
Reserve Accounts	54,975
Equity in Tangible Capital Assets	2,877,563
	2,932,538
Special Purpose Fund	
School Generated Funds	192,934
Other Special Purpose Funds	-
	192,934
Total Accumulated Surplus	$ 3,920,506

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.

	2007
Board approved approriation by motion	-
School budget carryovers by board policy	105,875
Designated surplus	$ 105,875

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

	2007
Bus reserves	54,975
Other reserves	-
Capital Reserve	$ 54,975

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

	2007
Foundation-Scholarship	-
Other - *Specify*	-
Other Special Purpose Funds	$ -

14. Restatement of Opening Accumulated Surplus

Restatement of Opening Accumulated Surplus is comprised of:

	2007
Operating Fund	
Employee Future Benefits	-
Capital Fund	
Tangible Capital Assets	(1,532,839)
Accumulated Amortization	26,839,311
	(28,372,150)
Special Purpose Fund	
School Generated Funds	172,478
Other Special Purpose Funds	-
	172,478
Total Restatement of Opening Accumulated Surplus	$ (28,199,672)

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

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

Education property tax or Special Levy is raised as the Division's contribution to the cost of providing public education for the students resident in the division. The Municipal Government-Property Tax shown on the consolidated revenue and expense is raised over the two calendar (tax) years; 40% from 2006 tax year and 60% from 2007 tax year. Below are the related revenue and receivable amounts:

	2007	2006
Revenue-Municipal Government-Property Tax	$ 8,393,654	$ 7,954,019
Receivable-Due from Municipal-Property Tax	$ 5,089,587	$ 4,969,811

16. Interest Received and Paid

The Division received interest during the year of $3,966 (previous year $506); interest paid during the year was $ 931,958 (previous year $ 645,458).

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

	2007
Operating Fund	
Fiscal-short term loan, interest and bank charges	$ 126,560
Capital Fund	
Debenture debt interest	772,755
Other interest	32,643
	$ 931,958

17. Allowance for Doubtful Accounts

All receivables presented on the consolidated statement of financial position are net of an allowance for doubtful accounts. Below is the total allowance for doubtful accounts as at June 30, 2007:

		2007
Allowance for doubtful accounts deducted from Receivables below:		
Due from First Nations	$	-
Accounts Receivable		-
	$	-
Bad debts expense (included in fiscal-Other)	$	-

18. Expenses by object

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

	Actual 2007	Budget 2007	Actual 2006
Salaries	$ 22,551,462	$ 21,088,462	$ 21,522,983
Employees benefits & allowances	1,908,221	1,693,928	1,767,834
Services	2,690,633	2,483,761	2,650,595
Supplies, materials & minor equipment	2,432,264	2,415,471	2,615,178
Interest	931,958	90,000	645,458
Bad debts	-	-	-
Payroll tax and Transfer	520,983	453,213	477,739
Amortization	1,151,315	-	-
Other capital items	(238,749)	-	187,172
School generated funds	348,885	-	-
Other special purpose funds	-	-	-
	$ 32,296,972	$ 28,224,835	$ 29,866,959

19. Contractual Obligations

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

20. Contingent Liabilities

No legal action has been initiated against the Division.

KENDALL WALL PANDYA

Chartered Accountants

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

Partners.... David Kendall, FCA
Robert Wall, FCA
Manisha Pandya, CA

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 3 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 Wall Pandya, Chartered Accountants, independent external auditors appointed by the Board. The accompanying Auditors' Report outlines their responsibility, the scope of their examination and their opinion of the District consolidated financial statements.

Chairperson

Secretary -- Treasurer

October 26, 2007

KENDALL WALL PANDYA

Chartered Accountants

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300-31 Main St., P.O. Box 175, Flin Flon, MB R8A 1M7 (204) 687-8211 Fax 687-2957

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

AUDITOR'S REPORT TO THE BOARD OF TRUSTEES

We have audited the Consolidated Statements of Financial Position, Revenue, Expenses and Accumulated Surplus, changes in Net Debt and Cash Flow of Mystery Lake School District as at June 30, 2007 for the year then ended. These financial statements are the responsibility of the School District's Management. Our responsibility is to express an opinion of these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects the financial position of the School District as at June 30, 2007, and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

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

THOMPSON, MANITOBA

March 14, 2008
DATE

Kendall Wall Pandya
CHARTERED ACCOUNTANTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2007	2006 (see Note)
	Financial Assets		
	Cash and Bank	535,086	-
	Short Term Investments	-	-
	Due from - Provincial Government	508,583	382,407
	- Federal Government	126,683	77,763
	- Municipal Government	4,627,574	4,491,638
	- Other School Divisions	16,554	59,009
	- First Nations	42,447	-
	Accounts Receivable	66,121	103,888
	Accrued Investment Income	-	-
	Other Investments	-	
		5,923,048	5,114,705
	Liabilities		
	Overdraft	-	1,423,123
	Accounts Payable	179,376	1,200,592
	Accrued Liabilities	3,869,929	1,828,779
#7	Employee Future Benefits	553,023	-
	Accrued Interest Payable	120,892	-
	Due to - Provincial Government	-	-
	- Federal Government	1,613	454
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
#8	Deferred Revenue	825,956	442,319
#10	Debenture Debt	6,045,135	6,660,200
	Other Borrowings	-	-
	School Generated Funds Liability	154,555	
		11,750,479	11,555,467
	Net Debt	(5,827,431)	(6,440,762)
	Non-Financial Assets		
#11	Net Tangible Capital Assets (TCA Schedule)	10,764,450	30,694,341
	Inventories	124,653	108,928
	Prepaid Expenses	152,360	111,725
		11,041,463	30,914,994
#13	**Accumulated Surplus**	5,214,032	24,474,232

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes		2007 Actual	2006 Actual (see Note)
	Revenue		
	Provincial Government	24,917,535	23,053,181
	Federal Government	3,875	85,295
	Municipal Government - Property Tax	5,914,129	5,648,759
	- Other	1,698,558	1,670,186
	Other School Divisions	82,259	90,652
	First Nations	430,380	361,033
	Private Organizations and Individuals	82,370	208,971
	Other Sources	300,821	13,135
	School Generated Funds	332,426	
	Other Special Purpose Funds	-	
		33,762,353	31,131,212
	Expenses		
	Regular Instruction	18,263,670	17,127,241
	Student Support Services	5,523,041	4,439,345
	Adult Learning Centres	-	-
	Community Education and Services	163,585	248,652
	Divisional Administration	1,511,860	1,030,205
	Instructional and Other Support Services	1,395,006	2,020,821
	Transportation of Pupils	165,787	157,704
	Operations and Maintenance	4,138,731	4,072,054
#16	Fiscal - Interest	589,517	522,069
	- Other	511,862	460,925
	Amortization	633,057	
	Other Capital Items	-	-
	School Generated Funds	298,870	
	Other Special Purpose Funds	-	
		33,194,986	30,079,016
	Current Year Surplus (Deficit)	567,367	1,052,196
	Opening Accumulated Surplus	24,474,232	23,422,036
#14	Restatements: Tangible Cap. Assets and Accum. Amort.	(19,666,319)	
#14	Other than Tangible Cap. Assets	(161,248)	0
	Opening Accumulated Surplus, as restated	4,646,665	23,422,036
	Closing Accumulated Surplus	5,214,032	24,474,232

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2007

Current Year Surplus (Deficit)	567,367
Amortization of Tangible Capital Assets	633,057
Acquisition of Tangible Capital Assets	(369,485)
(Gain) / Loss on Sale of Tangible Capital Assets	-
Proceeds on Sale of Tangible Capital Assets	-
	263,572
Inventories (Increase)/Decrease	(15,725)
Prepaid Expenses (Increase)/Decrease	(40,635)
	(56,360)
(Increase)/Decrease in Net Debt	774,579
Net Debt at Beginning of Year	(6,440,762)
Restatements Other than Tangible Cap. Assets	(161,248)
Net Debt at Beginning of Year as Restated	(6,602,010)
Net Debt at End of Year	(5,827,431)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2007

Operating Transactions	
Current Year Surplus/(Deficit)	567,367
Non-Cash Items Included in Current Year Surplus/(Deficit):	
Amortization of Tangible Capital Assets	633,057
(Gain)/Loss on Disposal of Tangible Capital Assets	-
Employee Future Benefits Increase/(Decrease)	553,023
Short Term Investments (Increase)/Decrease	-
Due from Other Organizations (Increase)/Decrease	(311,024)
Accounts Receivable & Accrued Income (Increase)/Decrease	37,767
Inventories and Prepaid Expenses - (Increase)/Decrease	(56,360)
Due to Other Organizations Increase/(Decrease)	1,159
Accounts Payable & Accrued Liabilities Increase/(Decrease)	1,140,826
Deferred Revenue Increase/(Decrease)	383,637
School Generated Funds Liability Increase/(Decrease)	154,555
Restatements Other than Tangible Cap. Assets	(161,248)
Cash Provided by Operating Transactions	2,942,759
Capital Transactions	
Acquisition of Tangible Capital Assets	(369,485)
Proceeds on Sale of Tangible Capital Assets	-
Cash (Applied to)/Provided by Capital Transactions	(369,485)
Investing Transactions	
Other Investments (Increase)/Decrease	-
Cash Provided by (Applied to) Investing Transactions	0
Financing Transactions	
Debenture Debt Increase/(Decrease)	(615,065)
Other Borrowings Increase/(Decrease)	-
Cash Provided by (Applied to) Financing Transactions	(615,065)
Cash and Bank / Overdraft (Increase)/Decrease	1,958,209
Cash and Bank (Overdraft) at Beginning of Year	(1,423,123)
Cash and Bank (Overdraft) at End of Year	535,086

Mystery Lake School District

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2007

	Buildings and Leasehold Improvements		School	Other	Furniture / Fixtures &	Computer Hardware &		Land	Assets Under	Totals
	School	Non-School	Buses	Vehicles	Equipment	Software *	Land	Improvements	Construction	
Tangible Capital Asset Cost										
Opening Cost, as previously reported	26,674,850	1,257,893	-	108,817	1,978,391	-	674,390	-	-	30,694,341
Restatements	(2,044,532)	950,519	-	-	(1,482,194)	18,564	2,239,882	-	-	(317,761)
Opening Cost restated	24,630,318	2,208,412	-	108,817	496,197	18,564	2,914,272	-	-	30,376,580
Add: Additions during the year	-	44,156	-	65,112	113,456	19,761	-	-	127,000	369,485
Less: Disposals and write downs	-	-	-	-	-	-	-	-	-	-
Closing Cost	24,630,318	2,252,568	-	173,929	609,653	38,325	2,914,272	-	127,000	30,746,065
Accumulated Amortization										
Opening, as previously reported	-	-	-	-	-	-	-	-	-	-
Restatements	17,641,438	1,472,907	-	67,366	160,837	6,010	-	-	-	19,348,558
Opening restated	17,641,438	1,472,907	-	67,366	160,837	6,010	-	-	-	19,348,558
Add: Current period Amortization	474,989	61,621	-	17,340	73,069	6,038	-	-		633,057
Less: Accumulated Amortization on Disposals and Writedowns	-	-	-	-	-	-	-	-	-	-
Closing Accumulated Amortization	18,116,427	1,534,528	-	84,706	233,906	12,048	-	-	-	19,981,615
Net Tangible Capital Asset	6,513,891	718,040	-	89,223	375,747	26,277	2,914,272	-	127,000	10,764,450
Proceeds from Sale 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. COMPARATIVE FIGURES

The District adopted Public Sector Accounting Board (PSAB) standards during the 2006/2007 fiscal year. The standards have been applied retroactively with a cumulative adjustment to the opening surplus presented as a restatement on the Statement of Revenues, Expenses and Accumulated Surplus. The 2006 comparative figures have not been restated and are presented in accordance with FRAME, the prescribed method of accounting that the District followed prior to the 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, 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) Trust Funds

The District administers a scholarship fund. This scholarship fund is included as an accounts payable in the financial statements. A schedule of trust funds is attached as part of the notes to the consolidated financial statements.

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 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.

d) 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.

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 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.

f) Tangible Capital Assets

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

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

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

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

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

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

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

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

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.

g) Employee Future Benefits

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

However, the District provides 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 makes defined contributions on behalf of support staff who belong to the Manitoba School of Trustees (MAST) 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 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.

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.

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.

h) Capital Reserves

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

The Mystery Lake School District has no amounts set aside in Capital Reserves at this time.

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 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.

4. CONVERSION TO PUBLIC SECTOR ACCOUNTING BOARD

Commencing with the 2006 / 2007 fiscal year, the Board has adopted generally accepted accounting principles established by PSAB. As explained in Note 2, the comparative figures included in these financial statements have not been restated to conform to the accounting standards adopted for the current year.

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 controlled by the District.

iii) The Employee Future Benefits Liability was established to account for the District'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 District has an authorized line of credit with the CIBC valued at $8,000,000. The line of credit is used as required when inflow of revenues do not match the outflow of expenses. It is generally used in the latter half of the year as the payment from the City of Thompson for the Municipal Special Levy is not paid until November of each year. The District receives funding from the province on the 10^{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, 2007.

6. SHORT TERM INVESTMENTS

The District does not invest in short term investments because its cash flow is such that there are never any substantial amount of funds to invest for any length of time.

7. EMPLOYEE FUTURE BENEFITS

Employee future benefits are benefits earned by employees in the current period, but will not be
paid out until future periods. The employee future benefits are comprised of the following:

Employee Future Benefit Liabilities	Type of Plan	2007
Sick Leave Buyout Teachers	Defined Contribution	$ 336,272
Early Leave Incentive Plan Teachers	Defined Contribution	206,028
Sick Leave Buyout Support Staff	Defined Contribution	10,723
Pension Plan	Defined Contribution	607,768
Accrued Wages Payable		3,100,795
		$ 4,261,585

8. DEFERRED REVENUE

Deferred revenue valued at $882,796 at June 30, 2007 consisted of the following:

a) Education Property Tax Credit is valued at $1,322,763.72 for the 2007 calendar year. $793,658.23 or 60% was taken into revenue in the 2006 / 2007 school year for the period from January to June 30, 2007 while the remaining $529,105.49 relating to September to December 2007 was set up as deferred revenue at June 30, 2007 and will be taken into revenue in the 2007 / 2008 school year.

b) Because of the change to PSAB effective the 2006 / 2007 financial reporting period, the purchases of playground equipment at Burntwood School, Deerwood School, Ecole Riverside School, Juniper School, Westwood School and Wapanohk School funded by the Playground Committees are considered to have been donated to the Schools. It is recorded on the District's books by debiting Capital Assets and crediting Deferred Revenue. The equipment is considered to have a useful life of 5 years. In each of the five years, one fifth of the value of the assets will be recorded as Revenue with an offsetting debit to Deferred Revenue. At the end of the five 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 $336,635.

c) During the year a number of grants were received from various sources to be used for specific projects. Grant revenues are recognized as expenses are incurred for the related project. Revenues exceeding the project expenses are deferred until the related expenses are incurred. Deferred revenue related to specific projects was $106,669.

9. SCHOOL GENERATED FUNDS LIABILITY

School generated Funds Liability includes the non-controlled portion of school generated funds consolidated in the cash and bank balances in the amount of $154,555. The breakdown is as follows:

	2007
Parent Council Fund	$ 28,815
Playground Committees	35,248
Other Parent Group Funds	33,148
Student Funds	57,344
	$154,555

10. DEBENTURE DEBT

Debenture debt is comprised of the following:

Interest Rate %	**Maturity Date**	**Balance (Dollars)**
10.500	**March 15, 2008**	**$ 24,409**
10.625	**May 15, 2008**	**17,367**
10.375	**October 31, 2009**	**26,491**
10.750	**May 15, 2011**	**71,280**
9.250	**September 15, 2012**	**42,699**
7.625	**February 28, 2014**	**191,143**
8.625	**October 31, 2015**	**283,035**
7.375	**November 30, 2016**	**246,165**
7.625	**February 15, 2017**	**95,297**
6.125	**April 30, 2018**	**213,959**
5.875	**February 15, 2019**	**253,527**
5.875	**February 15, 2019**	**330,022**
6.750	**October 15, 2019**	**98,875**
7.250	**February 28, 2020**	**168,121**
6.625	**April 15, 2021**	**397,675**
6.500	**January 15, 2022**	**871,273**
6.875	**May 31, 2022**	**763,754**
6.000	**February 15, 2024**	**844,581**
6.125	**June 15, 2024**	**695,940**
5.375	**June 30, 2025**	**409,505**
		$6,045,135

Debenture interest expense payable as at June 30, 2007, 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
2008	$ 354,005	$ 400,228	$ 754,233
2009	334,097	373,932	708,029
2010	357,573	350,455	708,028
2011	372,037	325,269	697,306
2012	375,099	299,354	674,453
	$1,792,811	$1,749,238	$3,542,049

11. NET TANGIBLE CAPITAL ASSETS

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

	Gross Amount	Accumulated Amortization	2007 Net Book Value
Owned Tangible Capital Assets	$30,746,065	$19,981,615	$10,764,450

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

12. OBLIGATION UNDER OPERATING LEASES

Operating lease commitments for the next five years are:

Year ending June 30, 2008	$ 32,725
2009	26,143
2010	15,157
2011	-
2012	-
	$ 74,025

13. ACCUMULATED SURPLUS

The consolidated accumulated surplus is comprised of the following:

	2007
Operating Fund	
Designated Surplus	$ -
Undesignated Surplus	746,929
	$ 746,929
Capital Fund	
Reserve Accounts	$ -
Equity in Tangible Capital Assets	4,170,932
	$4,170,932
Special Purpose Fund	
School Generated Funds	$ -
Other Special Purpose Funds	118,439
	$ 118,439
Total Accumulated Surplus	$5,036,300

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 moneys for school use.

	2007
Other Student Activity	$ -
Other Special Purpose Funds	118,439
	$ 118,439

14. RESTATEMENT OF OPENING ACCUMULATED SURPLUS

Restatement of Opening Accumulated Surplus is comprised of:

2007	
Operating Fund	
Employee Future Benefits	$ -
Capital Fund	
Tangible Capital Assets	$ (299,138)
Accumulated Amortization	(19,367,184)
Other than Tangible Capital Assets	(408,096)
	$(20,074,415)
Special Purpose Fund	
School Generated Funds	$ -
Other Special Purpose Funds	84,883
Total Restatement of Opening Accumulated Surplus	$(19,989,532)

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

15. 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; 40% from 2006 tax year and 60% from 2007 tax year. Below are the related revenue and receivable amounts:

	2007	2006
Revenue Municipal Government Property Tax	$5,914,129	$5,648,759
Receivable Due from Municipal Property Tax	$3,600,973	$3,465,037

16. INTEREST RECEIVED AND PAID

The District received interest during the year of $453,302 (2006 $488,009); interest paid during the year was $468,626 (2006 $522,069).

	2007
Operating Fund	
Fiscal-short Term Loan, Interest and Bank Charges	$ 15,324
Capital Fund	
Debenture Debt Interest	574,194
Other Interest	-
	$ 589,518

The accrual portion of debenture debt interest expense of $120,892 included under the Capital Fund-Debenture debt interest, is offset by an accrual of debt servicing grant.

17. ALLOWANCE FOR DOUBTFUL ACCOUNTS

All receivables presented on the Consolidated Statement of Financial Position are net of an allowance for doubtful accounts. There is no allowance for doubtful accounts as at June 30, 2007.

18. BUDGET FIGURES

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

MANAGEMENT RESPONSIBILITY REPORT

Management's Responsibility for the Financial Statements

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

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

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

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

Chairperson

Secretary-Treasurer

September 21, 2007

MEYERS NORRIS PENNY

AUDITOR'S REPORT

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

To the Board of Trustees
Park West School Division

We have audited the consolidated statement of financial position of the Park West School Division as at June 30, 2007 and the consolidated statements of revenue, expenses, and accumulated surplus, change in net debt and cash flow for the year then ended. These consolidated financial statements are the responsibility of the Division's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly in all material respects, the financial position of the School Division as at June 30, 2007 and the results of its operations and cash flow for that fiscal year in accordance with Canadian generally accepted accounting principles.

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

Meyers Norris Penny LLP
AUDITOR

Brandon, Manitoba
September 21, 2007

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2007	2006 (see Note)
	Financial Assets		
	Cash and Bank	-	-
	Short Term Investments	-	-
	Due from - Provincial Government	600,197	392,008
	- Federal Government	163,957	107,767
	- Municipal Government	3,100,891	2,815,568
	- Other School Divisions	-	-
	- First Nations	899,654	-
	Accounts Receivable	100,647	973,033
	Accrued Investment Income	-	-
	Other Investments	-	
		4,865,346	4,288,376
	Liabilities		
5	Overdraft	1,763,229	2,103,694
	Accounts Payable	371,057	290,092
	Accrued Liabilities	-	-
	Employee Future Benefits	-	-
	Accrued Interest Payable	200,863	-
	Due to - Provincial Government	-	9,905
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
6	Deferred Revenue	540,891	458,628
7	Debenture Debt	7,856,411	8,387,371
8	Other Borrowings	38,063	48,960
	School Generated Funds Liability	-	
		10,770,514	11,298,650
	Net Debt	(5,905,168)	(7,010,274)
	Non-Financial Assets		
9	Net Tangible Capital Assets (TCA Schedule)	8,778,856	28,035,866
	Inventories	106,039	139,834
	Prepaid Expenses	30,144	34,258
		8,915,039	28,209,958
10	**Accumulated Surplus**	3,009,871	21,199,684

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes		2007 Actual	2006 Actual (see Note)
	Revenue		
	Provincial Government	12,809,776	12,673,085
	Federal Government	-	-
	Municipal Government - Property Tax	5,656,009	5,076,771
	- Other	-	-
	Other School Divisions	21,450	20,800
	First Nations	1,102,143	1,550,138
	Private Organizations and Individuals	1,400	10,185
	Other Sources	43,886	61,815
	School Generated Funds	883,853	
	Other Special Purpose Funds	-	
		20,518,517	19,392,794
	Expenses		
	Regular Instruction	9,957,087	10,422,920
	Student Support Services	2,376,994	2,107,697
	Adult Learning Centres	-	-
	Community Education and Services	15,225	9,462
	Divisional Administration	667,368	712,555
	Instructional and Other Support Services	420,715	722,701
	Transportation of Pupils	1,784,881	1,800,710
	Operations and Maintenance	2,000,717	1,981,073
13	Fiscal - Interest	867,435	699,153
	- Other	265,530	283,131
	Amortization	755,259	
	Other Capital Items	(2,795)	-
	School Generated Funds	854,526	
	Other Special Purpose Funds	-	
		19,962,942	18,739,402
	Current Year Surplus (Deficit)	555,575	653,392
	Opening Accumulated Surplus	21,199,684	20,546,292
	Restatements: Tangible Cap. Assets and Accum. Amort.	(18,944,962)	
11	Other than Tangible Cap. Assets	199,574	0
	Opening Accumulated Surplus, as restated	2,454,296	20,546,292
	Closing Accumulated Surplus	3,009,871	21,199,684

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2007

Current Year Surplus (Deficit)	555,575
Amortization of Tangible Capital Assets	755,259
Acquisition of Tangible Capital Assets	(443,211)
(Gain) / Loss on Sale of Tangible Capital Assets	(2,795)
Proceeds on Sale of Tangible Capital Assets	2,795
	312,048
Inventories (Increase)/Decrease	33,795
Prepaid Expenses (Increase)/Decrease	4,114
	37,909
(Increase)/Decrease in Net Debt	905,532
Net Debt at Beginning of Year	(7,010,274)
Restatements Other than Tangible Cap. Assets	199,574
Net Debt at Beginning of Year as Restated	(6,810,700)
Net Debt at End of Year	(5,905,168)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2007

Operating Transactions	
Current Year Surplus/(Deficit)	555,575
Non-Cash Items Included in Current Year Surplus/(Deficit):	
Amortization of Tangible Capital Assets	755,259
(Gain)/Loss on Disposal of Tangible Capital Assets	(2,795)
Employee Future Benefits Increase/(Decrease)	-
Short Term Investments (Increase)/Decrease	-
Due from Other Organizations (Increase)/Decrease	(1,449,356)
Accounts Receivable & Accrued Income (Increase)/Decrease	872,386
Inventories and Prepaid Expenses - (Increase)/Decrease	37,909
Due to Other Organizations Increase/(Decrease)	(9,905)
Accounts Payable & Accrued Liabilities Increase/(Decrease)	281,828
Deferred Revenue Increase/(Decrease)	82,263
School Generated Funds Liability Increase/(Decrease)	-
Restatements Other than Tangible Cap. Assets	199,574
Cash Provided by Operating Transactions	1,322,738
Capital Transactions	
Acquisition of Tangible Capital Assets	(443,211)
Proceeds on Sale of Tangible Capital Assets	2,795
Cash (Applied to)/Provided by Capital Transactions	(440,416)
Investing Transactions	
Other Investments (Increase)/Decrease	-
Cash Provided by (Applied to) Investing Transactions	0
Financing Transactions	
Debenture Debt Increase/(Decrease)	(530,960)
Other Borrowings Increase/(Decrease)	(10,897)
Cash Provided by (Applied to) Financing Transactions	(541,857)
Cash and Bank / Overdraft (Increase)/Decrease	340,465
Cash and Bank (Overdraft) at Beginning of Year	(2,103,694)
Cash and Bank (Overdraft) at End of Year	(1,763,229)

Park West School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2007

	Buildings and Leasehold Improvements		School	Other	Furniture / Fixtures &	Computer Hardware &		Land	Assets Under	Totals
	School	Non-School	Buses	Vehicles	Equipment	Software *	Land	Improvements	Construction	
Tangible Capital Asset Cost										
Opening Cost, as previously reported	23,387,652	239,092	2,453,625	27,660	1,712,488	-	215,349	-	-	28,035,866
Restatements	(3,711,108)	(68,603)	(867,203)	33,866	(1,542,829)	-	157,639	-	62,763	(5,935,475)
Opening Cost restated	19,676,544	170,489	1,586,422	61,526	169,659	-	372,988	-	62,763	22,100,391
Add:										
Additions during the year	262,800	-	87,961		30,914	-	-	-	61,536	443,211
Less:										
Disposals and write downs	-	-	-	-	-	-	-	-	-	-
Closing Cost	19,939,344	170,489	1,674,383	61,526	200,573	-	372,988	-	124,299	22,543,602
Accumulated Amortization										
Opening, as previously reported	-	-	-	-	-	-	-	-	-	-
Restatements	12,002,477	34,611	861,267	40,594	70,538	-	-	-	-	13,009,487
Opening restated	12,002,477	34,611	861,267	40,594	70,538	-	-	-	-	13,009,487
Add:										
Current period Amortization	541,000	6,820	163,040	8,000	36,399	-	-	-		755,259
Less:										
Accumulated Amortization on Disposals and Writedowns	-	-	-	-	-	-	-	-	-	-
Closing Accumulated Amortization	12,543,477	41,431	1,024,307	48,594	106,937	-	-	-	-	13,764,746
Net Tangible Capital Asset	7,395,867	129,058	650,076	12,932	93,636	-	372,988	-	124,299	8,778,856
Proceeds from Sale of Capital Assets	-	-	2,795	-	-	-	-			2,795

* Includes network infrastructure.

PARK WEST SCHOOL DIVISION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2007

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. Comparative Figures

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. The 2006 comparative figures have not been restated and are presented in accordance with FRAME, the prescribed method of accounting that the Division followed prior to the 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 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 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) Capital Reserve

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

h) Use of Estimates

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

i) Financial instruments

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

4. Conversion to PSAB

Commencing with the 2006/07 fiscal year, the Board has adopted generally accepted accounting principles established by PSAB. As explained in Note 2, the comparative figures included in these financial statements have not been restated to conform to the accounting standards adopted for the current year.

The following changes have been implemented to comply with the PSAB standard:

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

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

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

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

5. Overdraft

The Division has an authorized line of credit with Vanguard Credit Union of $2,022,118 by way of overdrafts and is repayable on demand at prime less .5%; interest is paid monthly. Included in the overdraft are capital projects totaling approximately $124,999 which will be submitted to PSFB for debenture funding. Overdrafts are secured by borrowing by-law.

6. Deferred Revenue

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

	Balance as at June 30, 2006	Additions in the period	Revenue recognized in the period	Balance as at June 30, 2007
Manitoba Textbook Bureau	$ -	$ 54,318	$ 51,105	$ 3,213
Donated Capital Assets	-	-	-	-
Education Property Tax Credit	458,628	537,678	458,628	537,678
	$ 458,628	$ 591,996	$ 509,733	$ 540,891

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 2008 to 2017. Payment of principal and interest is funded entirely by grants from the Province of Manitoba, except for the debenture debt on self-funded capital projects. The debentures carry interest rates that range from 5.00% to 11.625%. Debenture interest expense payable as at June 30, 2007, 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
2008	$ 651,429	$ 553,981	$ 1,205,410
2009	689,168	494,977	1,184,145
2010	488,210	432,637	920,847
2011	499,596	394,143	893,739
2012	492,595	355,223	847,818
	$ 2,820,998	$ 2,230,961	$ 5,051,959

8. Other Borrowings

Other borrowings are debts other than overdrafts or debentures. This includes a loan to purchase a school bus garage.

School bus garage loan bears 7.5% interest per annum, due in 2010 and a yearly payment of $14,569 principal and interest. This loan is secured by way of borrowing resolution.

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

	Principal	Interest	Total
2008	$ 11,714	$ 2,854	$ 14,568
2009	12,593	1,976	14,569
2010	13,756	1,032	14,787
2011	-	-	-
2012	-	-	-
	$ 38,063	$ 5,862	$ 43,924

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	2007 Net Book Value
Owned-tangible capital assets	$ 22,543,602	$ 13,764,746	$ 8,778,856
Capital lease	-	-	-
	$ 22,543,602	$ 13,764,746	$ 8,778,856

10. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2007
Operating Fund	
Designated Surplus	240,000
Undesignated Surplus	1,778,054
	2,018,054
Capital Fund	
Reserve Accounts	-
Equity in Tangible Capital Assets	762,916
	762,916
Special Purpose Fund	
School Generated Funds	228,901
Other Special Purpose Funds	-
	-
Total Accumulated Surplus	$ 3,009,871

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.

	2007
Board approved appropriation by motion	240,000
School budget carryovers by board policy	-
Designated surplus	$ 240,000

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.

	2007
Bus reserves	-
Other reserves	-
Capital Reserve	$ -

School Generated Funds are externally restricted moneys for school use.

	2007
Foundation-Scholarship	-
Other - *Specify*	-
Other Special Purpose Funds	$ -

11. Restatement of Opening Accumulated Surplus

Restatement of Opening Accumulated Surplus is comprised of:

	2007
Operating Fund	
Employee Future Benefits	-
Capital Fund	
Tangible Capital Assets	(5,935,475)
Equity in Tangible Capital Assets	(13,009,487)
	(18,944,962)
Special Purpose Fund	
School Generated Funds	199,574
Other Special Purpose Funds	-
	199,574
Total Restatement of Opening Accumulated Surplus	$ (18,745,388)

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

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; 44.4% from 2006 tax year and 55.6% from 2007 tax year. Below are the related revenue and receivable amounts:

	2007	2006
Revenue-Municipal Government-Property Tax	$ 5,656,009	$ 5,076,771
Receivable-Due from Municipal-Property Tax	$ 3,100,891	$ 2,815,568

13. Interest Received and Paid

The Division received interest during the year of $21,002 (previous year $27,791); interest paid during the year was $867,435(previous year $699,153).

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

		2007
Operating Fund		
Fiscal-short term loan, interest and bank charges	$	48,341
Capital Fund		
Debenture debt interest		815,422
Other interest		3,672
	$	867,435

The accrual portion of debenture debt interest expense of $200,863 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 2007	Budget 2007	Actual 2006
Salaries	$ 12,214,114	$ 12,369,770	$ 12,494,123
Employees benefits & allowances	883,534	861,828	964,564
Services	2,566,270	2,683,461	2,690,267
Supplies, materials & minor equipment	1,466,245	1,469,996	1,528,214
Interest	867,435	50,000	699,153
Transfers	92,824	-	79,950
Payroll tax	265,530	265,000	283,131
Amortization	755,259	-	-
Other capital items	(2,795)	-	-
School generated funds	854,526	-	-
Other special purpose funds	-	-	-
	$ 19,962,942	$ 17,700,055	$ 18,739,402

15. Contractual Obligations

Agreements respecting student transportation and contract cleaning were entered into. The specific costs for student transportation services are approximately $825,000 for 2007-08.

The specific costs for contract cleaning services are approximately $234,482 for 2007-08.

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, 2007, the amount of this special levy was $436,773 (2006 - $411,251). These amounts are not included in the Division's consolidated financial statements.

PEMBINA TRAILS SCHOOL DIVISION
MANAGEMENT REPORT

Management's Responsibility for the Financial Statements

The accompanying consolidated financial statements of Pembina Trails School Division are the responsibility of the Division 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 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 Division's consolidated financial statements.

Chair | Secretary-Treasurer

October 25, 2007

Grant Thornton

Grant Thornton LLP
Chartered Accountants
Management Consultants

Auditors' Report
To The Board of Trustees of

Pembina Trails School Division

We have audited the consolidated statement of financial position of the **Pembina Trails School Division** as at June 30, 2007, and the consolidated statements of revenues, expenses and accumulated surplus, change in net debt, and cash flows for the year then ended. These financial statements are the responsibility of the Division's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Division as at June 30, 2007 and the results of its operations and changes in its financial position for the year then ended in accordance with the generally accepted accounting principles as established by the Public Sector Accounting Board.

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, schedules and reports is presented for purposes of additional analysis. 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 examination did not include the budget figures and we do not express any opinion concerning them.

The comparative figures, as described in Note 2, have not been restated and are presented in accordance with Financial Reporting and Accounting in Manitoba Education, the prescribed method of accounting that was followed prior to the implementation of generally accepted accounting principles as established by the Public Sector Accounting Board (PSAB).

Grant Thornton LLP

Winnipeg, Canada
October 10, 2007

Chartered Accountants

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2007	2006 (see Note 2)
	Financial Assets		
	Cash and Bank	7,598,274	1,207,232
	Short Term Investments	-	49,325
	Due from - Provincial Government	2,357,723	1,574,759
	- Federal Government	237,823	177,570
13	- Municipal Government	30,218,279	30,504,695
	- Other School Divisions	143,513	47,201
	- First Nations	-	-
	Accounts Receivable	356,855	770,384
	Accrued Investment Income	-	-
	Other Investments	-	
		40,912,467	34,331,166
	Liabilities		
4	Overdraft	-	-
	Accounts Payable	3,874,932	2,704,425
	Accrued Liabilities	1,335,121	1,417,220
5	Employee Future Benefits	721,719	-
8	Accrued Interest Payable	666,684	-
	Due to - Provincial Government	489,504	463,423
	- Federal Government	5,678,689	5,223,948
	- Municipal Government	33,017	37,186
	- Other School Divisions	92,925	78,695
	- First Nations	-	-
6	Deferred Revenue	6,532,447	4,761,335
8	Debenture Debt	21,011,290	22,196,712
9	Other Borrowings	14,936,889	13,384,475
7	School Generated Funds Liability	909,867	
		56,283,084	50,267,419
	Net Debt	(15,370,617)	(15,936,253)
	Non-Financial Assets		
10	Net Tangible Capital Assets (TCA Schedule)	40,056,953	95,578,968
	Inventories	-	-
	Prepaid Expenses	545,484	433,965
		40,602,437	96,012,933
11	**Accumulated Surplus**	25,231,820	80,076,680

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes		2007 Actual	2006 Actual (see Note 2)
	Revenue		
	Provincial Government	68,076,242	65,293,394
	Federal Government	13,230	25,838
	Municipal Government - Property Tax	51,747,990	50,885,221
	- Other	-	-
	Other School Divisions	693,368	709,460
	First Nations	-	31,612
	Private Organizations and Individuals	2,049,928	1,975,643
	Other Sources	949,884	936,140
3(f)	School Generated Funds	1,139,894	
	Other Special Purpose Funds	-	
		124,670,536	119,857,308
	Expenses		
	Regular Instruction	68,855,110	66,680,292
	Student Support Services	22,071,209	19,231,547
	Adult Learning Centres	-	-
	Community Education and Services	567,894	510,682
	Divisional Administration	3,834,296	3,483,149
	Instructional and Other Support Services	5,177,542	7,350,885
	Transportation of Pupils	1,604,201	1,550,604
	Operations and Maintenance	11,564,704	11,228,402
	Fiscal - Interest	2,017,355	2,103,863
	- Other	1,945,474	1,948,317
3(d)	Amortization	2,743,071	
	Other Capital Items	16,804	34,723
3(f)	School Generated Funds	1,167,048	
	Other Special Purpose Funds	-	
		121,564,708	114,122,464
	Current Year Surplus (Deficit)	3,105,828	5,734,844
	Opening Accumulated Surplus	80,076,680	74,341,836
12	Restatements: Tangible Cap. Assets and Accum. Amort.	(57,086,147)	
	Other than Tangible Cap. Assets	(864,541)	0
	Opening Accumulated Surplus, as restated	22,125,992	74,341,836
	Closing Accumulated Surplus	25,231,820	80,076,680

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2007

Current Year Surplus (Deficit)	3,105,828
Amortization of Tangible Capital Assets	2,743,071
Acquisition of Tangible Capital Assets	(4,307,203)
(Gain) / Loss on Sale of Tangible Capital Assets	-
Proceeds on Sale of Tangible Capital Assets	-
	(1,564,132)
Inventories (Increase)/Decrease	-
Prepaid Expenses (Increase)/Decrease	(111,519)
	(111,519)
(Increase)/Decrease in Net Debt	1,430,177
Net Debt at Beginning of Year	(15,936,253)
Restatements Other than Tangible Cap. Assets	(864,541)
Net Debt at Beginning of Year as Restated	(16,800,794)
Net Debt at End of Year	(15,370,617)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2007

Operating Transactions	
Current Year Surplus/(Deficit)	3,105,828
Non-Cash Items Included in Current Year Surplus/(Deficit):	
Amortization of Tangible Capital Assets	2,743,071
(Gain)/Loss on Disposal of Tangible Capital Assets	-
Employee Future Benefits Increase/(Decrease)	721,719
Short Term Investments (Increase)/Decrease	49,325
Due from Other Organizations (Increase)/Decrease	(653,113)
Accounts Receivable & Accrued Income (Increase)/Decrease	413,529
Inventories and Prepaid Expenses - (Increase)/Decrease	(111,519)
Due to Other Organizations Increase/(Decrease)	490,883
Accounts Payable & Accrued Liabilities Increase/(Decrease)	1,755,092
Deferred Revenue Increase/(Decrease)	1,771,112
School Generated Funds Liability Increase/(Decrease)	909,867
Restatements Other than Tangible Cap. Assets	(864,541)
Cash Provided by Operating Transactions	10,331,253
Capital Transactions	
Acquisition of Tangible Capital Assets	(4,307,203)
Proceeds on Sale of Tangible Capital Assets	-
Cash (Applied to)/Provided by Capital Transactions	(4,307,203)
Investing Transactions	
Other Investments (Increase)/Decrease	-
Cash Provided by (Applied to) Investing Transactions	0
Financing Transactions	
Debenture Debt Increase/(Decrease)	(1,185,422)
Other Borrowings Increase/(Decrease)	1,552,414
Cash Provided by (Applied to) Financing Transactions	366,992
Cash and Bank / Overdraft (Increase)/Decrease	6,391,042
Cash and Bank (Overdraft) at Beginning of Year	1,207,232
Cash and Bank (Overdraft) at End of Year	7,598,274

Pembina Trails School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2007

	Buildings and Leasehold Improvements		School	Other	Furniture /	Computer		Land	Assets	
	School	Non-School	Buses	Vehicles	Fixtures & Equipment	Hardware & Software *	Land	Improvements	Under Construction	Totals
Tangible Capital Asset Cost										
Opening Cost, as previously reported	71,432,112	4,854,587	2,218,136	353,196	8,478,432	-	8,242,505	-	-	95,578,968
Restatements	(5,161,060)	173,637	(299,913)	(164,643)	(4,273,610)	722,174	(5,467,337)	77,178	1,352,596	(13,040,978)
Opening Cost restated	66,271,052	5,028,224	1,918,223	188,553	4,204,822	722,174	2,775,168	77,178	1,352,596	82,537,990
Add: Additions during the year	3,515,667	-	790,381	85,790	470,500	324,128	-	96,824	(976,087)	4,307,203
Less: Disposals and write downs	-	-	-	-	-	-	-	-	-	-
Closing Cost	69,786,719	5,028,224	2,708,604	274,343	4,675,322	1,046,302	2,775,168	174,002	376,509	86,845,193
Accumulated Amortization										
Opening, as previously reported	-	-	-	-	-	-	-	-	-	-
Restatements	40,503,093	2,212,209	462,990	113,665	471,256	249,850	-	32,106	-	44,045,169
Opening restated	40,503,093	2,212,209	462,990	113,665	471,256	249,850	-	32,106	-	44,045,169
Add: Current period Amortization	1,610,899	117,964	228,222	43,942	516,195	213,290	-	12,559		2,743,071
Less: Accumulated Amortization on Disposals and Writedowns	-	-	-	-	-	-	-	-	-	-
Closing Accumulated Amortization	42,113,992	2,330,173	691,212	157,607	987,451	463,140	-	44,665	-	46,788,240
Net Tangible Capital Asset	27,672,727	2,698,051	2,017,392	116,736	3,687,871	583,162	2,775,168	129,337	376,509	40,056,953
Proceeds from Sale of Capital Assets	-	-	-	-	-	-	-			-

* Includes network infrastructure.

1. Nature of Organization and Economic Dependence

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

The Division is economically dependent on the Province and on special levy for its revenue and capital financing requirements. Without these funding sources, the Division would not be able to continue its operations.

2. Comparative Figures and Conversion to PSAB Standards

The Division has adopted generally accepted accounting principles as established by Public Sector Accounting Board (PSAB) 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. The 2006 comparative figures have not been restated and are presented in accordance with FRAME, the prescribed method of accounting that the Division followed prior to the implementation of 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. Capital lease liability was established for the obligation associated with the leased capital assets. Deferred revenue was restated to include deferred revenue related to donated capital assets.

(ii) The Operating Fund, Capital Fund and Special Purpose Fund are consolidated in the financial statements. InForm Net has been consolidated into the Operating Fund as a related entity. The Special Purpose Fund was created to include school generated funds controlled by the Division.

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

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 Pembina Trails Education Support Fund, Pembina Trails Voices and InForm Net which are entities controlled by the Division. All inter-fund accounts and transactions are eliminated upon consolidation.

b) Basis of Accounting

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

c) Fund Accounting

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

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

d) Tangible Capital Assets

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

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

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

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

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

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

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

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

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

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

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal if not fully amortized. Assets under construction are not amortized until the date of substantial completion.

e) Employee Future Benefits

The Province of Manitoba pays the employer portion of the Teachers' Retirement Allowances Fund (TRAF), the pension plan for all certified teachers of the Division. The Division does not contribute to TRAF, and no costs relating to this plan are included in the Division's financial statements. However, the Division provides retirement and other future benefits to its employees. These benefits include the MAST Pension Plan, Maternity Leave and Vacation Days. The Division adopted the following policies with respect to accounting for these employee future benefits:

(i) Defined contribution plan – MAST 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 Leave

For benefit obligations that are event driven (non-vesting maternity leave), the benefit costs are recognized and recorded only in the period when the event occurs. The employee future benefits liability is the total accrued benefit obligation; while the employee future benefit expense is the Division's contribution for the period.

(iii) Defined employee future benefit plans – Accumulated Vacation Days

For benefit obligations that are vested and accumulate over the employees' length of service (vacation days), the benefit costs are recognized and recorded as service is rendered by employees. The employee future benefits liability is the total accrued benefit obligation; while the employee future benefit expense is the Division's contribution for the period.

f) School Generated Funds

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

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

Period end cash balances of all school generated funds are included in the Consolidated Statement of Financial Position. The uncontrolled portion of this amount is reflected in the School Generated Funds Liability account. Examples of uncontrolled school generated funds are specific purpose student fees and fund raising, school meal programs, scholarship funds, and parent or student council funds. Revenues and expenses of uncontrolled school generated funds are not included in the consolidated financial statements.

g) Capital Reserve

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

h) Use of Estimates

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

i) Financial instruments

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

4. Overdraft

The Division has an authorized line of credit with Royal Bank of Canada of $30,000,000 by way of overdrafts and is repayable on demand at the Bank's Prime Interest Rate minus 0.75%. Overdrafts are secured by a borrowing by-law document.

5. Employee Future Benefits

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

	Type of Plan		2007
MAST Pension Plan	Defined Contribution	$	-
Maternity Leave	Defined Benefit - Event Driven		12,479
Accumulated Vacation Days	Defined Benefit - Vesting		709,240
		$	**721,719**

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. Included in the Addition/ Restatement column is an adjustment of $299,413 related to the restatement of opening accumulated surplus for donated capital assets. The following is a breakdown of the account balance:

	June 30, 2006	Additions/ Restatement	Recognized	June 30, 2007
Education Property Tax Credit	$ 4,303,962	$ 5,697,423	$ 4,303,962	$ 5,697,423
International Student Program Fees	205,981	198,210	205,981	198,210
Fibre Access Agreements	-	29,867	-	29,867
Externally Funded Programs	251,392	289,218	251,392	289,218
Donated Capital Assets		373,094	55,365	317,729
	$ 4,761,335	**$ 6,587,812**	**$ 4,816,700**	**$ 6,532,447**

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 $909,867. The following is a breakdown of the account balance:

		2007
Student Fees - Activities, Clubs, Trips	$	346,492
Student - Fees, Yearbooks, Agendas		264,486
Specific Purpose Fund Raising		126,880
Breakfast and Lunch Programs		110,348
Scholarship Funds		54,508
Parent/ Student Council Funds, Other		7,153
	$	**909,867**

8. 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 2007 to 2027. 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 12.25%. Debenture interest expense payable as at June 30, 2007, 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
2007/08	$	2,217,345	$	1,581,016	$	3,798,361
2008/09		2,157,252		1,372,191		3,529,443
2009/10		2,037,102		1,173,164		3,210,266
2010/11		1,759,098		990,281		2,749,379
2011/12		1,510,698		842,872	$	2,353,570
	$	**9,681,495**	**$**	**5,959,524**	**$**	**15,641,019**

9. Other Borrowings

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

		2007
Vehicle Leases		169,816
Equipment Leases (Copiers)		405,453
	$	**575,269**

Capital lease loans on vehicles and equipment have interest rates ranging from 4.5% to 7.3% per annum, due between 2007 to 2011 all with annual payments of principal and interest. These loans are secured by the related assets. Principal and interest repayment of total Other Borrowings in the next five years are:

	Principal	Interest	Total
2007/08	$ 190,817	$ 19,252	$ 210,069
2008/09	190,817	19,252	210,069
2009/10	176,477	18,700	195,177
2010/11	17,158	2,048	19,206
2011/12	-	-	-
	$ 575,269	**$ 59,252**	**$ 634,521**

10. Net Tangible Capital Assets

The Schedule of Tangible Capital Assets (TCA), page 23 of the financial statements, provides a breakdown of cost, accumulated amortization and net book value by class. The breakdown between owned and leased assets is as follows:

	Gross Amount	Accumulated Amortization	2007 Net Book Value
Owned Tangible Capital Assets	$ 85,874,155	$ 46,430,916	$ 39,443,239
Leased Tangible Capital Assets	971,038	357,324	613,714
	$ 86,845,193	**$ 46,788,240**	**$ 40,056,953**

11. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2007
Operating Fund	
Designated Surplus	$ 1,084,084
Undesignated Surplus	4,554,864
	$ 5,638,948
Related Entities	
Pembina Trails Education Support Fund	$ 142,933
Pembina Trails Voices	$ 70,503
InForm Net	697
	$ 214,133
Capital Fund	
Reserve Accounts	$ 1,236,486
Equity in Tangible Capital Assets	17,745,721
	$ 18,982,207
Special Purpose Fund	
School Generated Funds	$ 396,532
Other Special Purpose Funds	-
	$ 396,532
Total Accumulated Surplus	**$ 25,231,820**

Designated Surplus under the Operating Fund represents internally restricted amounts appropriated by the board or, in the case of school budget carryovers, by board policy. See page 5 of the financial statements for a breakdown of the Designated Surplus. Related entities are entities that are controlled by the Division and consolidated into the Operating fund.

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

School Generated Funds are externally restricted moneys for school use.

12. Restatement of Opening Accumulated Surplus

Restatement of Opening Accumulated Surplus is comprised of:

		2007
Opening Accumulated Surplus	$	80,076,680
Operating Fund		
Consolidation of InForm Net	**$**	**(21,558)**
Capital Fund		
Capital Lease Liability	$	(967,256)
Deferred Revenue for Donated Assets		(299,413)
Tangible Capital Assets		(13,040,978)
Accumulated Amortization		(44,045,169)
	$	**(58,352,816)**
Special Purpose Fund		
School Generated Funds	**$**	**423,686**
Restatement of Opening Accumulated Surplus	**$**	**22,125,992**

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

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

Education property tax or Special Levy is raised as the Division's contribution to the cost of providing public education for resident students in the Division. The Municipal Government-Property Tax shown on the consolidated revenue and expense is raised over the two calendar (tax) years; 40% from 2006 tax year and 60% from 2007 tax year. Below are the related revenue and receivable amounts:

	2007	2006
Revenue - Municipal Government Property Tax	$ 51,747,990	$ 50,885,221
Receivable - Due from Municipal Government Property Tax	$ 30,212,718	$ 30,491,794

14. Interest Received and Paid

The Division received interest during the year of $436,601 (previous year $331,919); interest paid during the year was $2,006,991 (previous year $2,098,045).

15. Contractual Obligations

The Division has an agreement with King Transportation for student transportation services for a term of 5 years ending in June 2011. The specific costs for these services are approximately $353,000 for 2007/08.

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 la Division scolaire franco-manitobaine. The special levy for 2007 was $423,488 (2006 - $268,870). 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 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 Meyers Norris Penny LLP, independent external auditors appointed by the Board. The accompanying Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Division's consolidated financial statements.

____________________ ____________________

Chairperson Secretary-Treasurer

September 27, 2007

MEYERS NORRIS PENNY LLP

AUDITOR'S REPORT

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

To the Board of Trustees
Pine Creek School Division

We have audited the consolidated statement of financial position of the Pine Creek School Division as at June 30, 2007 and the consolidated statements of revenue, expenses, and accumulated surplus, change in net debt and cash flow for the year then ended. These consolidated financial statements are the responsibility of the Division's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly in all material respects, the financial position of the School Division as at June 30, 2007 and the results of its operations and cash flow for that fiscal year in accordance with Canadian generally accepted accounting principles.

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

Meyers Norris Penny LLP
AUDITOR

Brandon, Manitoba
September 27, 2007

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2007	2006 (see Note 2)
	Financial Assets		
	Cash and Bank	319,743	1,092,500
	Short Term Investments	-	-
	Due from - Provincial Government	312,780	129,711
	- Federal Government	63,450	44,535
	- Municipal Government	1,518,689	1,515,803
	- Other School Divisions	-	-
	- First Nations	-	-
	Accounts Receivable	18,333	34,216
	Accrued Investment Income	-	-
	Other Investments	-	
		2,232,995	2,816,765
	Liabilities		
	Overdraft	-	-
	Accounts Payable	30,746	16,098
	Accrued Liabilities	651,573	667,697
	Employee Future Benefits	-	-
	Accrued Interest Payable	75,436	-
	Due to - Provincial Government	-	-
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
6	Deferred Revenue	333,182	294,401
7	Debenture Debt	2,383,347	2,598,908
	Other Borrowings	-	-
	School Generated Funds Liability	-	
		3,474,284	3,577,104
	Net Debt	(1,241,289)	(760,339)
	Non-Financial Assets		
8	Net Tangible Capital Assets (TCA Schedule)	4,404,272	14,349,135
	Inventories	-	-
	Prepaid Expenses	102,115	40,380
		4,506,387	14,389,515
9	**Accumulated Surplus**	3,265,098	13,629,176

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes		2007 Actual	2006 Actual (see Note 2)
	Revenue		
	Provincial Government	8,002,714	7,805,980
	Federal Government	899	882
	Municipal Government - Property Tax	3,125,430	3,048,972
	- Other	-	-
	Other School Divisions	47,445	47,643
	First Nations	-	15,625
	Private Organizations and Individuals	25,540	28,464
	Other Sources	92,330	70,175
	School Generated Funds	252,689	
	Other Special Purpose Funds	-	
		11,547,047	11,017,741
	Expenses		
	Regular Instruction	6,765,217	6,282,643
	Student Support Services	1,274,910	1,066,330
	Adult Learning Centres	-	-
	Community Education and Services	12,226	9,538
	Divisional Administration	443,969	390,340
	Instructional and Other Support Services	331,863	409,434
	Transportation of Pupils	1,038,094	970,321
	Operations and Maintenance	1,219,515	1,099,197
12	Fiscal - Interest	261,560	202,813
	- Other	174,249	166,741
	Amortization	479,181	
	Other Capital Items	-	-
	School Generated Funds	250,436	
	Other Special Purpose Funds	-	
		12,251,220	10,597,357
	Current Year Surplus (Deficit)	(704,173)	420,384
	Opening Accumulated Surplus	13,629,176	13,208,792
	Restatements: Tangible Cap. Assets and Accum. Amort.	(9,750,303)	
10	Other than Tangible Cap. Assets	90,398	0
	Opening Accumulated Surplus, as restated	3,969,271	13,208,792
	Closing Accumulated Surplus	3,265,098	13,629,176

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2007

Current Year Surplus (Deficit)	(704,173)
Amortization of Tangible Capital Assets	479,181
Acquisition of Tangible Capital Assets	(284,621)
(Gain) / Loss on Sale of Tangible Capital Assets	-
Proceeds on Sale of Tangible Capital Assets	-
	194,560
Inventories (Increase)/Decrease	-
Prepaid Expenses (Increase)/Decrease	(61,735)
	(61,735)
(Increase)/Decrease in Net Debt	(571,348)
Net Debt at Beginning of Year	(760,339)
Restatements Other than Tangible Cap. Assets	90,398
Net Debt at Beginning of Year as Restated	(669,941)
Net Debt at End of Year	(1,241,289)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2007

Operating Transactions	
Current Year Surplus/(Deficit)	(704,173)
Non-Cash Items Included in Current Year Surplus/(Deficit):	
Amortization of Tangible Capital Assets	479,181
(Gain)/Loss on Disposal of Tangible Capital Assets	-
Employee Future Benefits Increase/(Decrease)	-
Short Term Investments (Increase)/Decrease	-
Due from Other Organizations (Increase)/Decrease	(204,870)
Accounts Receivable & Accrued Income (Increase)/Decrease	15,883
Inventories and Prepaid Expenses - (Increase)/Decrease	(61,735)
Due to Other Organizations Increase/(Decrease)	-
Accounts Payable & Accrued Liabilities Increase/(Decrease)	73,960
Deferred Revenue Increase/(Decrease)	38,781
School Generated Funds Liability Increase/(Decrease)	-
Restatements Other than Tangible Cap. Assets	90,398
Cash Provided by Operating Transactions	(272,575)
Capital Transactions	
Acquisition of Tangible Capital Assets	(284,621)
Proceeds on Sale of Tangible Capital Assets	-
Cash (Applied to)/Provided by Capital Transactions	(284,621)
Investing Transactions	
Other Investments (Increase)/Decrease	-
Cash Provided by (Applied to) Investing Transactions	0
Financing Transactions	
Debenture Debt Increase/(Decrease)	(215,561)
Other Borrowings Increase/(Decrease)	-
Cash Provided by (Applied to) Financing Transactions	(215,561)
Cash and Bank / Overdraft (Increase)/Decrease	(772,757)
Cash and Bank (Overdraft) at Beginning of Year	1,092,500
Cash and Bank (Overdraft) at End of Year	319,743

Pine Creek School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2007

	Buildings and Leasehold Improvements		School	Other	Furniture / Fixtures &	Computer Hardware &		Land	Assets Under	
	School	Non-School	Buses	Vehicles	Equipment	Software *	Land	Improvements	Construction	Totals
Tangible Capital Asset Cost										
Opening Cost, as previously reported	10,892,979	376,485	2,243,379	75,625	753,077	-	7,590	-	-	14,349,135
Restatements	(1,431,601)	18,754	(421,551)	3,295	(704,071)	17,709	67,744	-	-	(2,449,721)
Opening Cost restated	9,461,378	395,239	1,821,828	78,920	49,006	17,709	75,334	-	-	11,899,414
Add: Additions during the year	-	-	242,766	-	41,855	-	-	-	-	284,621
Less: Disposals and write downs	-	-	-	-	-	-	-	-	-	-
Closing Cost	9,461,378	395,239	2,064,594	78,920	90,861	17,709	75,334	-	-	12,184,035
Accumulated Amortization										
Opening, as previously reported	-	-	-	-	-	-	-	-	-	-
Restatements	5,961,442	178,128	1,098,959	33,428	21,984	6,641	-	-	-	7,300,582
Opening restated	5,961,442	178,128	1,098,959	33,428	21,984	6,641	-	-	-	7,300,582
Add: Current period Amortization	266,711	14,282	169,275	12,592	11,894	4,427	-	-		479,181
Less: Accumulated Amortization on Disposals and Writedowns	-	-	-	-	-	-	-	-	-	-
Closing Accumulated Amortization	6,228,153	192,410	1,268,234	46,020	33,878	11,068	-	-	-	7,779,763
Net Tangible Capital Asset	3,233,225	202,829	796,360	32,900	56,983	6,641	75,334	-	-	4,404,272
Proceeds from Sale of Capital Assets	-	-	-	-	-	-	-			-

* Includes network infrastructure.

PINE CREEK SCHOOL DIVISION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2007

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. Comparative Figures

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. The 2006 comparative figures have not been restated and are presented in accordance with FRAME, the prescribed method of accounting that the Division followed prior to the 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 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) Capital Reserve

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

h) Use of Estimates

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

i) Financial instruments

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

4. Conversion to PSAB

Commencing with the 2006/07 fiscal year, the Board has adopted generally accepted accounting principles established by PSAB. As explained in Note 2, the comparative figures included in these financial statements have not been restated to conform to the accounting standards adopted for the current year.

The following changes have been implemented to comply with the PSAB standard:

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

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

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

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

5. Overdraft

The Division has an authorized line of credit with Austin Credit Union of $3,500,000 by way of overdrafts and is repayable on demand at prime less .25%; interest is paid monthly. Overdrafts are secured by borrowing by-law.

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, 2006	Additions in the period	Revenue recognized in the period	Balance as at June 30, 2007
Manitoba Textbook Bureau	$ 4,860	$ 36,915	$ 41,775	$ 0
Education Property Tax Credit	$282,541	$333,182	$282,541	$333,182
International Tuition	$ 7,000	$ 0	$ 7,000	$ 0
Donated Capital Assets	$ 0	$ 0	$ 0	$ 0
Other special purpose funds	$ 0	$ 0	$ 0	$ 0
	$294,401	$370,097	$282,541	$333,182

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 2008 to 2024. Payment of principal and interest is funded entirely by grants from the Province of Manitoba, except for the debenture debt on self-funded capital projects. The debentures carry interest rates that range from 5.75% to 12.25%. Debenture interest expense payable as at June 30, 2007, 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
2008	$206,696	$165,356	$372,052
2009	$148,458	$146,715	$295,173
2010	$143,521	$134,786	$278,307
2011	$138,050	$123,788	$261,383
2012	$137,079	$113,734	$250,813
	$773,804	$684,379	$1,458,183

8. Net Tangible Capital Assets

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

	Gross Amount	Accumulated Amortization	2007 Net Book Value
Owned-tangible capital assets	$12,184,035	$7,779,763	$4,404,272

9. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2007
Operating Fund	
Designated Surplus	$ 214,319
Undesignated Surplus	$ 529,700
	$ 744,019
Capital Fund	
Reserve Accounts	$ 407,503
Equity in Tangible Capital Assets	$2,020,925
	$2,428,428
Special Purpose Fund	
School Generated Funds	$ 92,651
Other Special Purpose Funds	$ 0
	$ 92,651
Total Accumulated Surplus	$ 3,265,098

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.

	2007
Board approved appropriation by motion	$148,200
School budget carryovers by board policy	$ 66,119
Designated surplus	$214,319

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.

	2007
Bus reserves	$407,503
Other reserves	$ 0
Capital Reserve	$407,503

10. Restatement of Opening Accumulated Surplus

Restatement of Opening Accumulated Surplus is comprised of:

	2007
Operating Fund	
Employee Future Benefits	$ 0
Capital Fund	
Tangible Capital Assets	($2,449,721)
Accumulated Amortization	($7,300,582)
	($9,750,303)
Special Purpose Fund	
School Generated Funds	$ 90,398
Other Special Purpose Funds	$ 0
	$ 90,398
	($9,659,905)

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

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; 50.5% from 2006 tax year and 49.5% from 2007 tax year. Below are the related revenue and receivable amounts:

	2007	2006
Revenue–Municipal Government-Property Tax	$3,125,430	$3,048,972
Receivable-Due from Municipal-Property Tax	$1,518,689	$1,515,803

12. Interest Received and Paid

The Division received interest during the year of $51,450 (previous year $51,537); interest paid during the year was $261,560 (previous year $202,813).

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

	2007
Operating Fund	
Fiscal-short term loan, interest and bank charges	$ 1,229
Capital fund	
Debenture debt interest	$260,331
Other interest	$ 0
	$261,560

The accrual portion of debenture debt interest expense of $75,436 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 2007	Budget 2007	Actual 2006
Salaries	$ 8,005,407	$ 7,866,013	$ 7,741,707
Employees benefits & allowances	$ 618,800	$ 576,669	$ 557,341
Services	$ 1,068,344	$ 1,102,020	$ 862,424
Supplies, materials & minor equipment	$ 1,358,447	$ 953,501	$ 1,032,863
Interest	$ 261,560	$ 5,000	$ 202,813
Bad debts	$ 0	$ 0	$ 0
Payroll tax – and transfers	$ 209,045	$ 198,562	$ 200,209
Amortization	$ 479,181	$ 0	$ 0
Other capital items	$ 0	$ 0	$ 0
School generated funds	$ 250,436	$ 0	$ 0
Other special purpose funds	$ 0	$ 0	$ 0
	$12,251,220	$10,701,765	$10,597,357

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

____________________	____________________
Chairperson	Secretary-Treasurer

September 26, 2007

MEYERS NORRIS PENNY LLP

Auditors' Report

To the Chairman and Members of the Board
Portage la Prairie School Division
Portage la Prairie, Manitoba

We have audited the consolidated statement of financial position, and the consolidated statement of revenues, expenditures and accumulated surplus, the consolidated statement of change in net debt, the consolidated statement of cash flow and the supporting schedules of the Operating, Capital and Special Purpose Funds of **THE PORTAGE LA PRAIRIE SCHOOL DIVISION** as at June 30, 2007. These financial statements 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.

These financial statements are the responsibility of the school division's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the school division as at June 30, 2007 and the results of its operations for the year then ended in accordance with generally accepted accounting principles.

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

Meyers Norris Penny LLP

Portage la Prairie, Manitoba
September 26, 2007

Chartered Accountants

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2007	2006 (see Note 2)
	Financial Assets		
	Cash and Bank	-	-
*	Short Term Investments	80,647	74,454
	Due from - Provincial Government	693,614	450,630
	- Federal Government	144,013	75,119
	- Municipal Government	4,627,583	4,835,226
	- Other School Divisions	-	-
	- First Nations	190,077	-
	Accounts Receivable	-	97,741
	Accrued Investment Income	-	-
	Other Investments	-	
		5,735,934	5,533,170
	Liabilities		
*	Overdraft	3,044,647	622,236
	Accounts Payable	419,480	426,807
	Accrued Liabilities	3,017,390	2,531,623
	Employee Future Benefits	-	-
	Accrued Interest Payable	208,953	-
	Due to - Provincial Government	-	-
	- Federal Government	342,672	346,541
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
*	Deferred Revenue	1,157,427	943,393
*	Debenture Debt	6,782,513	7,216,695
	Other Borrowings	-	40,000
	School Generated Funds Liability	22,888	
		14,995,970	12,127,295
	Net Debt	(9,260,036)	(6,594,125)
	Non-Financial Assets		
*	Net Tangible Capital Assets (TCA Schedule)	15,420,343	25,419,731
	Inventories	101,160	98,554
	Prepaid Expenses	27,472	32,735
		15,548,975	25,551,020
*	**Accumulated Surplus**	6,288,939	18,956,895

Portage La Prairie School Division

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes		2007 Actual	2006 Actual (see Note 2)
	Revenue		
	Provincial Government	19,629,798	18,594,005
	Federal Government	26,782	7,286
	Municipal Government - Property Tax	9,191,572	9,168,508
	- Other	-	-
	Other School Divisions	20,446	21,746
	First Nations	893,205	703,155
	Private Organizations and Individuals	38,572	28,566
	Other Sources	109,117	96,379
	School Generated Funds	1,149,139	
	Other Special Purpose Funds	-	
		31,058,631	28,619,645
	Expenses		
	Regular Instruction	15,986,904	15,897,577
	Student Support Services	5,012,672	4,341,001
	Adult Learning Centres	526,725	407,327
	Community Education and Services	32,656	37,152
	Divisional Administration	830,120	768,135
	Instructional and Other Support Services	905,916	1,422,374
	Transportation of Pupils	864,465	807,758
	Operations and Maintenance	3,423,186	3,274,272
*	Fiscal - Interest	818,337	557,561
	- Other	460,781	476,191
	Amortization	868,875	
	Other Capital Items	-	77,747
	School Generated Funds	1,019,326	
	Other Special Purpose Funds	-	
		30,749,963	28,067,095
	Current Year Surplus (Deficit)	308,668	552,550
	Opening Accumulated Surplus	18,956,895	18,404,345
	Restatements: Tangible Cap. Assets and Accum. Amort.	(13,139,304)	
*	School generated funds	162,680	0
	Opening Accumulated Surplus, as restated	5,980,271	18,404,345
	Closing Accumulated Surplus	6,288,939	18,956,895

* NOTE REQUIRED

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2007

Current Year Surplus (Deficit)	308,668
Amortization of Tangible Capital Assets	868,875
Acquisition of Tangible Capital Assets	(4,008,791)
(Gain) / Loss on Sale of Tangible Capital Assets	-
Proceeds on Sale of Tangible Capital Assets	-
	(3,139,916)
Inventories (Increase)/Decrease	(2,606)
Prepaid Expenses (Increase)/Decrease	5,263
	2,657
(Increase)/Decrease in Net Debt	(2,828,591)
Net Debt at Beginning of Year	(6,594,125)
School generated funds	162,680
Net Debt at Beginning of Year as Restated	(6,431,445)
Net Debt at End of Year	(9,260,036)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2007

Operating Transactions	
Current Year Surplus/(Deficit)	308,668
Non-Cash Items Included in Current Year Surplus/(Deficit):	
Amortization of Tangible Capital Assets	868,875
(Gain)/Loss on Disposal of Tangible Capital Assets	-
Employee Future Benefits Increase/(Decrease)	-
Short Term Investments (Increase)/Decrease	(6,193)
Due from Other Organizations (Increase)/Decrease	(294,312)
Accounts Receivable & Accrued Income (Increase)/Decrease	97,741
Inventories and Prepaid Expenses - (Increase)/Decrease	2,657
Due to Other Organizations Increase/(Decrease)	(3,869)
Accounts Payable & Accrued Liabilities Increase/(Decrease)	687,393
Deferred Revenue Increase/(Decrease)	214,034
School Generated Funds Liability Increase/(Decrease)	22,888
Restatements Other than Tangible Cap. Assets	162,680
Cash Provided by Operating Transactions	2,060,562
Capital Transactions	
Acquisition of Tangible Capital Assets	(4,008,791)
Proceeds on Sale of Tangible Capital Assets	-
Cash (Applied to)/Provided by Capital Transactions	(4,008,791)
Investing Transactions	
Other Investments (Increase)/Decrease	-
Cash Provided by (Applied to) Investing Transactions	0
Financing Transactions	
Debenture Debt Increase/(Decrease)	(434,182)
Other Borrowings Increase/(Decrease)	(40,000)
Cash Provided by (Applied to) Financing Transactions	(474,182)
Cash and Bank / Overdraft (Increase)/Decrease	(2,422,411)
Cash and Bank (Overdraft) at Beginning of Year	(622,236)
Cash and Bank (Overdraft) at End of Year	(3,044,647)

Portage La Prairie School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2007

	Buildings and Leasehold Improvements		School	Other	Furniture /	Computer		Land	Assets	
	School	Non-School	Buses	Vehicles	Fixtures & Equipment	Hardware & Software *	Land	Improvements	Under Construction	Totals
Tangible Capital Asset Cost										
Opening Cost, as previously reported	21,532,912	465,900	1,826,086	73,174	1,131,851	-	389,808	-	-	25,419,731
Restatements	4,302,985	(127,863)	(444,894)	(48,174)	(890,219)	-	127,629	-	-	2,919,464
Opening Cost restated	25,835,897	338,037	1,381,192	25,000	241,632	-	517,437	-	-	28,339,195
Add: Additions during the year		-	83,832	-		-	-	-	3,924,959	4,008,791
Less: Disposals and write downs	-	-	-	-		-	-	-	-	-
Closing Cost	25,835,897	338,037	1,465,024	25,000	241,632	-	517,437	-	3,924,959	32,347,986
Accumulated Amortization										
Opening, as previously reported	-	-	-	-	-	-	-	-	-	-
Restatements	14,955,030	306,251	724,290	12,300	60,897	-	-	-	-	16,058,768
Opening restated	14,955,030	306,251	724,290	12,300	60,897	-	-	-	-	16,058,768
Add: Current period Amortization	673,183	7,064	138,119	5,000	45,509	-	-	-		868,875
Less: Accumulated Amortization on Disposals and Writedowns	-	-	-	-	-	-	-	-	-	-
Closing Accumulated Amortization	15,628,213	313,315	862,409	17,300	106,406	-	-	-	-	16,927,643
Net Tangible Capital Asset	10,207,684	24,722	602,615	7,700	135,226	-	517,437	-	3,924,959	15,420,343
Proceeds from Sale of Capital Assets	-	-	-	-	-	-	-			-

* Includes network infrastructure.

PORTAGE LA PRAIRIE SCHOOL DIVISION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2007

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. Comparative Figures

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. The 2006 comparative figures have not been restated and are presented in accordance with FRAME, the prescribed method of accounting that the Division followed prior to the 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 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.

3. Significant Accounting Policies (Continued)

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 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

3. Significant Accounting Policies (Continued)

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 – brick, mortar and steel	25,000	40
Buildings – wood frame	25,000	25
School buses	20,000	10
Vehicles	10,000	5
Equipment	5,000	5
Network infrastructure	25,000	10
Computer Hardware, Servers & Peripherals	5,000	4
Computer Software	10,000	4
Furniture & Fixtures	5,000	10
Leasehold Improvements	25,000	Over term of lease

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

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

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

Capital leases are recorded at the present value of the minimum lease payments excluding executory costs (e.g. insurance, maintenance costs, etc.). The discount rate

3. Significant Accounting Policies (Continued)

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.

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.

3. Significant Accounting Policies (Continued)

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. As explained in Note 2, the comparative figures included in these financial statements have not been restated to conform to the accounting standards adopted for the current year.

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) 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 a line of credit with the Bank of Montreal of $5,000,000 by way of overdrafts and is repayable on demand at prime less .6%; interest is paid monthly. Included in the overdraft are capital projects totaling approximately $3,815,439 which will be submitted to PSFB for debenture funding. Overdrafts are secured by line of credit agreement.

PORTAGE LA PRAIRIE SCHOOL DIVISION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2007

6. Short Term Investments

Short term investments consist of a patronage equity account. Short term investments are recorded at the lower of cost or market. As at June 30, 2007, the cost of short term investment was $80,647 (last year $74,454); investment income earned during the year was $10,202 (last year $3,827).

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, 2006	Additions in the period	Revenue recognized in the period	Balance as at June 30, 2007
Manitoba Textbook Bureau	$68,612	$178,373	$189,365	$57,620
Education Property Tax Credit Advance	874,781	2,005,774	1,780,748	1,099,807
	$943,393	$2,184,147	$1,970,113	$1,157,427

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 $22,888.

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 2008 to 2025. Payment of principal and interest is funded entirely by grants from the Province of Manitoba. The debentures carry interest rates that range from 5% to 11.625%. Debenture interest expense payable as at June 30, 2007, 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
2008	$445,000	$531,000	$976,000
2009	$596,000	$380,000	$976,000
2010	$469,000	$387,000	$856,000
2011	$497,000	$351,000	$848,000
2012	$531,000	$311,000	$842,000
	$2,438,000	$1,960,000	$4,498,000

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	2007 Net Book Value
Owned-tangible capital assets	$32,347,986	$16,927,643	$15,420,343

11. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2007
Operating Fund	
Undesignated Surplus	$1,093,408
Capital Fund	
Equity in Tangible Capital Assets	4,903,038
Special Purpose Fund	
School Generated Funds	292,493
Total Accumulated Surplus	$6,288,939

12. Restatement of Opening Accumulated Surplus

Restatement of Opening Accumulated Surplus is comprised of:

	2007
Capital Fund	
Tangible Capital Assets	$2,919,464
Accumulated Amortization	(16,058,768)
	(13,139,304)
Special Purpose Fund	
School Generated Funds	162,680
Total Restatement of Opening Accumulated Surplus	($12,976,624)

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

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

Education property tax or Special Levy is raised as the Division's contribution to the cost of providing public education for the students resident in the division. The Municipal Government-Property Tax shown on the consolidated revenue and expense is raised over the two calendar (tax) years; 52% from 2006 tax year and 48% from 2007 tax year. Below are the related revenue and receivable amounts:

	2007	2006
Revenue- Municipal Government-Property Tax	$9,191,572	$9,168,508
Revenue-Due from Municipal-Property tax	$4,627,583	$4,835,226

14. Interest Received and Paid

The Division received interest during the year of $6,377 (previous year $13,138); interest paid during the year was $818,337 (previous year $557,561).

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

	2007
Operating Fund	
Fiscal-short term loan, interest and bank charges	$91,790
Capital Fund	
Debenture debt interest	726,547
	$818,337

The accrual portion of debenture debt interest expense of $208,953 included under the Capital Fund-Debenture debt interest, is offset by an accrual of the debt servicing grant from the Province of Manitoba.

PRAIRIE ROSE SCHOOL DIVISION

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MANAGEMENT REPORT

PS 1200.005-6 (Reference)

Management's Responsibility for the Financial Statements

The accompanying consolidated financial statements of *Prairie Rose 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 Collins Barrow, independent external auditors appointed by the Board. The accompanying Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Division's consolidated financial statements.

Chairperson **Secretary-Treasurer**

November 19, 2007

Collins Barrow
Chartered Accountants

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Auditors' Report

To the Chairperson and Trustees
Prairie Rose School Division

We have audited the Consolidated Statement of Financial Position for the Prairie Rose School Division as at June 30, 2007, and the Consolidated Statement of Revenue, Expenses, Consolidated Statement of change in Net Debt and Consolidated Statement of Cash Flow for the year ended June 30, 2007. These financial statements are the responsibility of the school division's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In common with many not for profit organizations, certain revenues are not susceptible to satisfactory audit verification for completeness. Accordingly, our verification of revenue for the Special Purpose Fund was limited to the amounts recorded by the Division and we were not able to determine whether any adjustments might be necessary to revenue, current year surplus (deficit) and accumulated surplus.

In our opinion, except for the adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of revenue, as described in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the school division as at June 30, 2007 and the results of its operations and its cash flows for the year then ended in accordance with accepted accounting principles for school divisions in Manitoba as set out in notes 3 and 4 to the financial statements.

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

Winnipeg, Canada
October 31, 2007

Collins Barrow
CHARTERED ACCOUNTANTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2007	2006 (see Note)
	Financial Assets		
	Cash and Bank	1,798,609	999,244
*	Short Term Investments	11,740	-
	Due from - Provincial Government	484,498	326,983
	- Federal Government	86,202	50,237
	- Municipal Government	4,137,262	4,293,716
	- Other School Divisions	17,000	18,500
	- First Nations	-	-
	Accounts Receivable	72,234	13,980
	Accrued Investment Income	-	-
	Other Investments	-	
		6,607,545	5,702,660
	Liabilities		
	Overdraft	-	-
	Accounts Payable	2,029,906	1,345,981
	Accrued Liabilities	1,939,506	1,567,891
	Employee Future Benefits	-	-
	Accrued Interest Payable	-	-
	Due to - Provincial Government	-	-
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
*	Deferred Revenue	310,924	332,931
*	Debenture Debt	7,324,064	6,810,340
	Other Borrowings	-	-
	School Generated Funds Liability	30,848	
		11,635,248	10,057,143
	Net Debt	(5,027,703)	(4,354,483)
	Non-Financial Assets		
*	Net Tangible Capital Assets (TCA Schedule)	8,631,248	23,963,852
	Inventories	-	-
	Prepaid Expenses	26,332	24,492
		8,657,580	23,988,344
*	**Accumulated Surplus**	3,629,877	19,633,861

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes		2007 Actual	2006 Actual (see Note)
	Revenue		
	Provincial Government	14,173,042	13,770,725
	Federal Government	19,590	-
	Municipal Government - Property Tax	7,471,746	7,415,473
	- Other	1,680	1,640
	Other School Divisions	102,769	114,437
	First Nations	3,762	-
	Private Organizations and Individuals	69,098	15,149
	Other Sources	137,706	100,348
	School Generated Funds	388,201	
	Other Special Purpose Funds	3,148	
		22,370,742	21,417,772
	Expenses		
	Regular Instruction	12,316,830	12,016,999
	Student Support Services	2,506,968	2,211,130
	Adult Learning Centres	230,975	238,606
	Community Education and Services	25,073	11,032
	Divisional Administration	797,240	742,916
	Instructional and Other Support Services	401,874	516,818
	Transportation of Pupils	1,566,604	1,535,624
	Operations and Maintenance	2,178,150	2,093,214
*	Fiscal - Interest	829,854	558,309
	- Other	317,383	321,545
	Amortization	680,050	
	Other Capital Items	112,462	75,213
	School Generated Funds	388,891	
	Other Special Purpose Funds	7,532	
		22,359,886	20,321,406
	Current Year Surplus (Deficit)	10,856	1,096,366
	Opening Accumulated Surplus	19,633,861	18,537,495
	Restatements: Tangible Cap. Assets and Accum. Amort.	(16,107,255)	
*	Other than Tangible Cap. Assets	92,415	0
	Opening Accumulated Surplus, as restated	3,619,021	18,537,495
	Closing Accumulated Surplus	3,629,877	19,633,861

* NOTE REQUIRED

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2007

Current Year Surplus (Deficit)	10,856
Amortization of Tangible Capital Assets	680,050
Acquisition of Tangible Capital Assets	(1,567,663)
(Gain) / Loss on Sale of Tangible Capital Assets	112,462
Proceeds on Sale of Tangible Capital Assets	500
	(774,651)
Inventories (Increase)/Decrease	-
Prepaid Expenses (Increase)/Decrease	(1,840)
	(1,840)
(Increase)/Decrease in Net Debt	(765,635)
Net Debt at Beginning of Year	(4,354,483)
Restatements Other than Tangible Cap. Assets	92,415
Net Debt at Beginning of Year as Restated	(4,262,068)
Net Debt at End of Year	(5,027,703)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2007

Operating Transactions	
Current Year Surplus/(Deficit)	10,856
Non-Cash Items Included in Current Year Surplus/(Deficit):	
Amortization of Tangible Capital Assets	680,050
(Gain)/Loss on Disposal of Tangible Capital Assets	112,462
Employee Future Benefits Increase/(Decrease)	-
Short Term Investments (Increase)/Decrease	(11,740)
Due from Other Organizations (Increase)/Decrease	(35,526)
Accounts Receivable & Accrued Income (Increase)/Decrease	(58,254)
Inventories and Prepaid Expenses - (Increase)/Decrease	(1,840)
Due to Other Organizations Increase/(Decrease)	-
Accounts Payable & Accrued Liabilities Increase/(Decrease)	1,055,540
Deferred Revenue Increase/(Decrease)	(22,007)
School Generated Funds Liability Increase/(Decrease)	30,848
Restatements Other than Tangible Cap. Assets	92,415
Cash Provided by Operating Transactions	1,852,804
Capital Transactions	
Acquisition of Tangible Capital Assets	(1,567,663)
Proceeds on Sale of Tangible Capital Assets	500
Cash (Applied to)/Provided by Capital Transactions	(1,567,163)
Investing Transactions	
Other Investments (Increase)/Decrease	-
Cash Provided by (Applied to) Investing Transactions	0
Financing Transactions	
Debenture Debt Increase/(Decrease)	513,724
Other Borrowings Increase/(Decrease)	-
Cash Provided by (Applied to) Financing Transactions	513,724
Cash and Bank / Overdraft (Increase)/Decrease	799,365
Cash and Bank (Overdraft) at Beginning of Year	999,244
Cash and Bank (Overdraft) at End of Year	1,798,609

Prairie Rose School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2007

	Buildings and Leasehold Improvements		School	Other	Furniture / Fixtures &	Computer Hardware &		Land	Assets Under	
	School	Non-School	Buses	Vehicles	Equipment	Software *	Land	Improvements	Construction	Totals
Tangible Capital Asset Cost										
Opening Cost, as previously reported	18,476,815	669,605	3,329,703	63,826	1,351,208	-	72,695	-	-	23,963,852
Restatements	(2,711,785)	157,874	-	3,501	(1,260,900)	-	41,717	-	237,048	(3,532,545)
Opening Cost restated	15,765,030	827,479	3,329,703	67,327	90,308	-	114,412	-	237,048	20,431,307
Add: Additions during the year	1,428,150	-	256,687	31,992	-	-	-	-	(149,166)	1,567,663
Less: Disposals and write downs	-	-	112,962	-	-	-	-	-	-	112,962
Closing Cost	17,193,180	827,479	3,473,428	99,319	90,308	-	114,412	-	87,882	21,886,008
Accumulated Amortization										
Opening, as previously reported	-	-	-	-	-	-	-	-	-	-
Restatements	10,099,535	380,410	1,992,979	37,268	64,518	-	-	-	-	12,574,710
Opening restated	10,099,535	380,410	1,992,979	37,268	64,518	-	-	-	-	12,574,710
Add: Current period Amortization	420,384	13,637	222,792	13,997	9,240	-	-	-		680,050
Less: Accumulated Amortization on Disposals and Writedowns	-	-	-	-	-	-	-	-	-	-
Closing Accumulated Amortization	10,519,919	394,047	2,215,771	51,265	73,758	-	-	-	-	13,254,760
Net Tangible Capital Asset	6,673,261	433,432	1,257,657	48,054	16,550	-	114,412	-	87,882	8,631,248
Proceeds from Sale of Capital Assets	-	-	500	-	-	-	-			500

* Includes network infrastructure.

1. Nature of Organization and Economic Dependence

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

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. Comparative Figures

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. The 2006 comparative figures have not been restated and are presented in accordance with FRAME, the prescribed method of accounting that the Division followed prior to the 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 and The Prairie Rose Foundation of Manitoba Inc. controlled by the Division.

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

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

e) Tangible Capital Assets

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

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

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

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

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

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

e) Tangible Capital Assets - continued

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

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

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

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

f) Employee Future Benefits

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

g) Capital Reserve

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

h) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities 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. As explained in Note 2, the comparative figures included in these financial statements have not been restated to conform to the accounting standards adopted for the current year.

The following changes have been implemented to comply with the PSAB standard:

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

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

ii. The Employee Future Benefits Liability was established to account for the Division's commitment to pay vested future benefits to its employees when the accruals can be determined with a reasonable degree of certainty or when their estimation is practicable. The Division applied this principal in prior years and consequently had no adjustment for the opening balances in the current year.

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

5. Overdraft

The Division has an authorized line of credit with The Dufferin Credit Union Limited of $3,900,000 by way of overdrafts and is repayable on demand at 5.5%; interest is paid monthly. $3,900,000 remains available on this line of credit. Overdrafts are secured by a temporary borrowing by-law.

6. Short Term Investments

Short term investments consist of deposit certificates that mature within one year. Investment income earned during the year was $271.

7. Deferred Revenue

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

8. School Generated Funds Liability

School Generated Funds Liability represents the non-controlled portion of school generated funds consolidated in the cash and bank balances in the amount of $19,107.

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 2008 to 2027. 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, 2007, 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:

2008	$1,060,171
2009	1,048,532
2010	1,041,063
2011	1,031,670
2012	1,019,629
	$5,201,065

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	2007 Net Book Value
Owned-tangible capital assets	$25,476,426	$11,030,497	$14,445,929
Capital lease	-	-	-
	$25,476,426	$11,030,497	$14,445,929

11. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2007	2006
Operating Fund		
Designated Surplus	$ 1 ,775,864	$ 1,888,113
Undesignated Surplus	-	551,000
	1,775,864	2,439,113
Capital Fund		
Reserve Accounts	834,745	168,171
Equity in Tangible Capital Assets	931,927	17,026,577
	1,766,672	17,194,748
Special Purpose Fund		
School Generated Funds	88,325	
Other Special Purpose Funds	11,909	
	100,234	-
Total Accumulated Surplus	$ 3,642,770	$19,633,861

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.

12. Restatement of Opening Accumulated Surplus

Restatement of Opening Accumulated Surplus is comprised of:

	2007
Operating Fund	
Employee Future Benefits	$ -
Capital Fund	
Tangible Capital Assets	(3,532,545)
Accumulated Amortization	(12,574,710)
	(16,107,255)
Special Purpose Fund	
School Generated Funds	85,514
Other Special Purpose Funds	16,292
	101,806
Total Restatement of Operating Accumulated Surplus	$(16,005,449)

Restatements of the above accounts are prior period cumulative adjustments to the opening balance of the accumulated surplus of the current period. These adjustments are the result of adopting PSAB standards.

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

Education property tax or Special Levy is raised as the Division's contribution to the cost of providing public education for the students resident in the division. The Municipal Government-Property Tax shown on the consolidated revenue and expense is raised over the two calendar (tax) years; 42% from 2006 tax year and 58% from 2007 tax year. Below are the related revenue and receivable amounts:

	2007	2006
Revenue-Municipal Government-Property Tax	$7,471,746	$7,415,473
Receivable-Due from Municipal-Property Tax	$4,137,262	$4,293,716

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, 2007, the amount of this special levy was $290,955 (2006: $285,952). These amounts are not included in the Division's financial statements.

14. Interest Received and Paid

The Division received interest during the year of $97,836 (previous year $83,454); interest paid during the year was $829,854 (previous year $558,309).

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

	2007	2006
Operating Fund		
Fiscal-short term loan, interest and bank charges	$ 74,507	$ 1,830
Capital Fund		
Debenture debt interest	755,347	556,479
	$ 829,854	$ 558,309

The accrual portion of debenture debt interest expense of $232,831 included under the Capital Fund-Debenture debt interest, is offset by an accrual of the debt servicing grant from the Province of Manitoba.

15. Expenses by Object

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

	Actual 2007	Budget 2007	Actual 2006
Salaries	$15,089,132	$15,477,255	$14,583,807
Employees benefits and allowances	1,133,282	1,134,795	1,042,207
Services	1,973,685	2,068,595	1,919,143
Supplies, materials and minor equipment	1,619,210	1,720,468	1,618,554
Interest	829,854	15,000	558,309
Bad debts	-	-	-
Payroll tax	317,383	332,000	321,545
Transfers	208,405	451,600	202,628
Amortization	680,050		
(Gain) and disposal of capital assets	112,462		75,213
School generated funds	352,425		
Other special purpose funds	7,532		
	$22,323,420	$21,199,713	$20,321,406

16. Budget Figures and Non Financial Information

The 2007 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 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 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 Collins Barrow independent external auditors appointed by the Board. The accompanying Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Division's consolidated financial statements.

Chairperson

Secretary-Treasurer

October 11, 2007

Collins Barrow
Chartered Accountants

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Auditors' Report

To the Chairperson and Trustees
Prairie Spirit School Division

We have audited the Consolidated Statement of Financial Position for the Prairie Spirit School Division as at June 30, 2007, 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 ended June 30, 2007. These financial statements are the responsibility of the school division's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In common with many not for profit organizations, certain revenues are not susceptible to satisfactory audit verification for completeness. Accordingly, our verification of revenue for the special purpose fund was limited to the amounts recorded by the Division and we were not able to determine whether any adjustments might be necessary to Special Purpose Fund Revenue, Net Current year surplus (deficit) and Closing Accumulated Surplus.

In our opinion, except for the adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of Special Purpose Fund Revenue, as described in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the school division as at June 30, 2007 and the results of its operations and its cash flows for the year then ended in accordance with accepted accounting principles for school divisions in Manitoba as set out in notes 3 and 4 to the financial statements.

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

Winnipeg, Canada
October 11, 2007

Collins Barrow
CHARTERED ACCOUNTANTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2007	2006 (see Note)
	Financial Assets		
	Cash and Bank	-	-
	Short Term Investments	-	-
	Due from - Provincial Government	315,714	244,366
	- Federal Government	102,558	98,387
0	- Municipal Government	4,521,498	4,833,170
	- Other School Divisions	-	-
	- First Nations	45,379	6,258
	Accounts Receivable	9,078	50,622
	Accrued Investment Income	-	-
	Other Investments	-	
		4,994,227	5,232,803
	Liabilities		
*	Overdraft	435,580	1,417,926
	Accounts Payable	1,596,115	1,717,221
	Accrued Liabilities	259,376	57,336
*	Employee Future Benefits	54,762	-
	Accrued Interest Payable	245,935	-
	Due to - Provincial Government	-	-
	- Federal Government	-	-
	- Municipal Government	-	-
0	- Other School Divisions	-	555,901
	- First Nations	-	-
*	Deferred Revenue	616,883	25,883
*	Debenture Debt	7,462,629	7,979,699
	Other Borrowings	-	-
	School Generated Funds Liability	84,780	
		10,756,060	11,753,966
	Net Debt	(5,761,833)	(6,521,163)
	Non-Financial Assets		
*	Net Tangible Capital Assets (TCA Schedule)	10,784,938	32,191,730
	Inventories	-	-
	Prepaid Expenses	15,146	-
		10,800,084	32,191,730
*	**Accumulated Surplus**	5,038,251	25,670,567

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes		2007 Actual	2006 Actual (see Note)
	Revenue		
	Provincial Government	16,520,151	16,606,180
	Federal Government	10,473	6,800
	Municipal Government - Property Tax	8,029,040	7,424,932
	- Other	-	-
	Other School Divisions	29,250	29,900
	First Nations	228,100	249,183
	Private Organizations and Individuals	92,874	266,485
	Other Sources	123,619	66,471
	School Generated Funds	366,686	
	Other Special Purpose Funds	-	
		25,400,193	24,649,951
	Expenses		
	Regular Instruction	13,276,912	13,036,960
	Student Support Services	2,944,575	2,902,370
	Adult Learning Centres	-	-
	Community Education and Services	18,115	14,806
	Divisional Administration	933,388	711,120
	Instructional and Other Support Services	524,458	803,588
	Transportation of Pupils	1,970,005	2,015,514
	Operations and Maintenance	2,816,709	2,787,795
*	Fiscal - Interest	900,888	701,996
	- Other	351,042	352,094
	Amortization	995,022	
	Other Capital Items	89,140	98,053
	School Generated Funds	365,304	
	Other Special Purpose Funds	-	
		25,185,558	23,424,296
	Current Year Surplus (Deficit)	214,635	1,225,655
	Opening Accumulated Surplus	25,670,567	24,444,912
	Restatements: Tangible Cap. Assets and Accum. Amort.	(20,883,415)	
*	Other than Tangible Cap. Assets	36,464	0
	Opening Accumulated Surplus, as restated	4,823,616	24,444,912
	Closing Accumulated Surplus	5,038,251	25,670,567

* NOTE REQUIRED

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2007

Current Year Surplus (Deficit)	214,635
Amortization of Tangible Capital Assets	995,022
Acquisition of Tangible Capital Assets	(568,285)
(Gain) / Loss on Sale of Tangible Capital Assets	89,140
Proceeds on Sale of Tangible Capital Assets	7,500
	523,377
Inventories (Increase)/Decrease	-
Prepaid Expenses (Increase)/Decrease	(15,146)
	(15,146)
(Increase)/Decrease in Net Debt	722,866
Net Debt at Beginning of Year	(6,521,163)
Restatements Other than Tangible Cap. Assets	36,464
Net Debt at Beginning of Year as Restated	(6,484,699)
Net Debt at End of Year	(5,761,833)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2007

Operating Transactions	
Current Year Surplus/(Deficit)	214,635
Non-Cash Items Included in Current Year Surplus/(Deficit):	
Amortization of Tangible Capital Assets	995,022
(Gain)/Loss on Disposal of Tangible Capital Assets	89,140
Employee Future Benefits Increase/(Decrease)	54,762
Short Term Investments (Increase)/Decrease	-
Due from Other Organizations (Increase)/Decrease	197,032
Accounts Receivable & Accrued Income (Increase)/Decrease	41,544
Inventories and Prepaid Expenses - (Increase)/Decrease	(15,146)
Due to Other Organizations Increase/(Decrease)	(555,901)
Accounts Payable & Accrued Liabilities Increase/(Decrease)	326,869
Deferred Revenue Increase/(Decrease)	591,000
School Generated Funds Liability Increase/(Decrease)	84,780
Restatements Other than Tangible Cap. Assets	36,464
Cash Provided by Operating Transactions	2,060,201
Capital Transactions	
Acquisition of Tangible Capital Assets	(568,285)
Proceeds on Sale of Tangible Capital Assets	7,500
Cash (Applied to)/Provided by Capital Transactions	(560,785)
Investing Transactions	
Other Investments (Increase)/Decrease	-
Cash Provided by (Applied to) Investing Transactions	0
Financing Transactions	
Debenture Debt Increase/(Decrease)	(517,070)
Other Borrowings Increase/(Decrease)	-
Cash Provided by (Applied to) Financing Transactions	(517,070)
Cash and Bank / Overdraft (Increase)/Decrease	982,346
Cash and Bank (Overdraft) at Beginning of Year	(1,417,926)
Cash and Bank (Overdraft) at End of Year	(435,580)

Prairie Spirit School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2007

	Buildings and Leasehold Improvements		School	Other	Furniture /	Computer		Land	Assets	
	School	Non-School	Buses	Vehicles	Fixtures & Equipment	Hardware & Software *	Land	Improvements	Under Construction	Totals
Tangible Capital Asset Cost										
Opening Cost, as previously reported	24,363,793	77,310	5,725,932	83,631	1,860,253	-	80,811	-	-	32,191,730
Restatements	(2,233,634)	768,193	1	(83,631)	(1,678,292)	1,000,696	(24,006)	-	6,340	(2,244,333)
Opening Cost restated	22,130,159	845,503	5,725,933	-	181,961	1,000,696	56,805	-	6,340	29,947,397
Add:										
Additions during the year	12,669	-	324,377	-	5,962	-		-	225,277	568,285
Less:										
Disposals and write downs	-	-	96,640	-	-	-	-	-	-	96,640
Closing Cost	22,142,828	845,503	5,953,670	-	187,923	1,000,696	56,805	-	231,617	30,419,042
Accumulated Amortization										
Opening, as previously reported	-	-	-	-	-	-	-	-	-	-
Restatements	13,451,105	696,263	3,867,437	-	78,471	545,806	-	-	-	18,639,082
Opening restated	13,451,105	696,263	3,867,437	-	78,471	545,806	-	-	-	18,639,082
Add:										
Current period Amortization	523,131	13,475	337,362	-	20,984	100,070	-	-		995,022
Less:										
Accumulated Amortization on Disposals and Writedowns	-	-	-	-	-	-	-	-	-	-
Closing Accumulated Amortization	13,974,236	709,738	4,204,799	-	99,455	645,876	-	-	-	19,634,104
Net Tangible Capital Asset	8,168,592	135,765	1,748,871	-	88,468	354,820	56,805	-	231,617	10,784,938
Proceeds from Sale of Capital Assets	3,100	-	4,400	-	-	-	-			7,500

* Includes network infrastructure.

1. Nature of Organization and Economic Dependence

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

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. Comparative Figures

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. The 2006 comparative figures have not been restated and are presented in accordance with FRAME, the prescribed method of accounting that the Division followed prior to the 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 and The Prairie Spirit Foundation of Manitoba Inc. 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 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.

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	5,000	5
Network Infrastructure	25,000	10
Computer Hardware, Servers & Peripherals	5,000	4
Computer Software	10,000	4
Furniture and Fixtures	5,000	10
Leasehold Improvements	25,000	Over term of lease

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

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

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

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. Theses benefits include supplemental employment benefits and sick leave. These benefits are event driven and the costs are recognized when the event becomes known.

g) Capital Reserve

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

h) Use of Estimates

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

i) Financial instruments

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

4. Conversion to PSAB

Commencing with the 2006/07 fiscal year, the Board has adopted generally accepted accounting principles established by PSAB. As explained in Note 2, the comparative figures included in these financial statements have not been restated to conform to the accounting standards adopted for the current year.

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.

iii) The Employee Future Benefits Liability was established to account for the Division's commitment to pay vested future benefits to its employees when the accruals can be determined with a reasonable degree of certainty or when their estimation is practicable.

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 Caisse Populaire de St. Claude Ltd. of $4,000,000 by way of overdrafts and is repayable on demand at prime less 0.60%; interest is paid monthly. $3,332,208 remains available on this line of credit. Overdrafts are secured by a temporary borrowing by-law.

6. Employee Future Benefits

Employee Future Benefits are benefits earned by employees in the current period, but will not be paid out until future periods and include supplemental employment and sick leave benefits.

7. Deferred Revenue

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

8. School Generated Funds Liability

School Generated Funds Liability represents the non-controlled portion of school generated funds consolidated in the cash and bank balances in the amount of $84,780.

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 2007 to 2027. Payment of principal and interest is funded entirely by grants from the Province of Manitoba. The debentures carry interest rates that range from 5.00% to 11.75%. Debenture interest expense payable as at June 30, 2007, 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
2008	$ 632,490	$ 535,113	$1,167,603
2009	662,577	479,151	1,141,728
2010	537,289	420,808	958,097
2011	449,673	377,323	826,996
2012	459,979	344,104	804,083
	$2,742,008	$2,156,499	$4,898,507

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	2007 Net Book Value
Owned-tangible capital assets	$30,419,042	$19,634,104	$10,784,938
Capital lease	-	-	-
	$30,419,042	$19,634,104	$10,784,938

11. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2007	2006
Operating Fund		
Designated Surplus	$ 77,066	$ -
Undesignated Surplus	1,296,310	1,466,942
	1,373,376	1,466,942
Capital Fund		
Reserve Accounts	230,722	159,440
Equity in Tangible Capital Assets	3,290,421	24,044,185
	3,521,143	24,203,625
Special Purpose Fund		
School Generated Funds	143,732	
Other Special Purpose Funds	-	
	143,732	-
Total Accumulated Surplus	$ 5,038,251	$25,670,567

11. Accumulated Surplus (cont'd)

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.

12. Restatement of Opening Accumulated Surplus

Restatement of Opening Accumulated Surplus is comprised of:

	2007
Operating Fund	
Employee Future Benefits	$(105,886)
Capital Fund	
Tangible Capital Assets	(2,244,333)
Accumulated Amortization	(18,639,082)
	(20,883,415)
Special Purpose Fund	
School Generated Funds	142,350
Other Special Purpose Funds	-
	142,350
Total Restatement of Operating Accumulated Surplus	$(20,846,951)

Restatements of the above accounts are prior period cumulative adjustments to the opening balance of the accumulated surplus of the current period. These adjustments are the result of adopting PSAB standards.

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

Education property tax or Special Levy is raised as the Division's contribution to the cost of providing public education for the students resident in the division. The Municipal Government-Property Tax shown on the consolidated revenue and expense is raised over the two calendar (tax) years; 43% from 2006 tax year and 57% from 2007 tax year. Below are the related revenue and receivable amounts:

	2007	2006
Revenue-Municipal Government-Property Tax	$8,029,040	$7,424,932
Receivable-Due from Municipal-Property Tax	$4,521,498	$4,833,170

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, 2007, the amount of this special levy was $572,484 (2006: $555,901). These amounts are not included in the Division's financial statements in 2007. For 2006, the Receivable-Due from Municipal-Property Tax included the $555,901 due for la Division Scolaire Franco-Manitobaine with the liability shown as Due to-Other School Divisions.

14. Interest Received and Paid

The Division received interest during the year of $37,339 (2006; $26,403); interest paid during the year was $900,888 (2006; $701,996).

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

	2007	2006
Operating Fund		
Fiscal-short term loan, interest and bank charges	$ 58,397	$ 42,804
Capital Fund		
Debenture debt interest	842,491	659,192
	$ 900,888	$ 701,996

The accrual portion of debenture debt interest expense of $245,935 included under the Capital Fund-Debenture debt interest, is offset by an accrual of the debt servicing grant from the Province of Manitoba.

15. Expenses by Object

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

	Actual 2007	Budget 2007	Actual 2006
Salaries	$16,254,685	$16,544,600	$16,291,647
Employees benefits and allowances	1,508,399	1,213,500	1,455,170
Services	2,627,426	2,401,700	2,554,334
Supplies, materials and minor equipment	1,947,342	1,903,100	1,830,783
Interest	900,888	30,000	701,996
Bad debts	-	-	-
Payroll tax	351,042	350,000	352,094
Transfers	146,310	132,000	140,219
Amortization	995,022		
Loss and disposal of capital assets	89,140		98,053
School generated funds	365,304		
Other special purpose funds	-	-	-
	$25,185,558	$22,574,900	$23,424,296

16. Budget Figures and Non Financial Information

The 2007 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.

.\ED RIVER VALLEY SCHOL_ DIVISION
DIVISION SCOLAIRE VALLÉE de la RIVIÈRE-ROUGE
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MANAGEMENT REPORT

Management's Responsibility for the Financial Statements

The accompanying consolidated financial statements of Red River Valley School Division are the responsibility of the Division management and have been prepared in compliance with legislation, and in accordance with Canadian generally accepted accounting principles established by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants. A summary of the significant accounting policies are described in Note 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 BDO Dunwoody LLP, independent external auditors, appointed by the Board. The accompanying Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Division's consolidated financial statements.

Chairperson Secretary-Treasurer

September 13, 2007

That each of us will be life long learners

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Auditors' Report

To the Chairperson and Board of Trustees of
Red River Valley School Division

We have audited the consolidated statement of financial position of **The Red River Valley School Division** as at June 30, 2007 and the consolidated statements of revenue, expenses and accumulated surplus, change in net debt and cash flow for the year then ended. These financial statements are the responsibility of the School Division's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly in all material respects, the financial position of the School Division as at June 30, 2007 and the results of its operations and its cash flows for the fiscal year then ended in accordance with Canadian generally accepted accounting principles.

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

BDO Dunwoody LLP

Chartered Accountants

Winnipeg, Manitoba
September 13, 2007

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2007	2006 (see Note 2)
	Financial Assets		
	Cash and Bank	-	-
	Short Term Investments	-	-
	Due from - Provincial Government	542,440	481,093
	- Federal Government	74,532	102,985
	- Municipal Government	4,016,341	3,837,003
	- Other School Divisions	147,055	112,043
	- First Nations	-	-
	Accounts Receivable	48,874	135,685
	Accrued Investment Income	-	-
	Other Investments	-	
		4,829,242	4,668,809
	Liabilities		
5	Overdraft	227,319	759,021
	Accounts Payable	713,051	671,809
	Accrued Liabilities	-	133,411
6	Employee Future Benefits	140,740	-
15	Accrued Interest Payable	268,017	-
	Due to - Provincial Government	64,582	79,007
	- Federal Government	883,969	846,955
	- Municipal Government	29,223	29,453
	- Other School Divisions	474,375	370,738
	- First Nations	-	-
7	Deferred Revenue	552,180	430,547
9	Debenture Debt	8,771,523	9,375,549
10	Other Borrowings	338,474	398,178
8	School Generated Funds Liability	29,017	
		12,492,470	13,094,668
	Net Debt	(7,663,228)	(8,425,859)
	Non-Financial Assets		
11	Net Tangible Capital Assets (TCA Schedule)	12,589,917	28,524,701
	Inventories	125,929	119,760
	Prepaid Expenses	50,699	9,143
		12,766,545	28,653,604
12	**Accumulated Surplus**	5,103,317	20,227,745

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes		2007 Actual	2006 Actual (see Note 2)
	Revenue		
	Provincial Government	13,926,798	13,389,312
	Federal Government	21,177	16,042
	Municipal Government - Property Tax	7,056,339	6,310,127
	- Other	466	-
	Other School Divisions	548,440	528,184
	First Nations	55,727	22,530
	Private Organizations and Individuals	117,550	93,303
	Other Sources	58,460	68,412
	School Generated Funds	630,928	
	Other Special Purpose Funds	-	
		22,415,885	20,427,910
	Expenses		
	Regular Instruction	11,448,820	11,480,577
	Student Support Services	2,414,349	2,065,551
	Adult Learning Centres	-	2,464
	Community Education and Services	20,014	18,196
	Divisional Administration	783,211	803,073
	Instructional and Other Support Services	436,795	755,184
	Transportation of Pupils	1,859,888	1,871,426
	Operations and Maintenance	2,212,735	2,087,883
15	Fiscal - Interest	1,007,309	752,191
	- Other	306,924	302,003
	Amortization	855,620	
	Other Capital Items	(29,706)	21,662
	School Generated Funds	618,787	
	Other Special Purpose Funds	-	
		21,934,746	20,160,210
	Current Year Surplus (Deficit)	481,139	267,700
	Opening Accumulated Surplus	20,227,745	19,960,045
	Restatements: Tangible Cap. Assets and Accum. Amort.	(15,733,992)	
13	Other than Tangible Cap. Assets	128,425	0
	Opening Accumulated Surplus, as restated	4,622,178	19,960,045
	Closing Accumulated Surplus	5,103,317	20,227,745

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2007

Current Year Surplus (Deficit)	481,139
Amortization of Tangible Capital Assets	855,620
Acquisition of Tangible Capital Assets	(656,428)
(Gain) / Loss on Sale of Tangible Capital Assets	(29,706)
Proceeds on Sale of Tangible Capital Assets	31,306
	200,792
Inventories (Increase)/Decrease	(6,169)
Prepaid Expenses (Increase)/Decrease	(41,556)
	(47,725)
(Increase)/Decrease in Net Debt	634,206
Net Debt at Beginning of Year	(8,425,859)
Restatements Other than Tangible Cap. Assets	128,425
Net Debt at Beginning of Year as Restated	(8,297,434)
Net Debt at End of Year	(7,663,228)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2007

Operating Transactions	
Current Year Surplus/(Deficit)	481,139
Non-Cash Items Included in Current Year Surplus/(Deficit):	
Amortization of Tangible Capital Assets	855,620
(Gain)/Loss on Disposal of Tangible Capital Assets	(29,706)
Employee Future Benefits Increase/(Decrease)	140,740
Short Term Investments (Increase)/Decrease	-
Due from Other Organizations (Increase)/Decrease	(247,244)
Accounts Receivable & Accrued Income (Increase)/Decrease	86,811
Inventories and Prepaid Expenses - (Increase)/Decrease	(47,725)
Due to Other Organizations Increase/(Decrease)	125,996
Accounts Payable & Accrued Liabilities Increase/(Decrease)	175,848
Deferred Revenue Increase/(Decrease)	121,633
School Generated Funds Liability Increase/(Decrease)	29,017
Restatements Other than Tangible Cap. Assets	128,425
Cash Provided by Operating Transactions	1,820,554
Capital Transactions	
Acquisition of Tangible Capital Assets	(656,428)
Proceeds on Sale of Tangible Capital Assets	31,306
Cash (Applied to)/Provided by Capital Transactions	(625,122)
Investing Transactions	
Other Investments (Increase)/Decrease	-
Cash Provided by (Applied to) Investing Transactions	0
Financing Transactions	
Debenture Debt Increase/(Decrease)	(604,026)
Other Borrowings Increase/(Decrease)	(59,704)
Cash Provided by (Applied to) Financing Transactions	(663,730)
Cash and Bank / Overdraft (Increase)/Decrease	531,702
Cash and Bank (Overdraft) at Beginning of Year	(759,021)
Cash and Bank (Overdraft) at End of Year	(227,319)

Red River Valley School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2007

	Buildings and Leasehold Improvements		School	Other	Furniture / Fixtures &	Computer Hardware &		Land	Assets Under	
	School	Non-School	Buses	Vehicles	Equipment	Software *	Land	Improvements	Construction	Totals
Tangible Capital Asset Cost										
Opening Cost, as previously reported	22,314,909	534,577	3,393,128	232,283	1,623,474	-	426,330	-	-	28,524,701
Restatements	(2,940,024)	702,225	(1,452,220)	(23,824)	(1,263,162)	-	140,159	-	-	(4,836,846)
Opening Cost restated	19,374,885	1,236,802	1,940,908	208,459	360,312	-	566,489	-	-	23,687,855
Add: Additions during the year	-	-	325,894	31,602	140,484	89,371	-	-	69,077	656,428
Less: Disposals and write downs	-	-	-	-	29,833	-	1,600	-	-	31,433
Closing Cost	19,374,885	1,236,802	2,266,802	240,061	470,963	89,371	564,889	-	69,077	24,312,850
Accumulated Amortization										
Opening, as previously reported	-	-	-	-	-	-	-	-	-	-
Restatements	9,208,893	375,761	991,962	151,654	168,876	-	-	-	-	10,897,146
Opening restated	9,208,893	375,761	991,962	151,654	168,876	-	-	-	-	10,897,146
Add: Current period Amortization	525,532	33,680	198,603	18,773	73,502	5,530	-	-		855,620
Less: Accumulated Amortization on Disposals and Writedowns	-	-	-	-	29,833	-	-	-	-	29,833
Closing Accumulated Amortization	9,734,425	409,441	1,190,565	170,427	212,545	5,530	-	-	-	11,722,933
Net Tangible Capital Asset	9,640,460	827,361	1,076,237	69,634	258,418	83,841	564,889	-	69,077	12,589,917
Proceeds from Sale of Capital Assets	-	-	-	-	-	-	31,306			31,306

* 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. Comparative Figures

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. The 2006 comparative figures have not been restated and are presented in accordance with FRAME, the prescribed method of accounting that the Division followed prior to the 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).

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 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 administrative employees in the form of a defined contribution pension plan. 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 Association of School Trustees (MAST). 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.

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.

4. Conversion to PSAB

Commencing with the 2006/07 fiscal year, the Board has adopted generally accepted accounting principles established by PSAB. As explained in Note 2, the comparative figures included in these financial statements have not been restated to conform to the accounting standards adopted for the current year.

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. 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. 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 .6%; interest is paid monthly. Overdrafts are secured by a borrowing by-law.

6. Employee Future Benefits

The Division sponsors a defined contribution pension plan, run by the Manitoba Association of School Trustees (MAST). 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 MAST pension plan has a specific percentage for the employees to contribute. The Division contributions equal the employee contributions to the plan. No pension liability is included in the financial statements.

The employee future benefit expense is a part of the Employee Benefits and Allowances expense account. The total pension expense for the 2007 year was $242,551 ($237,154 in 2006).

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, 2006	Additions in period	Revenue recognized in period	Balance as at June 30, 2007
Education Property Tax Credit (EPTC)	$ 430,547	$ 548,486	$ 430,547	$ 548,486
Manitoba Text Book Bureau	-	3,694	-	3,694
	$ 430,547	$ 552,180	$ 430,547	$ 552,180

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 $29,017.

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 instalments and maturing at various dates from 2007 to 2026. Payment of principal and interest is funded entirely by grants from the Province of Manitoba, except for the debenture debt on self-funded capital projects. The debentures carry interest rates that range from 5.125% to 11.875%. Debenture interest expense payable as at June 30, 2007, 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:

2008	$ 1,126,851
2009	1,121,407
2010	1,104,815
2011	1,054,343
2012	1,044,266
	$ 5,451,682

10. Other Borrowings

Other borrowings are debts other than overdrafts or debentures. This includes financing for the acquisition of a board office and an energy retrofit loan.

	2007	2006
Board office loan – Bank of Montreal	$ 214,282	$ 237,460
Energy Retrofit – Pacific & Western Bank	124,192	160,718
	$ 338,474	$ 398,178

The Board office loan has 5.75% interest per annum, due in fiscal year 2015 and a monthly payment of $3,019 principal and interest.

Energy retrofit loan has 6.39% interest per annum, due in fiscal year 2010 and an annual payment of $46,800 principal and interest. This loan is secured by way of borrowing resolution.

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

2008	$ 83,028
2009	83,028
2010	83,028
2011	36,228
2012	36,228
	$ 321,540

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 $nil (previous year $nil).

12. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2007
Operating Fund	
Designated Surplus	$ 507,226
Undesignated Surplus	889,702
	$ 1,396,928
Capital Fund	
Reserve Accounts	$ 138,052
Equity in Tangible Capital Assets	3,429,578
	$ 3,567,630
Special Purpose Fund	
School Generated Funds	$ 138,759
Other Special Purpose Funds	-
	$ 138,759
Total Accumulated Surplus	$5,103,317

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:

	2007
School budget carryovers by board policy	$ 312,289
Red River surplus agreement	194,937
Designated surplus	$ 507,226

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 audited financial statements.

	2007
Bus Reserve	$ 138,052
Vocational Programming Reserve	-
Other Reserves	-
Capital Reserve	$ 138,052

13. Restatement of Opening Accumulated Surplus

Restatement of Opening Accumulated Surplus is comprised of:

	2007
Operating Fund	
Border Land School Division Payment	$ (5,730)
Capital Fund	
Tangible Capital Assets	(4,836,846)
Accumulated Amortization	(10,897,146)
	(15,733,992)
Special Purpose Fund	
School Generated Funds	134,155
Other Special Purpose Funds	-
	134,155
Total Restatement of Opening Accumulated Surplus	$(15,605,567)

Restatements of the above accounts are prior period cumulative adjustments to the opening balance of the accumulated surplus of the current period. These adjustments are the result of adopting PSAB standards.

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

Education property tax or Special Levy is raised as the Division's contribution to the cost of providing public education for the 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 2006 tax year and 60% from 2007 tax year. Below are the related revenue and receivable amounts:

	2007	2006
Revenue – Municipal Government – Property Tax	$ 7,056,339	$ 6,310,127
Receivable – Due from Municipal – Property Tax	$ 4,016,341	$ 3,837,003

15. Interest Received and Paid

The Division received interest during the year of $20,978 (previous year $27,513); interest paid during the year was $1,007,309 (previous year $752,191).

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

	2007
Operating Fund	
Fiscal-short term loan, interest and bank charges	$ 46,036
Capital Fund	
Debenture interest	937,952
Other interest	23,321
	$ 1,007,309

The accrual portion of debenture debt interest expense of $268,017 included under the Capital Fund-Debenture debt interest is offset by an accrual of the debt servicing grant from the Province of Manitoba.

16. 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 2007	Budget 2007	Actual 2006
Salaries	$ 14,343,886	$ 14,662,145	$ 14,001,583
Employees benefits and allowances	1,012,290	1,036,591	1,016,708
Services	1,911,315	1,713,873	1,892,544
Supplies, materials and minor equipment	1,594,819	1,997,185	1,885,613
Interest	1,007,309	45,000	752,191
Bad debts	-	-	-
Payroll tax	306,924	315,236	302,003
Transfers	313,502	333,100	287,906
Amortization	855,620	-	-
Other capital items	(29,706)	-	21,662
School generated funds	618,787	-	-
Other special purpose funds	-	-	-
	$ 21,934,746	$ 20,103,130	$ 20,160,210

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

In accordance with Section 190.1 of The Public Schools Act, the Division is required to collect a special levy on behalf of la Division scolaire franco-manitobaine. As at June 30, 2007, the amount of this special levy was $1,923,096 ($1,655,111 in 2006). These amounts are not included in the Division's consolidated financial statements.

18. Contingent Liabilities

Various lawsuits have been filed against the school division. In the opinion of management and legal counsel, the outcome of the lawsuits, now pending, is not determinable. Should any loss result from the resolution of these claims, such loss will be charged to operations in the year of resolution.

19. Commitments and Appropriations of Operating Fund Surplus

Commitments of Operating Fund Surplus at year end are detailed in the Analysis of Consolidated Accumulated Surplus. Designated Operating Fund Accumulated Surplus is $507,226 at June 30, 2007 ($614,563 at June 30, 2006). The details of the Designated Surplus are disclosed at note 12 and page 5 of the audited financial statements.

The school division has equipment lease agreements. Future annual minimum operating lease commitments as at June 30, 2007 are as follows:

2008	$ 11,886
2009	11,886
2010	11,682
2011	10,344

20. Subsequent Event

On September 26, 2007, the Board of Trustees approved a transfer of $600,000 from Operating Fund Accumulated Surplus to a Vocational Programming Capital Reserve.

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

Chairperson	Secretary-Treasurer
Robert J. Fraser	Vince Mariani

October 23, 2007

AUDITORS' REPORT

TO THE BOARD OF TRUSTEES
RIVER EAST TRANSCONA SCHOOL DIVISION

We have audited the following financial statements of River East Transcona School Division (the "Division") as at June 30, 2007 and for the year then ended:

Consolidated – Statement of Financial Position
Consolidated – Statement of Revenue, Expenses and Accumulated Surplus
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 Reserve Accounts
Special Purpose Fund – Schedule of Financial Position
Special Purpose Fund – Schedule of Revenue, Expenses and Accumulated Surplus
Notes to the Financial Statements

These consolidated financial statements are the responsibility of the Company's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, the above mentioned financial statements present fairly, in all material respects, the financial position of the Division as at June 30, 2007 and the results of its operations and 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.

Our examination also included the statements presented on pages 3, 5 and 8 to 20. In our opinion, such supplemental exhibits and schedules when considered in relation to the basic financial statements, present fairly, in all material respects, the information shown therein.

Our opinion on these financial statements does not extend to any budget information contained there-in.

Deloitte & Touche LLP

Chartered Accountants

Winnipeg, Manitoba
October 23, 2007

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2007	2006 (see Note)
	Financial Assets		
	Cash and Bank	-	-
	Short Term Investments	-	-
	Due from - Provincial Government	3,259,570	2,087,633
	- Federal Government	151,693	242,388
14	- Municipal Government	26,288,059	26,901,036
	- Other School Divisions	38,091	-
	- First Nations	53,942	-
	Accounts Receivable	412,815	271,969
	Accrued Investment Income	-	-
	Other Investments	-	
		30,204,170	29,503,026
	Liabilities		
5	Overdraft	950,039	4,579,849
	Accounts Payable	1,646,417	2,172,781
	Accrued Liabilities	11,871,317	10,966,614
6	Employee Future Benefits	118,441	-
	Accrued Interest Payable	1,042,777	-
	Due to - Provincial Government	5,765	6,106
	- Federal Government	13,546	13,659
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
7	Deferred Revenue	7,948,799	5,622,627
9	Debenture Debt	29,774,336	31,434,689
10	Other Borrowings	7,303,276	3,462,204
8	School Generated Funds Liability	1,399,420	
		62,074,133	58,258,529
	Net Debt	(31,869,963)	(28,755,503)
	Non-Financial Assets		
11	Net Tangible Capital Assets (TCA Schedule)	49,921,822	132,714,380
	Inventories	-	-
	Prepaid Expenses	218,183	276,563
		50,140,005	132,990,943
12	**Accumulated Surplus**	18,270,042	104,235,440

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes		2007 Actual	2006 Actual (see Note)
	Revenue		
	Provincial Government	105,211,668	97,374,611
	Federal Government	19,006	54,955
14	Municipal Government - Property Tax	45,101,908	44,748,378
	- Other	-	-
	Other School Divisions	846,100	856,099
	First Nations	30,634	91,673
	Private Organizations and Individuals	2,603,257	2,102,548
	Other Sources	530,197	523,124
	School Generated Funds	1,000,281	
	Other Special Purpose Funds	-	
		155,343,051	145,751,388
	Expenses		
	Regular Instruction	83,626,471	82,103,898
	Student Support Services	25,010,609	20,785,024
	Adult Learning Centres	875,303	915,178
	Community Education and Services	869,540	872,041
	Divisional Administration	4,136,873	4,501,250
	Instructional and Other Support Services	6,165,372	7,324,062
	Transportation of Pupils	2,700,257	2,589,597
	Operations and Maintenance	17,491,482	16,423,051
15	Fiscal - Interest	3,982,542	2,812,022
	- Other	2,363,002	2,596,043
	Amortization	4,170,373	
	Other Capital Items	95,418	281,372
	School Generated Funds	959,762	
	Other Special Purpose Funds	-	
		152,447,004	141,203,538
	Current Year Surplus (Deficit)	2,896,047	4,547,850
	Opening Accumulated Surplus	104,235,440	99,687,590
	Restatements: Tangible Cap. Assets and Accum. Amort.	(85,182,195)	
	Other than Tangible Cap. Assets	(3,679,250)	0
	Opening Accumulated Surplus, as restated	15,373,995	99,687,590
	Closing Accumulated Surplus	18,270,042	104,235,440

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2007

Current Year Surplus (Deficit)	2,896,047
Amortization of Tangible Capital Assets	4,170,373
Acquisition of Tangible Capital Assets	(6,569,189)
(Gain) / Loss on Sale of Tangible Capital Assets	(1,319)
Proceeds on Sale of Tangible Capital Assets	10,498
	(2,389,637)
Inventories (Increase)/Decrease	-
Prepaid Expenses (Increase)/Decrease	58,380
	58,380
(Increase)/Decrease in Net Debt	564,790
Net Debt at Beginning of Year	(28,755,503)
Restatements Other than Tangible Cap. Assets	(3,679,250)
Net Debt at Beginning of Year as Restated	(32,434,753)
Net Debt at End of Year	(31,869,963)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2007

Operating Transactions	
Current Year Surplus/(Deficit)	2,896,047
Non-Cash Items Included in Current Year Surplus/(Deficit):	
Amortization of Tangible Capital Assets	4,170,373
(Gain)/Loss on Disposal of Tangible Capital Assets	(1,319)
Employee Future Benefits Increase/(Decrease)	118,441
Short Term Investments (Increase)/Decrease	-
Due from Other Organizations (Increase)/Decrease	(560,298)
Accounts Receivable & Accrued Income (Increase)/Decrease	(140,846)
Inventories and Prepaid Expenses - (Increase)/Decrease	58,380
Due to Other Organizations Increase/(Decrease)	(454)
Accounts Payable & Accrued Liabilities Increase/(Decrease)	1,421,116
Deferred Revenue Increase/(Decrease)	2,326,172
School Generated Funds Liability Increase/(Decrease)	1,399,420
Restatements Other than Tangible Cap. Assets	(3,679,250)
Cash Provided by Operating Transactions	8,007,782
Capital Transactions	
Acquisition of Tangible Capital Assets	(6,569,189)
Proceeds on Sale of Tangible Capital Assets	10,498
Cash (Applied to)/Provided by Capital Transactions	(6,558,691)
Investing Transactions	
Other Investments (Increase)/Decrease	-
Cash Provided by (Applied to) Investing Transactions	0
Financing Transactions	
Debenture Debt Increase/(Decrease)	(1,660,353)
Other Borrowings Increase/(Decrease)	3,841,072
Cash Provided by (Applied to) Financing Transactions	2,180,719
Cash and Bank / Overdraft (Increase)/Decrease	3,629,810
Cash and Bank (Overdraft) at Beginning of Year	(4,579,849)
Cash and Bank (Overdraft) at End of Year	(950,039)

OPERATING FUND SCHEDULE OF FINANCIAL POSITION

as at June 30

		2007	2006
Financial Assets			
Cash and Bank		-	-
Short Term Investments		-	-
Due from	- Provincial Government	2,191,229	2,087,633
	- Federal Government	151,693	242,388
	- Municipal Government	26,288,059	26,901,036
	- Other School Divisions	38,091	-
	- First Nations	53,942	-
	- Other Funds		29,781
Accounts Receivable		406,472	258,891
Accrued Investment Income			
		29,129,486	29,519,729
Liabilities			
Overdraft		659,085	2,426,080
Accounts Payable		1,475,718	1,873,609
Accrued Liabilities		11,861,893	10,809,498
Employee Future Benefits		118,441	
Accrued Interest Payable		-	
Due to	- Provincial Government	5,765	6,106
	- Federal Government	13,546	13,659
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
	- Capital Fund	1,906,283	188,513
Deferred Revenue		7,314,422	5,622,627
Other Borrowings		-	-
		23,355,153	20,940,092
Net Financial Assets (Net Debt)		5,774,333	8,579,637
Non-Financial Assets			
Inventories		-	-
Prepaid Expenses		218,183	276,563
		218,183	276,563
Accumulated Surplus (Deficit)		5,992,516 *	8,856,200

OPERATING FUND
SCHEDULE OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

	2007 Actual	2007 Budget	2006 Actual
Revenue			
Provincial Government	98,917,895	92,835,936	92,269,528
Federal Government	19,006	12,000	54,955
Municipal Government - Property Tax	45,101,908	47,701,115	44,748,378
- Other	-	-	-
Other School Divisions	846,100	215,000	856,099
First Nations	30,634	-	91,673
Private Organizations and Individuals	2,603,257	555,000	2,102,548
Other Sources	455,615	200,000	523,124
	147,974,415	141,519,051	140,646,305
Expenses			
Regular Instruction	83,626,471	84,302,735	82,103,898
Student Support Services	25,010,609	22,556,240	20,785,024
Adult Learning Centres	875,303	-	915,178
Community Education and Services	869,540	581,195	872,041
Divisional Administration	4,136,873	4,227,338	4,501,250
Instructional and Other Support Services	6,165,372	6,342,443	7,324,062
Transportation of Pupils	2,700,257	2,604,300	2,589,597
Operations and Maintenance	17,491,482	17,135,100	16,423,051
Fiscal	2,437,889	2,357,000	2,638,584
	143,313,796	140,106,351	138,152,685
Current Year Surplus (Deficit)	4,660,619	1,412,700	2,493,620
Net Transfers from (to) Capital Fund	(7,524,303)	(1,412,700)	(2,106,009)
Transfers from Special Purpose Funds	-		
Net Current Year Surplus (Deficit)	(2,863,684)	0	387,611
Opening Accumulated Surplus (Deficit)	8,856,200		8,468,589
Restatements:	-		
	-		-
Opening Accumulated Surplus (Deficit), as restated	8,856,200		8,468,589
Closing Accumulated Surplus (Deficit)	5,992,516		8,856,200

CAPITAL FUND SCHEDULE OF FINANCIAL POSITION

as at June 30

		2007	2006
Financial Assets			
Cash and Bank		-	-
Short Term Investments		-	-
Due from	- Provincial Government	1,068,341	-
	- Federal Government	-	-
	- Municipal Government	-	-
	- First Nations	-	-
	- Other Funds	1,906,283	188,513
Accounts Receivable		6,343	13,078
Accrued Investment Income		-	
		2,980,967	201,591
Liabilities			
Overdraft		1,945,483	2,153,769
Accounts Payable		170,699	299,172
Accrued Liabilities		9,424	157,116
Accrued Interest Payable		1,042,777	
Due to	- Provincial Government	-	-
	- Federal Government	-	-
	- Municipal Government	-	-
	- First Nations	-	-
	- Operating Fund	-	29,781
Deferred Revenue		634,377	
Debenture Debt		29,774,336	31,434,689
Other Borrowings		7,303,276	3,462,204
		40,880,372	37,536,731
Net Debt		(37,899,405)	(37,335,140)
Non-Financial Assets			
Net Tangible Capital Assets		49,921,822	132,714,380
Accumulated Surplus / Equity *		12,022,417	95,379,240
* Comprised of:			
Reserve Accounts		188,513	188,513
Equity in Tangible Capital Assets		11,833,904	95,190,727
		12,022,417	95,379,240

CAPITAL FUND
SCHEDULE OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

		2007	2006
Revenue			
Provincial Government			
Grants		27,631	-
Debt Servicing - Principal		2,875,153	2,596,757
- Interest		3,390,989	2,508,326
Federal Government		-	-
Municipal Government		-	-
Other Sources:			
Investment Income		-	-
Donations		74,582	-
Insurance Proceeds		-	-
	-		
	-	0	-
		6,368,355	5,105,083
Expenses			
Amortization		4,170,373	
Debenture Debt Interest		3,390,989	2,508,326
Other Interest		516,666	261,155
Other Capital Items		96,737	
Loss / (Gain) on Disposal of Capital Assets		(1,319)	281,372
		8,173,446	3,050,853
Current Year Surplus / (Deficit)		(1,805,091)	2,054,230
Net Transfers from (to) Operating Fund		7,524,303	2,106,009
Transfers from Special Purpose Fund		-	
Net Current Year Surplus (Deficit)		5,719,212	4,160,239
Opening Accumulated Surplus / Equity		95,379,240	91,219,001
Restatements:	Tangible Capital Assets and Accum. Amortization	(85,182,195)	
	Donated Assets and Lease Commitments	(3,893,840)	
Opening Accumulated Surplus / Equity as restated		6,303,205	91,219,001
Closing Accumulated Surplus / Equity		12,022,417	95,379,240

River East Transcona School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2007

	Buildings and Leasehold Improvements		School	Other	Furniture / Fixtures &	Computer Hardware &		Land	Assets Under	Totals
	School	Non-School	Buses	Vehicles	Equipment	Software *	Land	Improvements	Construction	
Tangible Capital Asset Cost										
Opening Cost, as previously reported	112,750,830	6,053,240	4,176,353	357,498	7,237,069	-	2,139,390	-	-	##########
Restatements	(24,073,909)	(1,643,568)	-	(46,791)	(5,366,964)	3,896,979	(261,103)	-	3,094,267	(24,401,089)
Opening Cost restated	88,676,921	4,409,672	4,176,353	310,707	1,870,105	3,896,979	1,878,287	-	3,094,267	##########
Add: Additions during the year	2,193,222	1,789,679	580,736	49,413	457,822	2,134,013	-	2,026,741	(2,662,437)	6,569,189
Less: Disposals and write downs	-	-	83,374	53,240	-	-	-	-	-	136,614
Closing Cost	90,870,143	6,199,351	4,673,715	306,880	2,327,927	6,030,992	1,878,287	2,026,741	431,830	##########
Accumulated Amortization										
Opening, as previously reported	-	-	-	-	-	-	-	-	-	-
Restatements	53,914,632	1,726,091	2,378,032	213,172	515,397	2,033,782	-	-	-	60,781,106
Opening restated	53,914,632	1,726,091	2,378,032	213,172	515,397	2,033,782	-	-	-	60,781,106
Add: Current period Amortization	2,114,180	181,784	324,612	34,941	339,850	1,073,669	-	101,337		4,170,373
Less: Accumulated Amortization on Disposals and Writedowns	-	-	83,374	44,061	-	-	-	-	-	127,435
Closing Accumulated Amortization	56,028,812	1,907,875	2,619,270	204,052	855,247	3,107,451	-	101,337	-	64,824,044
Net Tangible Capital Asset	34,841,331	4,291,476	2,054,445	102,828	1,472,680	2,923,541	1,878,287	1,925,404	431,830	49,921,822
Proceeds from Sale of Capital Assets	-	-	3,887	6,611	-	-	-			10,498

* Includes network infrastructure.

River East Transcona School Division

SCHEDULE OF CAPITAL RESERVE ACCOUNTS

For the Year Ended June 30, 2007

Fund Name >	Buses	Park Circle				Totals
Opening Balance, July 1, 2006	-	188,513	-	-	-	188,513
Additions: (Provide a description of each transaction)						
	-	-				-
						-
						-
						-
						-
						-
						-
						-
						-
Total Additions	-	-	-	-	-	-
Withdrawals: (Provide a description of each transaction)						
	-	-				-
	-					-
						-
						-
						-
						-
						-
						-
						-
Total Withdrawals	-	-	-	-	-	-
Closing Balance, June 30, 2007	-	188,513	-	-	-	188,513

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SPECIAL PURPOSE FUND
SCHEDULE OF FINANCIAL POSITION
as at June 30

	2007
Financial Assets	
Cash and Bank	1,654,529
Short Term Investments	-
Accrued Investment Income	-
Other Investments	-
	1,654,529
Liabilities	
School Generated Funds Liability	1,399,420
Accounts Payable	-
Accrued Liabilities	-
Due to Other Funds	-
Deferred Revenue	-
	1,399,420
Accumulated Surplus *	255,109
* Comprised of:	
School Generated Funds Accumulated Surplus	255,109
Other Funds Accumulated Surplus	-
	255,109

SPECIAL PURPOSE FUND
SCHEDULE OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

		2007
Revenue		
School Generated Funds		1,000,281
Other Funds		-
		-
		1,000,281
Expenses		
School Generated Funds		959,762
Other Funds		-
		-
		959,762
Current Year Surplus (Deficit)		40,519
Transfers (to) Operating Fund		-
Transfers (to) Capital Fund		-
Net Current Year Surplus (Deficit)		40,519
Opening Accumulated Surplus		-
Restatements:	School Generated Funds	214,590
		-
Opening Accumulated Surplus as restated		214,590
Closing Accumulated Surplus		255,109

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. Comparative Figures

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. The 2006 comparative figures have not been restated and are presented in accordance with Financial Reporting and Accounting in Manitoba Education (FRAME), the prescribed method of accounting that the Division followed prior to the 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 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.

3. Significant Accounting Policies (continued)

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 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.

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.

3. Significant Accounting Policies (continued)

g) Tangible Capital Assets (continued)

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 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 straights 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.

3. Significant Accounting Policies (continued)

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.

Under the Manitoba Association of School Trustees (MAST) Pension Plan for non-teaching staff, the Division's contributions equals the employee's contributions to the plan. No responsibility is assumed by the Division to make any further contributions.

An employee future benefit liability is accrued for maternity and parental leave top up payments, a self insured benefit obligation that is event driven. The benefit costs are recognized and recorded only in the period the event occurred.

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) 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.

k) Financial Instruments

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

4. Conversion to PSAB

Commencing with the 2006/07 fiscal year, the Board has adopted generally accepted accounting principles established by PSAB. As explained in Note 2, the comparative figures included in these financial statements have not been restated to conform to the accounting standards adopted for the current year.

4. Conversion to PSAB (continued)

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. This includes the recognition of donated capital assets and the related deferred revenue. 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) Assets acquired under capital leases as well as the related obligations were capitalized.

(iii) 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.

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

(v) 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.

5. Overdraft

The Division has an authorized demand operating loan of $35,000,000 by way of overdrafts and is repayable on demand at prime less 0.75%; interest is paid monthly. Included in the overdrafts are capital projects, which will be submitted to Public Schools Finance Branch for debenture funding, totaling approximately $228,000. Overdrafts are secured by a Borrowing By-law.

6. Employee Future Benefits

An employee future benefit liability of $118,441 has been accrued as at June 30, 2007 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.

During the year ended June 30, 2007, the employer contributions to MAST amounted to $1,641,991. This amount has been expensed in the Division's financial statements for the year ended June 30, 2007.

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, 2006	Restatement (see Note 4)	Additions in the period	Revenue recognized in the period	Balance as at June 30, 2007
Province of Manitoba – EPTC*	$ 5,146,414	-	$ 6,828,471	$ 5,146,414	$ 6,828,471
Province of Manitoba - Other	198,190	-	285,476	293,979	189,687
Tuition Fees	200,874	-	221,880	200,874	221,880
Donated Capital Assets	-	515,762	193,197	74,582	634,377
Miscellaneous	77,149	-	221,936	224,701	74,384
	$ 5,622,627	$ 515,762	$ 7,750,960	$ 5,940,550	$ 7,948,799

*EPTC = Education Property Tax Credit

8. School Generated Funds Liability

School Generated Funds Liability includes the non-controlled portion of school generated funds consolidated in the cash and bank balances in the amount of $1,399,420.

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 2007 to 2027. Payment of principal and interest is funded entirely by grants from the Province of Manitoba, except for the debenture debt on self-funded capital projects. The debentures carry interest rates that range from 4.875% to 12.125%. Debenture interest expense payable as at June 30, 2007, 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
2008	$ 2,852,554	$ 2,358,744	$ 5,211,298
2009	2,991,448	2,112,237	5,103,685
2010	2,736,513	1,854,959	4,591,472
2011	2,236,838	1,631,016	3,867,854
2012	2,003,173	1,452,014	3,455,187
	$ 12,820,526	$ 9,408,970	$ 22,229,496

The fair value of the debenture debt is approximately $19,448,000.

10. Other Borrowings

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

Capital lease loans have interest rates ranging from 2.4% to 12.0% per annum and have lease terms that expire between 2008 to 2013. These loans are secured by the assets to which the leases relate.

Principal and interest repayments related to obligation under capital leases are as follows:

	Principal	Interest	Total
2008	$ 1,372,075	$ 164,571	$ 1,536,646
2009	1,149,412	104,817	1,254,229
2010	885,526	59,757	945,283
2011	566,958	29,420	596,378
2012	226,693	6,446	233,139
	$ 4,200,664	$ 365,011	$ 4,565,675

The fair value of obligations under capital lease is approximately $4,247,000.

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 asset class. The amount of interest capitalized in the period included in Assets under Construction was $2,930 (previous year $15,620). 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, 2007 are $7,000,235, $3,504,900 and $3,495,335 respectively.

12. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2007
Operating Fund	
Designated Surplus	$ 3,388,383
Undesignated Surplus	2,604,133
	5,992,516
Capital Fund	
Reserve Accounts	188,513
Equity in Tangible Capital Assets	11,833,904
	12,022,417
Special Purpose Fund	
School Generated Funds	255,109
Other Special Purpose Funds	-
	255,109
Total Accumulated Surplus	$ 18,270,042

12. Accumulated Surplus (continued)

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

	2007
Board approved appropriation by motion	$ 2,184,077
School budget carryovers by board policy	1,204,306
Designated surplus	$ 3,388,383

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.

	2007
Bus reserve	$ -
Other reserve	188,513
Capital reserve	$ 188,513

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

13. Restatement of Opening Accumulated Surplus

As a result of the conversion to PSAB as described in Note 4, the opening accumulated surplus was restated as follows:

	2007
Operating Fund	$ -
Capital Fund	
Tangible Capital Assets	(85,182,195)
Obligation under Capital Lease	(3,378,078)
Donated Assets	(515,762)
	(89,076,035)
Special Purpose Fund	
School Generated Funds	214,590
Other Special Purpose Funds	-
	214,590
Total Restatement of Opening Accumulated Surplus	$ (88,861,445)

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

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

Education property tax or Special Levy is raised as the Division's contribution to the cost of providing public education for the 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 2006 tax year and 60% from 2007 tax year. Below are the related revenue and receivable amounts:

	2007	2006
Revenue-Municipal Government-Property Tax	$ 45,101,908	$44,748,378
Receivable-Due from Municipal-Property Tax	$ 26,288,059	$26,901,036

15. Interest Received and Paid

The Division received interest during the year of $297,107 (2006 - $338,655); interest paid during the year was $3,982,542 (2006 - $2,812,027).

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

	2007
Operating Fund	
Fiscal-Short Term Loan, Interest and Bank Charges	$ 74,887
Capital Fund	
Debenture Debt Interest	3,390,989
Interest on Obligation under Capital Lease	169,849
Other Interest	346,817
	$ 3,982,542

The accrued portion of debenture debt interest expense at June 30, 2007 of $1,042,277 included under the Capital Fund-Debenture debt interest, is offset by an accrual of the debt servicing grant from the Province of Manitoba.

16. 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 2007	Budget 2007	Actual 2006
Salaries	$ 110,969,990	$109,326,311	$ 105,883,852
Employees benefits & allowances	7,877,298	7,581,000	7,616,930
Services	13,903,530	13,136,350	13,228,935
Supplies, materials & minor equipment	7,340,063	7,493,986	8,022,360
Interest	3,982,542	2,348,266	2,812,022
School Divisions	691,165	166,000	715,564
Other operating expenses	64,461	45,704	46,460
Payroll tax	2,363,002	2,297,000	2,596,043
Amortization	4,170,373	-	-
Other capital items	95,418	-	281,372
School generated funds	959,762	-	-
	$ 152,417,604	$142,394,617	$141,203,538

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

In accordance with Section 190.1 of The Public Schools Act the Division is required to collect a special levy on behalf la Division scolaire franco-manitobaine. As at June 30, 2007, the amount of this special levy was $233,442 (2006 - $207,349). These amounts are not included in the Division's consolidated financial statements.

18. Trust Fund

The Division administers the following trust funds, which are not reflected in the financial statements:

	2007
Scholarship Funds	
Balance, beginning of year	$ 305,572
Cash contributions received during the year	22,761
Interest income	12,640
Scholarships awarded	(16,367)
Balance, end of year	$ 324,606

	2007
Assets	
Cash and investments	$ 324,606

X

MANAGEMENT REPORT

Management's Responsibility for the Financial Statements

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

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

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

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

Chairperson	Secretary-Treasurer

October 9, 2007

MEYERS NORRIS PENNY LLP

AUDITOR'S REPORT

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

To the Board of Trustees
Rolling River School Division

We have audited the consolidated statement of financial position of the Rolling River School Division as at June 30, 2007 and the consolidated statements of revenue, expenses, and accumulated surplus, change in net debt and cash flow for the year then ended. These consolidated financial statements are the responsibility of the Division's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly in all material respects, the financial position of the School Division as at June 30, 2007 and the results of its operations and cash flow for that fiscal year in accordance with Canadian generally accepted accounting principles.

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

Meyers Norris Penny LLP
AUDITOR

Brandon, Manitoba
October 9, 2007

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2007	2006 (see Note 2)
	Financial Assets		
	Cash and Bank	-	-
	Short Term Investments	-	-
	Due from - Provincial Government	274,221	269,070
	- Federal Government	90,351	93,278
	- Municipal Government	3,392,035	3,463,494
	- Other School Divisions	-	-
	- First Nations	254,484	-
	Accounts Receivable	83,210	94,760
	Accrued Investment Income	-	-
	Other Investments	-	
		4,094,301	3,920,602
	Liabilities		
5	Overdraft	1,056,668	1,921,525
	Accounts Payable	138,911	84,408
	Accrued Liabilities	905,910	289,620
	Employee Future Benefits	-	-
	Accrued Interest Payable	261,580	-
	Due to - Provincial Government	3,858	14,947
	- Federal Government	-	-
	- Municipal Government	42	-
	- Other School Divisions	-	-
	- First Nations	-	-
7	Deferred Revenue	405,608	388,746
8	Debenture Debt	7,627,259	8,063,040
	Other Borrowings	-	-
	School Generated Funds Liability	-	
		10,399,836	10,762,286
	Net Debt	(6,305,535)	(6,841,684)
	Non-Financial Assets		
9	Net Tangible Capital Assets (TCA Schedule)	8,953,051	24,125,897
	Inventories	-	-
	Prepaid Expenses	30,769	59,244
		8,983,820	24,185,141
10	**Accumulated Surplus**	2,678,285	17,343,457

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes		2007 Actual	2006 Actual (see Note 2)
	Revenue		
	Provincial Government	12,598,538	12,021,979
	Federal Government	15,415	19,223
	Municipal Government - Property Tax	5,994,034	6,012,389
	- Other	-	-
	Other School Divisions	88,920	74,750
	First Nations	896,096	1,026,944
	Private Organizations and Individuals	40,841	26,798
	Other Sources	68,204	46,855
	School Generated Funds	658,222	
	Other Special Purpose Funds	-	
		20,360,270	19,228,938
	Expenses		
	Regular Instruction	10,521,173	10,494,808
	Student Support Services	2,387,666	1,857,751
	Adult Learning Centres	128,670	134,840
	Community Education and Services	17,074	11,170
	Divisional Administration	695,850	632,119
	Instructional and Other Support Services	591,514	746,474
	Transportation of Pupils	1,291,060	1,268,945
	Operations and Maintenance	2,103,360	1,998,980
13	Fiscal - Interest	915,516	591,941
	- Other	279,015	274,824
	Amortization	727,207	
	Other Capital Items	3,600	122,814
	School Generated Funds	668,354	
	Other Special Purpose Funds	-	
		20,330,059	18,134,666
	Current Year Surplus (Deficit)	30,211	1,094,272
	Opening Accumulated Surplus	17,343,457	16,249,185
	Restatements: Tangible Cap. Assets and Accum. Amort.	(14,952,344)	
11	Other than Tangible Cap. Assets	256,961	0
	Opening Accumulated Surplus, as restated	2,648,074	16,249,185
	Closing Accumulated Surplus	2,678,285	17,343,457

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2007

Current Year Surplus (Deficit)	30,211
Amortization of Tangible Capital Assets	727,207
Acquisition of Tangible Capital Assets	(506,705)
(Gain) / Loss on Sale of Tangible Capital Assets	-
Proceeds on Sale of Tangible Capital Assets	-
	220,502
Inventories (Increase)/Decrease	-
Prepaid Expenses (Increase)/Decrease	28,475
	28,475
(Increase)/Decrease in Net Debt	279,188
Net Debt at Beginning of Year	(6,841,684)
Restatements Other than Tangible Cap. Assets	256,961
Net Debt at Beginning of Year as Restated	(6,584,723)
Net Debt at End of Year	(6,305,535)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2007

Operating Transactions	
Current Year Surplus/(Deficit)	30,211
Non-Cash Items Included in Current Year Surplus/(Deficit):	
Amortization of Tangible Capital Assets	727,207
(Gain)/Loss on Disposal of Tangible Capital Assets	-
Employee Future Benefits Increase/(Decrease)	-
Short Term Investments (Increase)/Decrease	-
Due from Other Organizations (Increase)/Decrease	(185,249)
Accounts Receivable & Accrued Income (Increase)/Decrease	11,550
Inventories and Prepaid Expenses - (Increase)/Decrease	28,475
Due to Other Organizations Increase/(Decrease)	(11,047)
Accounts Payable & Accrued Liabilities Increase/(Decrease)	932,373
Deferred Revenue Increase/(Decrease)	16,862
School Generated Funds Liability Increase/(Decrease)	-
Restatements Other than Tangible Cap. Assets	256,961
Cash Provided by Operating Transactions	1,807,343
Capital Transactions	
Acquisition of Tangible Capital Assets	(506,705)
Proceeds on Sale of Tangible Capital Assets	-
Cash (Applied to)/Provided by Capital Transactions	(506,705)
Investing Transactions	
Other Investments (Increase)/Decrease	-
Cash Provided by (Applied to) Investing Transactions	0
Financing Transactions	
Debenture Debt Increase/(Decrease)	(435,781)
Other Borrowings Increase/(Decrease)	-
Cash Provided by (Applied to) Financing Transactions	(435,781)
Cash and Bank / Overdraft (Increase)/Decrease	864,857
Cash and Bank (Overdraft) at Beginning of Year	(1,921,525)
Cash and Bank (Overdraft) at End of Year	(1,056,668)

Rolling River School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2007

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	Totals
	School	Non-School								
Tangible Capital Asset Cost										
Opening Cost, as previously reported	19,592,761	-	2,657,189	292,099	1,428,980	-	154,868	-	-	24,125,897
Restatements	(4,018,750)	107,000	(1,137,574)	(87,186)	(1,317,820)	-		-	952,096	(5,502,234)
Opening Cost restated	15,574,011	107,000	1,519,615	204,913	111,160	-	154,868	-	952,096	18,623,663
Add: Additions during the year	1,141,734	-	248,121	20,549	6,900	-	-	-	(910,599)	506,705
Less: Disposals and write downs		-	-	-	-	-	-	-		-
Closing Cost	16,715,745	107,000	1,767,736	225,462	118,060	-	154,868	-	41,497	19,130,368
Accumulated Amortization										
Opening, as previously reported	-	-	-	-	-	-	-	-	-	-
Restatements	8,592,686	65,613	700,442	62,711	28,658	-	-	-	-	9,450,110
Opening restated	8,592,686	65,613	700,442	62,711	28,658	-	-	-	-	9,450,110
Add: Current period Amortization	499,478	2,675	161,419	40,713	22,922	-	-	-		727,207
Less: Accumulated Amortization on Disposals and Writedowns	-	-	-	-	-	-	-	-	-	-
Closing Accumulated Amortization	9,092,164	68,288	861,861	103,424	51,580	-	-	-	-	10,177,317
Net Tangible Capital Asset	7,623,581	38,712	905,875	122,038	66,480	-	154,868	-	41,497	8,953,051
Proceeds from Sale of Capital Assets	-	-	-	-	-	-	-			-

* Includes network infrastructure.

ROLLING RIVER SCHOOL DIVISION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2007

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. Comparative Figures

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. The 2006 comparative figures have not been restated and are presented in accordance with FRAME, the prescribed method of accounting that the Division followed prior to the 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 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 donated capital assets and capital leases, all tangible capital assets, are recorded at historical cost, which includes purchase price, installation costs and other costs incurred to put the asset into service.

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

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

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

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

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

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

g) Employee Future Benefits

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

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

(i) Defined contribution/ insured benefit plans

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

The pension plan contributions are based on 9% to 11.65% of eligible earnings. The life insurance policy contributions are based on 0.12% to 0.24% of eligible earnings. Supplementary employment benefits tops up employment insurance benefits to 90% of regular earnings at the time the leave commenced.

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

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

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

For self-insured employee future benefits other than pension plans, that are vesting and accumulating over the employees' length of service (e.g. vesting sick days) the benefit costs are accounted for on a full accrual basis determined using management's best estimate.

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

h) Capital Reserve

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

i) Use of Estimates

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

j) Financial Instruments

There are no significant terms and conditions related to financial instruments (cash, accounts receivable, investments, 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. As explained in Note 2, the comparative figures included in these financial statements have not been restated to conform to the accounting standards adopted for the current year.

The following changes have been implemented to comply with the PSAB standard:

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

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

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

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

5. Overdraft

The Division has an authorized line of credit with Minnedosa Credit Union of $5,000,000 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.

6. Employee Future Benefits

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

The Division sponsors a defined contribution pension plan. The defined contribution plan is provided to support employees based on their length of service and rates of pay. Eligible employees contribute 9% to 11.65% of their earnings to the plan. The Division contributions equal the employee contributions to the plan. No pension liability is included in the financial statements

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

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

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

7. Deferred Revenue

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

	Balance as at June 30, 2006	Additions in the period	Revenue recognized in the period	Balance as at June 30, 2007
Manitoba Textbook Bureau	$ -	$ -	$ -	$ -
Donated Capital Assets	-	-	-	-
General Support Grant		118,318		118,318
Education Property Tax Credit	388,746	287,290	388,746	287,290
	$ 388,746	$ 405,608	$ 388,746	$ 405,608

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 2008 to 2027. Payment of principal and interest is funded entirely by grants from the Province of Manitoba, except for the debenture debt on self-funded capital projects. The debentures carry interest rates that range from 4.875 % to 11.50 %. Debenture interest expense payable as at June 30, 2007, 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
2008	$ 537,862	$ 533,577	$ 1,071,439
2009	555,700	488,518	1,044,218
2010	571,126	442,454	1,013,580
2011	508,994	395,723	904,717
2012	517,301	356,890	874,191
	$ 2,690,983	$ 2,217,162	$ 4,908,145

9. Net Tangible Capital Assets

The Schedule of Tangible Capital Assets (TCA), page 23 of the audited financial statements, provides a breakdown of cost, accumulated amortization and net book value by class. The amount of interest capitalized in the period included in Assets under Construction was nil (previous year $2,742)

	Gross Amount	Accumulated Amortization	2007 Net Book Value
Owned-tangible capital assets	$ 19,130,368	$ 10,177,317	$ 8,953,051
Capital lease	-	-	-
	$ 19,130,368	$ 10,177,317	$ 8,953,051

10. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2007
Operating Fund	
Designated Surplus	-
Undesignated Surplus	960,877
	960,877
Capital Fund	
Reserve Accounts	186,282
Equity in Tangible Capital Assets	1,284,297
	1,470,579
Special Purpose Fund	
School Generated Funds	246,829
Other Special Purpose Funds	-
	246,829
Total Accumulated Surplus	$ 2,678,285

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

	2007
Board approved approriation 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.

	2007
Bus reserves	186,282
Other reserves	-
Capital Reserve	$ 186,282

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

	2007
Foundation-Scholarship	-
Other - *Specify*	-
Other Special Purpose Funds	$ -

11. Restatement of Opening Accumulated Surplus

Restatement of Opening Accumulated Surplus is comprised of:

	2007
Operating Fund	
Employee Future Benefits	-
Capital Fund	
Tangible Capital Assets	(5,502,234)
Accumulated Amortization	(9,450,110)
	(14,952,344)
Special Purpose Fund	
School Generated Funds	256,961
Other Special Purpose Funds	-
	256,961
Total Restatement of Opening Accumulated Surplus	$ (14,695,383)

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

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; 42.3% from 2006 tax year and 57.7% from 2007 tax year. Below are the related revenue and receivable amounts:

Revenue-Municipal Government-Property Tax	$	5,994,034	$	6,012,389
Receivable-Due from Municipal-Property Tax	$	3,392,035	$	3,463,494

13. Interest Received and Paid

The Division received interest during the year of $15,912 (previous year $7,311); interest paid during the year was $915,516 (previous year $591,941).

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

		2007
Operating Fund		
Fiscal-short term loan, interest and bank charges	$	74,828
Capital Fund		
Debenture debt interest		840,688
Other interest		-
	$	915,516

The pension and other employee benefits interest expenses of $0 is included under the Operating Fund-Fiscal-short term loan, interest and bank charges.

The accrual portion of debenture debt interest expense of $261,580 included under the Capital Fund-Debenture debt interest is offset by an accrual of the debt servicing grant from the Province of Manitoba.

14. Allowance for Doubtful Accounts

All receivables presented on the consolidated statement of financial position are net of an allowance for doubtful accounts. Below is the total allowance for doubtful accounts as at June 30, 2007:

Note # 17 Allowance for Doubtful Accounts

		2007
Allowance for doubtful accounts deducted from Receivables below:		
Due from First Nations	$	-
Accounts Receivable		-
	NIL	
Bad debts expense (included in fiscal-Other)	NIL	

15. Expenses by object

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

	Actual 2007	Budget 2007	Actual 2006
Salaries	$ 13,627,656	$ 13,408,010	$ 13,127,967
Employees benefits & allowances	1,014,900	1,024,065	993,788
Services	1,537,467	1,515,225	1,429,907
Supplies, materials & minor equipment	1,411,953	1,478,700	1,500,557
Interest	915,516	71,300	591,941
Transfers	144,391	-	92,868
Payroll tax	279,015	290,000	274,824
Amortization	727,207	-	-
Other capital items	3,600	-	122,814
School generated funds	668,354	-	-
Other special purpose funds	-	-	-
	$ 20,330,059	$ 17,787,300	$ 18,134,666

16. Special Levy Raised for la Division scolaire franco-manitobaine *(if applicable)*

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, 2007, the amount of this special levy was $20,477 (2006 - $15,672). These amounts are not included in the Division's consolidated financial statements.

MANAGEMENT REPORT

Management's Responsibility for the Financial Statements

The accompanying consolidated financial statements of Seine River School Division are the responsibility of the Division 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 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 BDO Dunwoody LLP, independent external auditors, appointed by the Board. The accompanying Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Division's consolidated financial statements.

Chairperson Secretary-Treasurer

BDO Dunwoody LLP/s.r.l.
Chartered Accountants and Advisors
Comptables agréés et conseillers

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Auditors' Report

To the Chairperson and Board of Trustees of
Seine River School Division

We have audited the consolidated statement of financial position of **Seine School Division** ("The Division") as at June 30, 2007 and the consolidated statements of revenue, expenses and accumulated surplus, change in net debt and cash flow for the year then ended. These financial statements are the responsibility of the Division's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly in all material respects, the financial position of the Division as at June 30, 2007 and the results of its operations and its cash flows for the fiscal year then ended in accordance with Canadian generally accepted accounting principles.

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

BDO Dunwoody LLP

Chartered Accountants

Winnipeg, Manitoba
September 20, 2007

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2007	2006 (see Note 2)
	Financial Assets		
	Cash and Bank	1,089,623	1,620,229
	Short Term Investments	350,007	288,137
	Due from - Provincial Government	653,471	418,493
	- Federal Government	170,482	126,836
	- Municipal Government	4,415,064	4,425,299
	- Other School Divisions	461	15,444
	- First Nations	-	-
	Accounts Receivable	35,268	25,578
	Accrued Investment Income	-	-
	Other Investments	-	
		6,714,376	6,920,016
	Liabilities		
5	Overdraft	-	-
	Accounts Payable	792,136	740,977
	Accrued Liabilities	22,000	168,848
6	Employee Future Benefits	203,115	-
15	Accrued Interest Payable	499,925	-
	Due to - Provincial Government	107,141	106,156
	- Federal Government	1,343,341	1,237,672
	- Municipal Government	36,274	36,575
	- Other School Divisions	807,960	629,774
	- First Nations	-	-
7	Deferred Revenue	1,255,547	937,370
9	Debenture Debt	16,407,092	15,986,792
10	Other Borrowings	785,971	1,163,724
8	School Generated Funds Liability	15,187	
		22,275,689	21,007,888
	Net Debt	(15,561,313)	(14,087,872)
	Non-Financial Assets		
11	Net Tangible Capital Assets (TCA Schedule)	20,471,079	40,624,519
	Inventories	-	-
	Prepaid Expenses	189,180	161,868
		20,660,259	40,786,387
12	**Accumulated Surplus**	5,098,946	26,698,515

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes		2007 Actual	2006 Actual (see Note 2)
	Revenue		
	Provincial Government	24,405,106	22,898,595
	Federal Government	25,697	9,747
	Municipal Government - Property Tax	8,226,060	7,653,344
	- Other	-	100
	Other School Divisions	202,359	208,290
	First Nations	-	-
	Private Organizations and Individuals	21,705	14,897
	Other Sources	130,883	98,032
	School Generated Funds	1,065,593	
	Other Special Purpose Funds	-	
		34,077,403	30,883,005
	Expenses		
	Regular Instruction	17,618,898	16,276,090
	Student Support Services	4,840,521	4,122,035
	Adult Learning Centres	260,079	264,387
	Community Education and Services	20,956	2,867
	Divisional Administration	1,218,143	1,041,662
	Instructional and Other Support Services	878,970	1,187,827
	Transportation of Pupils	1,872,344	1,803,086
	Operations and Maintenance	3,233,464	3,264,603
15	Fiscal - Interest	1,740,576	1,297,761
	- Other	491,985	454,254
	Amortization	1,218,491	
	Other Capital Items	(4,900)	94,928
	School Generated Funds	1,107,688	
	Other Special Purpose Funds	-	
		34,497,215	29,809,500
	Current Year Surplus (Deficit)	(419,812)	1,073,505
	Opening Accumulated Surplus	26,698,515	25,625,010
13	Restatements: Tangible Cap. Assets and Accum. Amort.	(21,352,474)	
	Other than Tangible Cap. Assets	172,717	0
	Opening Accumulated Surplus, as restated	5,518,758	25,625,010
	Closing Accumulated Surplus	5,098,946	26,698,515

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2007

Current Year Surplus (Deficit)	(419,812)
Amortization of Tangible Capital Assets	1,218,491
Acquisition of Tangible Capital Assets	(2,417,525)
(Gain) / Loss on Sale of Tangible Capital Assets	(4,900)
Proceeds on Sale of Tangible Capital Assets	4,900
	(1,199,034)
Inventories (Increase)/Decrease	-
Prepaid Expenses (Increase)/Decrease	(27,312)
	(27,312)
(Increase)/Decrease in Net Debt	(1,646,158)
Net Debt at Beginning of Year	(14,087,872)
Restatements Other than Tangible Cap. Assets	172,717
Net Debt at Beginning of Year as Restated	(13,915,155)
Net Debt at End of Year	(15,561,313)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2007

Operating Transactions	
Current Year Surplus/(Deficit)	(419,812)
Non-Cash Items Included in Current Year Surplus/(Deficit):	
Amortization of Tangible Capital Assets	1,218,491
(Gain)/Loss on Disposal of Tangible Capital Assets	(4,900)
Employee Future Benefits Increase/(Decrease)	203,115
Short Term Investments (Increase)/Decrease	(61,870)
Due from Other Organizations (Increase)/Decrease	(253,406)
Accounts Receivable & Accrued Income (Increase)/Decrease	(9,690)
Inventories and Prepaid Expenses - (Increase)/Decrease	(27,312)
Due to Other Organizations Increase/(Decrease)	284,539
Accounts Payable & Accrued Liabilities Increase/(Decrease)	404,236
Deferred Revenue Increase/(Decrease)	318,177
School Generated Funds Liability Increase/(Decrease)	15,187
Restatements Other than Tangible Cap. Assets	172,717
Cash Provided by Operating Transactions	1,839,472
Capital Transactions	
Acquisition of Tangible Capital Assets	(2,417,525)
Proceeds on Sale of Tangible Capital Assets	4,900
Cash (Applied to)/Provided by Capital Transactions	(2,412,625)
Investing Transactions	
Other Investments (Increase)/Decrease	-
Cash Provided by (Applied to) Investing Transactions	0
Financing Transactions	
Debenture Debt Increase/(Decrease)	420,300
Other Borrowings Increase/(Decrease)	(377,753)
Cash Provided by (Applied to) Financing Transactions	42,547
Cash and Bank / Overdraft (Increase)/Decrease	(530,606)
Cash and Bank (Overdraft) at Beginning of Year	1,620,229
Cash and Bank (Overdraft) at End of Year	1,089,623

Seine River School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2007

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	Totals
	School	Non-School								
Tangible Capital Asset Cost										
Opening Cost, as previously reported	34,419,007	628,908	3,905,882	96,570	1,026,515	-	547,637	-	-	40,624,519
Restatements	(5,067,700)	(37,585)	(1,154,884)	(41,501)	(549,479)	286,167	(95,751)	-	296,344	(6,364,389)
Opening Cost restated	29,351,307	591,323	2,750,998	55,069	477,036	286,167	451,886	-	296,344	34,260,130
Add: Additions during the year	378,450	45,800	345,446	35,998	14,606	-	-	-	1,597,225	2,417,525
Less: Disposals and write downs	-	-	-	-	-	-	-	-	-	-
Closing Cost	29,729,757	637,123	3,096,444	91,067	491,642	286,167	451,886	-	1,893,569	36,677,655
Accumulated Amortization										
Opening, as previously reported	-	-	-	-	-	-	-	-	-	-
Restatements	13,185,710	283,516	1,176,899	21,402	194,508	126,050	-	-	-	14,988,085
Opening restated	13,185,710	283,516	1,176,899	21,402	194,508	126,050	-	-	-	14,988,085
Add: Current period Amortization	775,281	31,310	274,772	14,614	53,718	68,796	-	-		1,218,491
Less: Accumulated Amortization on Disposals and Writedowns	-	-	-	-	-	-	-	-	-	-
Closing Accumulated Amortization	13,960,991	314,826	1,451,671	36,016	248,226	194,846	-	-	-	16,206,576
Net Tangible Capital Asset	15,768,766	322,297	1,644,773	55,051	243,416	91,321	451,886	-	1,893,569	20,471,079
Proceeds from Sale of Capital Assets	-	-	4,900	-	-	-	-			4,900

* Includes network infrastructure.

Seine River School Division
Notes to Consolidated Financial Statements
For the Year Ended June 30, 2007

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. Comparative Figures

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. The 2006 comparative figures have not been restated and are presented in accordance with FRAME, the prescribed method of accounting that the Division followed prior to the 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).

Reporting Entity and Consolidation

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

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

Basis of Accounting

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

Fund Accounting

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

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

School Generated Funds

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

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

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

Tangible Capital Assets

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

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

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.

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

Defined Contribution Pension Plan

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

Defined Benefit/Self-Insured Employee Future Benefit Plans

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

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.

4. Conversion to PSAB

Commencing with the 2006/07 fiscal year, the Board has adopted generally accepted accounting principles established by PSAB. As explained in Note 2, the comparative figures included in these financial statements have not been restated to conform to the accounting standards adopted for the current year.

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. 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. Bank Overdraft

The Division has an authorized line of credit with La Caisse Populaire La Prairie of $5,000,000 by way of overdrafts and is repayable on demand at prime; interest is paid monthly. Overdrafts are secured by a borrowing by-law.

6. Employee Future Benefits

The Division sponsors a defined contribution pension plan, run by the Manitoba Association of School Trustees (MAST). 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 MAST pension plan has a specific percentage for the employees to contribute. The Division contributions equal the employee contributions to the plan. No pension liability is included in the financial statements.

The employee future benefit expense is a part of the Employee Benefits and Allowances expense account. The total pension expense for the 2007 year was $192,776 ($191,232 in 2006).

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, 2006	Additions in the period	Revenue recognized in the period	Balance as at June 30, 2007
Education Property Tax Credit (EPTC)	$ 914,160	$ 1,215,872	$ 914,160	$ 1,215,872
Conference	23,210	39,675	23,210	39,675
	$ 937,370	$ 1,255,547	$ 937,370	$ 1,255,547

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 $15,187.

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 instalments and maturing at various dates from 2008 to 2027. Payment of principal and interest is funded entirely by grants from the Province of Manitoba, except for the debenture debt on self-funded capital projects. The debentures carry interest rates that range from 4.875% to 12.25%. Debenture interest expense payable as at June 30, 2007, 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:

2008	$ 2,330,538
2009	2,293,160
2010	2,251,104
2011	1,944,785
2012	1,893,343
	$ 10,712,930

10. Other Borrowings

Other borrowings are debts other than overdrafts or debentures. This includes loans payable for to acquisition of school buses and for energy management system retrofit.

	2007	2006
Bus Loan – La Caisse Populaire La Prairies	-	276,350
Energy Management System Retrofit Loan – Pacific & Western Bank	785,972	887,375
	$ 785,972	$ 1,163,725

The energy management system retrofit loan has 6.07% interest per annum, due in 2009 and a monthly payment of $12,654 principal and interest. This loan is secured by way of a security agreement.

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

	Principal	Interest	Total
2008	$ 107,652	$ 44,190	$ 151,842
2009	114,285	37,557	151,842
2010	121,328	30,514	151,842
2011	128,804	23,038	151,842
2012	136,741	15,101	151,842
	$ 608,810	$ 150,400	$ 759,210

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 nil (nil in 2006).

12. Accumulated Surplus

The consolidated accumulated surplus for 2007 is comprised of the following:

Operating Fund	
Designated Surplus	$ 786,260
Undesignated Surplus	1,099,964
	1,886,224
Capital Fund	
Reserve Accounts	354,582
Equity in Tangible Capital Assets	2,697,047
	3,051,629
Special Purpose Fund	
School Generated Funds	161,093
Other	-
	161,093
Total Accumulated Surplus	$ 5,098,946

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:

School budget carryovers by board policy	$ 174,292
Various projects	611,968
Designated surplus	$ 786,260

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.

Bus Reserve	$ 4,907
Energy Management Debt Repayment Reserve	302,100
Board Office Roof Replacement Reserve	47,575
Capital Reserve	$ 354,582

13. Restatement of Opening Accumulated Surplus

Restatement of Opening Accumulated Surplus for 2007 is comprised of:

Operating Fund	
Employee Future Benefits	$ -
Capital Fund	
Tangible Capital Assets	(6,364,389)
Accumulated Amortization	(14,988,085)
Accounts Payable	(30,471)
	(21,382,945)
Special Purpose Fund	
School Generated Funds	203,188
Other	-
	203,188
Total Restatement of Opening Accumulated Surplus	$ (21,179,757)

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

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

Education property tax or Special Levy is raised as the Division's contribution to the cost of providing public education for the 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 2006 tax year and 58% from 2007 tax year. Below are the related revenue and receivable amounts:

	2007	2006
Revenue – Municipal Government – Property Tax	$ 8,226,060	$ 7,653,344
Receivable – Due from Municipal – Property Tax	$ 4,415,064	$ 4,425,299

15. Interest Received and Paid

The Division received interest during the year of $14,676 ($14,107 in 2006); interest paid during the year was $1,740,576 ($1,297,761 in 2006).

Interest expense is included in Fiscal for 2007 and is comprised of the following:

Operating Fund	
Fiscal-short term loan, interest and bank charges	$ 23,737
Capital Fund	
Debenture interest	1,660,267
Other interest	56,572
	$ 1,740,576

The accrual portion of debenture debt interest expense of $499,925 included under the Capital Fund-Debenture debt interest, is offset by an accrual of the debt servicing grant from the Province of Manitoba.

16. 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 2007	Budget 2007	Actual 2006
Salaries	$ 22,610,728	$ 21,744,210	$ 20,840,454
Employees benefits and allowances	1,679,717	1,646,904	1,526,533
Services	2,734,595	2,661,148	2,546,773
Supplies, materials & minor equipment	2,307,033	2,470,213	2,427,441
Interest	1,740,576	1,205,654	1,297,761
Bad debts	-	-	-
Payroll tax	491,985	458,699	454,254
Amortization	1,218,491	-	-
Transfers	611,302	631,509	621,356
Other capital items	-	-	-
Loss/(Gain) on Disposal of Capital Assets		(4,900)	-
94,928			
School generated funds	1,107,688	-	-
Other special purpose funds	-	-	-
	$ 34,497,215	$ 30,818,337	$ 29,809,500

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

In accordance with Section 190.1 of The Public Schools Act, the Division is required to collect a special levy on behalf of la Division scolaire franco-manitobaine. As at June 30, 2007, the amount of this special levy was $3,331,812 ($2,853,118 in 2006). These amounts are not included in the Division's consolidated financial statements.

18. Commitments

Commitments of Operating Fund Surplus at year end are detailed in the Analysis of Consolidated Accumulated Surplus. Designated Operating Fund Accumulated Surplus is $786,260 at June 30, 2007 ($1,110,509 at June 30, 2006). The details of the Designated Surplus are disclosed at note 12 and page 5 of the audited financial statements.

The school division has equipment lease agreements. Future annual minimum operating lease commitments as at June 30, 2007 are as follows:

2008	$ 454,533
2009	318,510
2010	194,018
2011	21,972
2012	8,756

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

Chairperson

Secretary-Treasurer

September 21, 2007

KPMG

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AUDITORS' REPORT TO THE BOARD OF TRUSTEES

We have audited the consolidated statement of financial position of Seven Oaks School Division as at June 30, 2007 and the consolidated statements of revenues, expenses and accumulated surplus, changes in net debt and cash flows for the year then ended. These financial statements have been prepared to comply with the Public Schools Act. These financial statements are the responsibility of the Division's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Division as at June 30, 2007 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

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 the 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. Budgeted figures provided for information purposes are unaudited.

KPMG LLP

Chartered Accountants

Winnipeg, Canada

September 21, 2007

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2007	2006 (see Note 2)
	Financial Assets		
	Cash and Bank	-	-
	Short Term Investments	-	-
	Due from - Provincial Government	2,115,937	1,028,292
	- Federal Government	388,212	136,534
	- Municipal Government	13,622,881	14,065,113
	- Other School Divisions	146,667	21,963
	- First Nations	-	-
	Accounts Receivable	152,058	542,280
	Accrued Investment Income	-	-
	Other Investments	-	
		16,425,755	15,794,182
	Liabilities		
5	Overdraft	11,573,614	3,030,536
	Accounts Payable	1,694,620	1,813,963
	Accrued Liabilities	848,052	568,593
	Employee Future Benefits	-	-
	Accrued Interest Payable	-	-
	Due to - Provincial Government	1,674,751	1,262,157
	- Federal Government	59,609	3,663,696
	- Municipal Government	65,456	48,985
	- Other School Divisions	35,422	736,604
	- First Nations	-	-
7	Deferred Revenue	3,536,906	2,692,927
9	Debenture Debt	21,079,030	18,221,042
12	Other Borrowings	1,581,912	1,058,729
	School Generated Funds Liability	593,764	
		42,743,136	33,097,232
	Net Debt	(26,317,381)	(17,303,050)
	Non-Financial Assets		
10	Net Tangible Capital Assets (TCA Schedule)	49,540,245	70,646,907
	Inventories	-	7,874
	Prepaid Expenses	257,657	274,633
		49,797,902	70,929,414
pg5	**Accumulated Surplus**	23,480,521	53,626,364

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes		2007 Actual	2006 Actual (see Note 2)
	Revenue		
	Provincial Government	54,713,467	51,337,473
	Federal Government	31,114	11,623
	Municipal Government - Property Tax	23,437,146	23,264,671
	- Other	-	-
	Other School Divisions	815,366	813,179
	First Nations	135,972	205,929
	Private Organizations and Individuals	721,677	628,461
	Other Sources	121,383	112,572
	School Generated Funds	179,485	
	Other Special Purpose Funds	-	
		80,155,610	76,373,908
	Expenses		
	Regular Instruction	46,512,331	43,521,751
	Student Support Services	10,906,654	8,960,094
	Adult Learning Centres	283,429	375,839
	Community Education and Services	837,067	915,602
	Divisional Administration	2,526,995	2,208,077
	Instructional and Other Support Services	2,295,552	3,868,115
	Transportation of Pupils	2,282,350	2,150,321
	Operations and Maintenance	8,221,729	8,055,229
17	Fiscal - Interest	1,659,229	1,773,152
	- Other	1,245,947	1,229,592
	Amortization	1,737,834	
	Other Capital Items	308,263	135,949
	School Generated Funds	139,208	
	Other Special Purpose Funds	-	
		78,956,588	73,193,721
	Current Year Surplus (Deficit)	1,199,022	3,180,187
	Opening Accumulated Surplus	53,626,364	50,446,177
	Restatements: Tangible Cap Assets&Acc Amort (Note 4(i)	(30,736,647)	
	Other than Tangible Cap Assets (Note 4(ii)	(608,218)	0
	Opening Accumulated Surplus, as restated	22,281,499	50,446,177
	Closing Accumulated Surplus	23,480,521	53,626,364

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2007

Current Year Surplus (Deficit)	1,199,022
Amortization of Tangible Capital Assets	1,737,834
Acquisition of Tangible Capital Assets	(11,367,819)
(Gain) / Loss on Sale of Tangible Capital Assets	(1,650)
Proceeds on Sale of Tangible Capital Assets	1,650
	(9,629,985)
Inventories (Increase)/Decrease	7,874
Prepaid Expenses (Increase)/Decrease	16,976
	24,850
(Increase)/Decrease in Net Debt	(8,406,113)
Net Debt at Beginning of Year	(17,303,050)
Restatements Other than Tangible Cap. Assets (Note 4 (i))	(608,218)
Net Debt at Beginning of Year as Restated	(17,911,268)
Net Debt at End of Year	(26,317,381)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2007

Operating Transactions	
Current Year Surplus/(Deficit)	1,199,022
Non-Cash Items Included in Current Year Surplus/(Deficit):	
Amortization of Tangible Capital Assets	1,737,834
(Gain)/Loss on Disposal of Tangible Capital Assets	(1,650)
Employee Future Benefits Increase/(Decrease)	-
Short Term Investments (Increase)/Decrease	-
Due from Other Organizations (Increase)/Decrease	(1,021,795)
Accounts Receivable & Accrued Income (Increase)/Decrease	390,222
Inventories and Prepaid Expenses - (Increase)/Decrease	24,850
Due to Other Organizations Increase/(Decrease)	(3,876,204)
Accounts Payable & Accrued Liabilities Increase/(Decrease)	160,116
Deferred Revenue Increase/(Decrease)	843,979
School Generated Funds Liability Increase/(Decrease)	593,764
Restatements Other than Tangible Cap. Assets	(608,218)
Cash Provided by Operating Transactions	(558,080)
Capital Transactions	
Acquisition of Tangible Capital Assets	(11,367,819)
Proceeds on Sale of Tangible Capital Assets	1,650
Cash (Applied to)/Provided by Capital Transactions	(11,366,169)
Investing Transactions	
Other Investments (Increase)/Decrease	-
Cash Provided by (Applied to) Investing Transactions	0
Financing Transactions	
Debenture Debt Increase/(Decrease)	2,857,988
Other Borrowings Increase/(Decrease)	523,183
Cash Provided by (Applied to) Financing Transactions	3,381,171
Cash and Bank / Overdraft (Increase)/Decrease	(8,543,078)
Cash and Bank (Overdraft) at Beginning of Year	(3,030,536)
Cash and Bank (Overdraft) at End of Year	(11,573,614)

Seven Oaks School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2007

	Buildings and Leasehold Improvements		School	Other	Furniture / Fixtures &	Computer Hardware &		Land	Assets Under	Totals
	School	Non-School	Buses	Vehicles	Equipment	Software *	Land	Improvements	Construction	
Tangible Capital Asset Cost										
Opening Cost, as previously reported	55,617,685	2,084,184	2,446,715	119,335	6,292,968	-	4,086,020	-	-	70,646,907
Restatements	(6,110,517)	57,394	620,335	(58,443)	(5,685,568)	723,087	7,667,854	-	1,594,599	(1,191,259)
Opening Cost restated	49,507,168	2,141,578	3,067,050	60,892	607,400	723,087	11,753,874	-	1,594,599	69,455,648
Add: Additions during the year	1,074,890	-	263,025	16,230	99,515	153,033	694,573	-	9,066,553	11,367,819
Less: Disposals and write downs	-	-	84,765	-	-	-	-	-		84,765
Closing Cost	50,582,058	2,141,578	3,245,310	77,122	706,915	876,120	12,448,447	-	10,661,152	80,738,702
Accumulated Amortization										
Opening, as previously reported	-	-	-	-	-	-	-	-	-	-
Restatements	26,077,086	1,229,467	1,661,398	55,707	312,891	208,839	-	-	-	29,545,388
Opening restated	26,077,086	1,229,467	1,661,398	55,707	312,891	208,839	-	-	-	29,545,388
Add: Current period Amortization	1,295,831	47,058	258,131	5,580	95,684	35,550	-	-		1,737,834
Less: Accumulated Amortization on Disposals and Writedowns	-	-	84,765	-	-	-	-	-	-	84,765
Closing Accumulated Amortization	27,372,917	1,276,525	1,834,764	61,287	408,575	244,389	-	-	-	31,198,457
Net Tangible Capital Asset	23,209,141	865,053	1,410,546	15,835	298,340	631,731	12,448,447	-	10,661,152	49,540,245
Proceeds from Sale of Capital Assets	-	-	1,650	-	-	-	-			1,650

* 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 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. Comparative figures:

These consolidated financial statements are prepared by management in accordance with generally accepted accounting principles established by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants. The standards have been applied retroactively with a cumulative adjustment to the opening accumulated surplus presented as a restatement on the consolidated statements of revenue, expenses and accumulated surplus. The 2006 figures have not been restated and are presented in accordance with FRAME, the prescribed method of accounting that the Division followed prior to the implementation of PSAB. Changes implemented to comply with PSAB standards are listed in note 4.

3. 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 of the Division.

3. Significant accounting principles (continued).

(b) Trust funds:

The Division administers various trust funds. Trust funds and their related operations are not included in the consolidated financial statements as they are not owned or controlled by the Division.

The Division holds funds in trust (amounts contributed in trust) for the following organizations:

Maples Youth Activity Centre	$	(6,952)
Kildonan Youth Activity Centre		(1,751)
Village Project Activity Centre		39,526
Seven Oaks Parents in Support of Aboriginal Education		(224,435)
Safe Youth Program - from Federal Government Grant		37,743
Immigrant Integration program		(4,871)
Healthy Baby		8,012
	$	(152,728)

The amounts contributed by the Division will be reimbursed by these organizations.

(c) Basis of accounting:

Revenues and expenditures are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they are earned and measurable; expenditures are recognized as they are incurred and measurable as a result of the receipt of goods and services acquired in the period whether or not payment has been made or invoices received.

(d) Fund accounting:

The Division records financial transactions in separate funds as defined by Financial Reporting and Accounting in Manitoba Education (FRAME).

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

3. Significant accounting principles (continued).

(e) Deferred revenue:

Certain amounts are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the delivery of specific services and transactions. These amounts are recognized as revenue in the fiscal year the related expenditures are incurred or services performed.

(f) Tangible capital assets:

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

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

Asset description	Capitalization threshold	Estimated useful life (years)
Land improvements	$ 25,000	10
Buildings - bricks, mortar and steel	25,000	40
Building - wood frame	25,000	25
School buses	20,000	10
Vehicles	10,000	5
Equipment	5,000	5
Network infrastructure	25,000	10
Computer hardware, services and peripherals	5,000	4
Computer software	10,000	4
Furniture and fixtures	5,000	10
Leasehold improvements	25,000	Over term of the lease

With the exception of 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.

Land was valued by Crown Land and Property Agency at historical costs of $10,114,876, plus cost of a future school site $819,974, and new West Kildonan site $819,024.

Tangible capital assets are amortized on a straight-line basis over their estimated useful lives as prescribed by FRAME. Land is not amortized.

3. Significant accounting principles (continued).

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.

Capital expenditures for the Swinford Park subdivision land development have been allocated on the basis disclosed in note 15.

(g) Capital reserve:

Certain amounts approved by the Board of Trustees and the Public Schools Finance Board have been set aside in reserve accounts for future capital purposes as detailed on page 24 of the consolidated financial statements. These capital reserve accounts are internally restricted funds that form part of the accumulated surplus presented in the consolidated statement of financial position.

(h) Government transfers:

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

(i) Development revenue:

Revenue from the sale of lands held for development is recognized when the contractual obligations of the Division have been completed.

(j) Use of estimates:

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

4. Conversion to PSAB:

Commencing with the 2006/07 fiscal year, school divisions in Manitoba have adopted generally accepted accounting principles established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. As explained in note 2 the comparative figures included in these consolidated financial statements have not been restated to conform to the accounting standards adopted for the current year.

The following changes have been implemented to comply with the PSAB standards:

(i) The net book value of tangible capital assets at the beginning of the fiscal year has been recalculated as if these assets had been recorded at fair value and amortized over their useful lives. The difference between this value and the previously reported book value is recorded as a cumulative adjustment to opening accumulated surplus. Amortization of tangible capital assets and gain or loss on disposal of tangible capital assets for the current fiscal year is recorded in the statement of revenue, expenses and accumulated surplus. As a result, opening accumulated surplus has been restated and reduced by $30,736,647, included in which is an increase in land in the amount of $7,667,854.

(ii) The Operating Fund, Capital Fund and Special Purpose Fund have been combined in the consolidated financial statements. The Special Purpose Fund was created to consolidate on a prospective basis school generated funds (note 8) which were not previously reported. As a result, opening accumulated surplus has been restated and increased by $110,205. As well, opening accumulated surplus has been restated and reduced by $718,423 to reflect adjustment to the bus lease liability and donated tangible capital assets.

(iii) In the current fiscal year, accrued interest payable was recorded 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.

5. Overdraft:

The Division has an authorized revolving line of credit with the Royal Bank of Canada (RBC) of $15,000,000 by way of overdrafts. The loan is repayable on demand at RBC prime less .25 percent. Interest is paid monthly.

6. Commitments:

(a) During the year ended June 30, 2005, the Division entered into a Design-Bid-Build contract with a firm to provide architect services in relation to the construction of a new high school in the Seven Oaks School Division. The architect costs will be based on 7 percent of construction costs plus certain out of pocket costs. At June 30, 2007, the architects had completed 87.5 percent of their work related to the new high school and invoiced the Division in the amount of $962,449.

(b) The Division entered into a Land Development Agreement with the City of Winnipeg in September 2003. The development agreement was for the amount of $725,329 excluding GST. Of those costs, $259,689 relate to the future school site and will not be incurred until a school is constructed.

(c) At their August 16, 2006 meeting the Public Schools' Finance Board approved the contract for the construction of the new West Kildonan High School. The total project costs, excluding land purchases, will be $17,580,349 of which the Public Schools' Finance Board is supporting $15,687,881 and the Division is supporting $1,892,468. The construction of the new high school commenced on September 18, 2006. On August 29, 2006 a construction contract in the amount of $15,713,450 was awarded in respect of the project. At June 30, 2007 the contractors had completed 55 percent of the project and invoiced the Division in the amount of $8,691,909.

(d) The Division is committed to the construction of a nature pond and incurred costs to date of approximately $22,568. An amount of $17,500 has been accrued at June 30, 2007 for estimated costs to complete the pond. Of the amounts recorded, $32,054 relates to the residential development and $8,014 to the school site.

7. Deferred revenue:

	Balance, June 30, 2006	Additions in the period	Revenue recognized in the period	Balance, June 30, 2007
Education property tax credit	$ 2,633,264	$ 8,414,038	$ 7,678,992	$ 3,368,310
Community school partnership initiative	–	45,000	10,011	34,989
Bus pass fees	59,063	284,588	297,408	46,243
Other special purpose funds	600	184,113	97,349	87,364
	$ 2,692,927	$ 8,927,739	$ 8,083,760	$ 3,536,906

8. School generated funds liability:

School generated funds are moneys 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, 2007, school funds held totaled $744,246.

The school generated funds liability of $593,764 at June 30, 2007 comprises the non-controlled portion of school generated funds.

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 2007 to 2027. Payment of principal and interest is funded entirely by grants from the Province of Manitoba, except for the debenture debt on the self-funded capital project of By Law 1-90, $335,531 principal, maturing in 2010. The debentures carry interest rates that range from 5.0 percent to 11.625 percent. The debenture principal and interest repayments in the next five years and thereafter are:

	Principal	Interest	Total
2008	$ 1,826,780	$ 1,536,384	$ 3,363,164
2009	1,991,728	1,371,433	3,363,161
2010	1,811,898	1,190,800	3,002,698
2011	1,575,478	1,033,031	2,608,509
2012	1,645,132	902,776	2,547,908
Thereafter	12,228,014	4,594,354	16,822,368
	$ 21,079,030	$ 10,628,778	$ 31,707,808

As June 30, 2007 the Division has submitted claims for capital projects to the Public Schools Finance Board totaling $4,491,000 (2006 - $931,700).

10. Net tangible capital assets:

The schedule of tangible capital assets (TCA), page 23 of the consolidated financial statements provides a breakdown of cost, accumulated amortization and net book value by class

	Gross amount	Accumulated amortization	Net book value
Tangible capital assets	$ 78,923,349	$ 30,501,526	$ 48,421,823
Capital lease	1,815,353	696,931	1,118,422
	$ 80,738,702	$ 31,198,457	$ 49,540,245

11. Expense 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 2007	Budget 2007 (Unaudited)	Actual 2006
Salaries	$ 58,099,947	$ 57,689,405	$ 55,433,824
Employees benefits and allowances	5,226,347	5,246,997	4,632,867
Services	5,660,891	5,569,760	5,213,983
Supplies, materials and minor equipment	3,845,488	4,266,417	3,790,748
Interest	1,659,229	100,000	1,773,152
Payroll tax	1,245,947	1,237,928	1,229,592
Amortization	1,737,834	–	–
Transfers to school divisions and other organizations	1,033,434	1,032,505	983,606
School generated funds	139,208	–	–
Other capital items	308,263	1,042,005	135,949
	$ 78,956,588	$ 76,185,017	$ 73,193,721

Budgeted figures are presented in accordance with FRAME, the prescribed method of accounting that the Division followed prior to the implementation of PSAB.

12. Contractual obligations:

The Division is committed to payments under long-term capital lease arrangements for buses through 2014 in the amount of $896,980.

2008	$ 162,014
2009	162,014
2010	162,014
2011	122,367
2012	122,366
2013	122,366
2014	43,839
	$ 896,980

13. Related party transactions:

The Seven Oaks Education Foundation Inc. (the Foundation) was incorporated on July 17, 2001 to take over the capital and administration of the Seven Oaks Scholarship Board (the Board). The Board had previously been established to assist students to further their education beyond the high school level. Certain trustees of the Division sit on the Foundation's Board.

During fiscal 2007, the Division provided a grant to the Foundation in the amount of $16,000 (2006 - $16,000) to the Board.

14. Contingencies:

The Division has under its development agreement with the City of Winnipeg guarantees for material and workmanship of city infrastructure services for a period of one year or until all deficiencies are corrected, which ever is later, for underground and street works under the land development construction contract. The School Division's guarantees are supported by a bond from the construction companies to repaid and or replace any works that are determined to be defective as a consequence of material or workmanship. Deficiencies in Phase I and II are still being corrected. As soon as these are accepted as complete the bond relating to these works will be released.

15. Land:

	Swinford Park Subdivision			Other	Total
		Residential land Development			
	School site	Phase I	Phase II		
Land, June 30, 2005	$ 777,553	$ –	$ 458,287	$ 2,618,225	$ 3,854,065
Additions in fiscal 2006	42,421	15,702	172,945	647,821	863,187
Dispositions in fiscal 2006 (note 16)	–	(15,702)	(615,530)	–	(631,232)
Land, June 30, 2006	819,974	–	–	3,266,046	4,086,020
Additions in fiscal 2007	16,406	71,196	39,807	678,167	805,576
Adjustment in fiscal 2007	–	(71,196)	(39,807)	–	(111,003)
Restatement (note 4 [i])	–	–	–	7,667,854	7,667,854
Land, June 30, 2007	$ 836,380	$ –	$ –	$ 11,612,067	$ 12,448,447

15. Land (continued):

In 2001 the Division acquired 22.5 acres of land, in the Riverbend area, at a cost of $433,436. The land was intended to be the site of a new high school that would replace the existing West Kildonan Collegiate. Upon receiving direction from the Public School Finance Board to renovate, rather than replace, the West Kildonan Collegiate, the Division retained 10.6 acres of the land for a future K-5 school. The balance of the land was developed under a Land Development Agreement with the City of Winnipeg and 71 lots were developed for resale. Swinford Park Subdivision Phase I costs of $1,370,719 were incurred in the years ending 2006 and Phase II costs totaling $815,530 were incurred in the year ending 2006. The portion of the land acquisition and servicing costs allocated to the future K-5 school site amounted to $777,553 to June 30, 2005 and $42,421 was allocated in fiscal 2006.

In fiscal 2007, additional costs of $127,409 related to Swinford Park Subdivision representing landscaping, infrastructure repair and professional fees were incurred and allocated between the school site ($16,406) and residential land development ($111,003). As all lots were sold prior to fiscal 2007, as disclosed in note 16, the costs allocated to the residential development were recorded as a reduction to capital fund surplus.

Phase I of Swinford Park Subdivision was completed in fiscal 2005 and Phase II was completed in fiscal 2006.

Since many of the costs incurred regarding the Swinford Park Subdivision were common to both the future school site and the residential development and not specifically allocated to either project segment by the respective service providers, the allocation between future school site and residential development required the use of estimates and assumptions which were made using careful judgment.

Management of the Division reviewed all of the expenditures that related to the residential development and to the future school site, in order to determine the allocation for certain costs that related to both the residential development and the future school site. Management requested that the project consultant, a third party consulting firm, prepare a report to the Division specifying an appropriate basis for cost allocation given the nature of the expenditures incurred.

The basis of the allocation as determined by the project consultant, and resultantly the Division, in allocating the expenditures between the residential development and future school site was as follows:

- Specific expenditures identified as part of development approvals, development agreement or service infrastructure required by a planned use were allocated to the development segment (residential development and future school site) benefiting from that use;

15. Land (continued):

- The cost of land acquisitions was allocated based on the pro rated share of the area being utilized by the respective development segment.
- Shared servicing expenses for municipal services were allocated on the basis of the benefiting frontage;
- Shared servicing expenses for municipal service connections were allocated on the basis of the benefiting area;
- Soft service expenses were not specifically apportioned by the respective service providers. Professional fees were allocated 80 percent to the residential development and 20 percent to the future school site reflecting the detailed attention this segment of the project required from the service providers.

16. Residential lot sales:

	Fiscal 2005	Fiscal 2006	Fiscal 2007	Total
Swinford Park Subdivision:				
Lot proceeds:				
Phase I - 51 lots sold including lot transfer fees	$ 1,768,794	$ –	$ –	$ 1,768,794
Phase II - 20 lots sold including lot transfer fees	–	717,034	–	717,034
	1,768,794	717,034	–	2,485,828
Cost of lots sold:				
Phase I - costs allocated to 51 lots (note 15)	1,355,017	15,702	71,196	1,441,915
Phase II - costs allocated to 20 lots (note 15)	–	615,530	39,807	655,337
	1,355,017	631,232	111,003	2,097,252
Net surplus	$ 413,777	$ 85,802	$ (111,003)	$ 388,576

The Division entered into three lot sale agreements to sell a total of 71 residential lots in the Swinford Park Subdivision for proceeds of $2,471,628 plus $14,200 in lot transfer fees, to two firms.

In a letter dated March 12, 2003 from the Public Schools' Finance Board, the Division was authorized to sell surplus land in the Swinford Park Subdivision and retain 100 percent of the net proceeds, as the Division paid for the land and has borne all associated development expenditures and received no financial assistance from the Public Schools' Finance Board.

17. Interest paid:

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

Operating Fund:	
Overdraft interest	$ 115,941
Capital Fund:	
Debenture debt interest	1,417,478
Debenture interest	46,348
Lease interest	79,462
	$ 1,659,229

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

____________________ ____________________

Chairperson Secretary-Treasurer

October 18, 2007

MEYERS NORRIS PENNY LLP

AUDITOR'S REPORT

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

To the Board of Trustees
Southwest Horizon School Division

We have audited the consolidated statement of financial position of the Southwest Horizon School Division as at June 30, 2007 and the consolidated statements of revenue, expenses, and accumulated surplus, change in net debt and cash flow for the year then ended. These consolidated financial statements are the responsibility of the Division's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly in all material respects, the financial position of the School Division as at June 30, 2007 and the results of its operations and cash flow for that fiscal year in accordance with Canadian generally accepted accounting principles.

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

Meyers Norris Penny LLP
AUDITOR

Brandon, Manitoba
October 18, 2007

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2007	2006 (see Note 2)
	Financial Assets		
	Cash and Bank	-	-
	Short Term Investments	-	-
	Due from - Provincial Government	1,115,583	724,626
	- Federal Government	75,854	248,633
	- Municipal Government	6,534,343	6,490,113
	- Other School Divisions	-	-
	- First Nations	-	-
	Accounts Receivable	92,743	89,399
	Accrued Investment Income	-	-
	Other Investments	-	
		7,818,523	7,552,771
	Liabilities		
5	Overdraft	1,818,216	2,652,200
	Accounts Payable	696,713	637,943
	Accrued Liabilities	93,158	90,611
	Employee Future Benefits	-	-
	Accrued Interest Payable	447,221	-
	Due to - Provincial Government	1,197	1,197
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
6	Deferred Revenue	3,691,100	3,491,691
7	Debenture Debt	16,369,893	14,479,767
8	Other Borrowings	536,774	597,323
	School Generated Funds Liability	-	
		23,654,272	21,950,732
	Net Debt	(15,835,749)	(14,397,961)
	Non-Financial Assets		
9	Net Tangible Capital Assets (TCA Schedule)	16,754,562	29,331,800
	Inventories	76,190	77,271
	Prepaid Expenses	139,133	43,887
		16,969,885	29,452,958
10	**Accumulated Surplus**	1,134,136	15,054,997

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes			2007 Actual	2006 Actual (see Note 2)
	Revenue			
	Provincial Government		12,012,778	10,761,030
	Federal Government		14,635	46,581
	Municipal Government	- Property Tax	6,391,954	6,489,007
		- Other	-	20,000
	Other School Divisions		75,400	60,886
	First Nations		-	-
	Private Organizations and Individuals		24,459	19,858
	Other Sources		97,384	59,344
	School Generated Funds		444,764	
	Other Special Purpose Funds		-	
			19,061,374	17,456,706
	Expenses			
	Regular Instruction		9,677,662	9,569,300
	Student Support Services		2,185,342	1,896,119
	Adult Learning Centres		-	-
	Community Education and Services		50,078	44,711
	Divisional Administration		616,557	626,411
	Instructional and Other Support Services		319,663	494,624
	Transportation of Pupils		1,436,380	1,426,158
	Operations and Maintenance		1,835,342	1,736,541
13	Fiscal	- Interest	1,404,050	676,777
		- Other	258,138	247,751
	Amortization		876,852	
	Other Capital Items		-	-
	School Generated Funds		359,375	
	Other Special Purpose Funds		-	
			19,019,439	16,718,392
	Current Year Surplus (Deficit)		41,935	738,314
	Opening Accumulated Surplus		15,054,997	14,316,683
	Restatements:	Tangible Cap. Assets and Accum. Amort.	(14,039,660)	
11		Other than Tangible Cap. Assets	76,864	0
	Opening Accumulated Surplus, as restated		1,092,201	14,316,683
	Closing Accumulated Surplus		1,134,136	15,054,997

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2007

Current Year Surplus (Deficit)	41,935
Amortization of Tangible Capital Assets	876,852
Acquisition of Tangible Capital Assets	(2,339,274)
(Gain) / Loss on Sale of Tangible Capital Assets	-
Proceeds on Sale of Tangible Capital Assets	-
	(1,462,422)
Inventories (Increase)/Decrease	1,081
Prepaid Expenses (Increase)/Decrease	(95,246)
	(94,165)
(Increase)/Decrease in Net Debt	(1,514,652)
Net Debt at Beginning of Year	(14,397,961)
Restatements Other than Tangible Cap. Assets	76,864
Net Debt at Beginning of Year as Restated	(14,321,097)
Net Debt at End of Year	(15,835,749)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2007

Operating Transactions	
Current Year Surplus/(Deficit)	41,935
Non-Cash Items Included in Current Year Surplus/(Deficit):	
Amortization of Tangible Capital Assets	876,852
(Gain)/Loss on Disposal of Tangible Capital Assets	-
Employee Future Benefits Increase/(Decrease)	-
Short Term Investments (Increase)/Decrease	-
Due from Other Organizations (Increase)/Decrease	(262,408)
Accounts Receivable & Accrued Income (Increase)/Decrease	(3,344)
Inventories and Prepaid Expenses - (Increase)/Decrease	(94,165)
Due to Other Organizations Increase/(Decrease)	-
Accounts Payable & Accrued Liabilities Increase/(Decrease)	508,538
Deferred Revenue Increase/(Decrease)	199,409
School Generated Funds Liability Increase/(Decrease)	-
Restatements Other than Tangible Cap. Assets	76,864
Cash Provided by Operating Transactions	1,343,681
Capital Transactions	
Acquisition of Tangible Capital Assets	(2,339,274)
Proceeds on Sale of Tangible Capital Assets	-
Cash (Applied to)/Provided by Capital Transactions	(2,339,274)
Investing Transactions	
Other Investments (Increase)/Decrease	-
Cash Provided by (Applied to) Investing Transactions	0
Financing Transactions	
Debenture Debt Increase/(Decrease)	1,890,126
Other Borrowings Increase/(Decrease)	(60,549)
Cash Provided by (Applied to) Financing Transactions	1,829,577
Cash and Bank / Overdraft (Increase)/Decrease	833,984
Cash and Bank (Overdraft) at Beginning of Year	(2,652,200)
Cash and Bank (Overdraft) at End of Year	(1,818,216)

Southwest Horizon School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2007

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	Totals
	School	Non-School								
Tangible Capital Asset Cost										
Opening Cost, as previously reported	21,609,850	241,516	3,785,032	99,936	3,589,100	-	6,366	-	-	29,331,800
Restatements	(255,304)	454,493	(971,752)	(23,671)	(3,548,751)	-	280,564	-	-	(4,064,421)
Opening Cost restated	21,354,546	696,009	2,813,280	76,265	40,349	-	286,930	-	-	25,267,379
Add: Additions during the year	1,739,009	-	172,980	-	-	-	-	-	427,285	2,339,274
Less: Disposals and write downs	345,471	-	-	-	-	-	-	-	-	345,471
Closing Cost	22,748,084	696,009	2,986,260	76,265	40,349	-	286,930	-	427,285	27,261,182
Accumulated Amortization										
Opening, as previously reported	-	-	-	-	-	-	-	-	-	-
Restatements	7,772,598	627,325	1,517,108	42,649	15,559	-	-	-		9,975,239
Opening restated	7,772,598	627,325	1,517,108	42,649	15,559	-	-	-	-	9,975,239
Add: Current period Amortization	602,982	12,488	240,309	13,003	8,070		-	-		876,852
Less: Accumulated Amortization on Disposals and Writedowns	345,471	-	-	-	-	-	-	-	-	345,471
Closing Accumulated Amortization	8,030,109	639,813	1,757,417	55,652	23,629	-	-	-	-	10,506,620
Net Tangible Capital Asset	14,717,975	56,196	1,228,843	20,613	16,720	-	286,930	-	427,285	16,754,562
Proceeds from Sale of Capital Assets	-	-	-	-	-	-	-			-

* Includes network infrastructure.

SOUTHWEST HORIZON SCHOOL DIVISION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2007

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. Comparative Figures

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. The 2006 comparative figures have not been restated and are presented in accordance with FRAME, the prescribed method of accounting that the Division followed prior to the 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 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.

4. Conversion to PSAB

Commencing with the 2006/07 fiscal year, the Board has adopted generally accepted accounting principles established by PSAB. As explained in Note 2, the comparative figures included in these financial statements have not been restated to conform to the accounting standards adopted for the current year.

The following changes have been implemented to comply with the PSAB standard:

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

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

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

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

5. Overdraft

The Division has an authorized line of credit with Royal Bank of Canada of $10,200,000.00 by way of overdrafts and is repayable at prime less .5% interest paid monthly. Included in the overdraft are capital projects totaling approximately $86,000 which will be submitted to PSFB for debenture funding. Overdrafts are secured by borrowing by-laws.

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, 2006	Additions in the period	Revenue recognized in the period	Balance as at June 30, 2007
Manitoba Textbook Bureau	$ -	$ 51,876	$ 51,876	$ -
Canadian Council Learners	$ -	18,000	-	18,000
Manitoba E-learning	$ 50,000	-	50,000	-
SHSD Teachers	$ 4,000	-	4,000	-
Special Levy	$ 3,437,691	3,673,100	3,437,691	3,673,100
	$ 3,491,691	$ 3,742,976	$ 3,543,567	$ 3,691,100

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 2008 to 2027. Payment of principal and interest is funded entirely by grants from the Province of Manitoba, except for the debenture debt on self-funded capital projects. The debentures carry interest rates that range from 4.875% to 11.125%. Debenture interest expense payable as at June 30, 2007, 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
2008	$ 679,943	$ 963,071	$ 1,643,014
2009	724,675	918,340	1,643,015
2010	711,278	870,437	1,581,715
2011	734,390	825,865	1,560,255
2012	770,104	780,531	1,550,635
	$ 3,620,390	$ 4,358,244	$ 7,978,634

8. Other Borrowings

Other borrowings are debts other than overdrafts or debentures. This includes a loan to complete technology infrastructure upgrade including cabling and a new voip phone system. Loan bears 5.06% interest per annum, due in 2014 and a yearly payment of $92,124 principal and interest.

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

	Principal	Interest	Total
2008	$ 66,771	$ 25,353	$ 92,124
2009	70,230	21,894	92,124
2010	73,867	18,257	92,124
2011	77,694	14,430	92,124
2012	81,716	10,408	92,124
	$ 370,278	$ 90,342	$ 460,620

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	2007 Net Book Value
Owned-tangible capital assets	$ 27,261,182	$ 10,506,620	$ 16,754,562
Capital lease	-	-	-
	$ 27,261,182	$ 10,506,620	$ 16,754,562

10. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2007
Operating Fund	
Designated Surplus	-
Undesignated Surplus	925,665
	925,665
Capital Fund	
Reserve Accounts	36,383
Equity in Tangible Capital Assets	9,835
	46,218
Special Purpose Fund	
School Generated Funds	162,253
Other Special Purpose Funds	-
	162,253
Total Accumulated Surplus	$ 1,134,136

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.

	2007	
Bus reserves	36,383	-
Other reserves		
Capital Reserve	$ 36,383	

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

	2007
Foundation-Scholarship	-
Other - *Specify*	-
Other Special Purpose Funds	$ -

11. Restatement of Opening Accumulated Surplus

Restatement of Opening Accumulated Surplus is comprised of:

	2007
Operating Fund	
Employee Future Benefits	-
Capital Fund	
Tangible Capital Assets	(14,039,660)
Accumulated Amortization	-
	(14,039,660)
Special Purpose Fund	
School Generated Funds	76,864
Other Special Purpose Funds	-
	76,864
Total Restatement of Opening Accumulated Surplus	$ (13,962,796)

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

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; 46% from 2006 tax year and 54% from 2007 tax year. Below are the related revenue and receivable amounts:

	2007	2006
Revenue-Municipal Government-Property Tax	$ 6,391,954	$ 6,489,007
Receivable-Due from Municipal-Property Tax	$ 6,534,343	$ 6,490,113

13. Interest Received and Paid

The Division received interest during the year of $19,984 (previous year $10,704); interest paid during the year was $1,404,050 (previous year $676,777).

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

		2007
Operating Fund		
Fiscal-short term loan, interest and bank charges	$	51,325
Capital Fund		
Debenture debt interest		1,321,749
Other interest		30,976
	$	1,404,050

The accrual portion of debenture debt interest expense of $447,221 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 2007	Budget 2007	Actual 2006
Salaries	$ 11,802,867	$ 11,635,000	$ 11,406,973
Employees benefits & allowances	829,592	877,000	835,878
Services	1,823,641	1,637,086	1,822,432
Supplies, materials & minor equipment	1,579,655	1,611,794	1,621,117
Interest	1,404,050	65,000	676,777
Transfers	85,269	107,000	107,464
Payroll tax	258,138	250,000	247,751
Amortization	876,852	-	-
Other capital items	-	-	-
School generated funds	359,375	-	-
Other special purpose funds	-	-	-
	$ 19,019,439	$ 16,182,880	$ 16,718,392

15. School Generated Funds

School Generated Funds includes the controlled portion of school generated funds consolidated in the cash and bank balances in the amount of $162,253.

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, 2007 covers a period of twelve months from April 1, 2006 to March 31, 2007.

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October 18, 2007

Auditors' Report

To the Chairperson and Board of Trustees,
St. James-Assiniboia School Division

We have audited the consolidated statement of financial position of **St. James-Assiniboia School Division** as at June 30, 2007, the consolidated statements of revenue, expenses and accumulated surplus, change in net debt and cash flows for the year then ended. These financial statements have been prepared to comply with Canadian generally accepted accounting principles established by the public sector accounting board of the Canadian Institute of Chartered Accountants. These financial statements are the responsibility of the School Division's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of St. James-Assiniboia School Division as at June 30, 2007 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.

PricewaterhouseCoopers LLP

Chartered Accountants

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2007	2006 (see Note)
	Financial Assets		
	Cash and Bank	-	-
	Short Term Investments	-	-
	Due from - Provincial Government	965,929	965,721
	- Federal Government	101,078	99,219
	- Municipal Government	16,633,940	15,997,543
	- Other School Divisions	52,293	126,911
	- First Nations	-	-
	Accounts Receivable	59,949	75,659
	Accrued Investment Income	-	-
	Other Investments	-	
		17,813,189	17,265,053
	Liabilities		
*	Overdraft	2,080,432	3,486,904
	Accounts Payable	2,109,076	715,074
	Accrued Liabilities	3,733,545	3,600,227
*	Employee Future Benefits	719,110	-
	Accrued Interest Payable	184,450	-
	Due to - Provincial Government	-	-
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
*	Deferred Revenue	4,773,477	3,505,984
*	Debenture Debt	10,075,161	9,620,857
	Other Borrowings	-	-
	School Generated Funds Liability	50,963	
		23,726,214	20,929,046
	Net Debt	(5,913,025)	(3,663,993)
	Non-Financial Assets		
*	Net Tangible Capital Assets (TCA Schedule)	27,702,591	29,522,032
	Inventories	-	-
	Prepaid Expenses	293,388	182,140
		27,995,979	29,704,172
*	**Accumulated Surplus**	22,082,954	26,040,179

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes		2007 Actual	2006 Actual (see Note)
	Revenue		
	Provincial Government	46,505,745	43,587,957
	Federal Government	9,678	17,594
	Municipal Government - Property Tax	31,345,874	29,212,495
	- Other	10,333	-
	Other School Divisions	766,171	756,286
	First Nations	27,980	29,322
	Private Organizations and Individuals	2,105,564	1,799,768
	Other Sources	1,338,271	1,046,205
	School Generated Funds	1,851,201	
	Other Special Purpose Funds	-	
		83,960,817	76,449,627
	Expenses		
	Regular Instruction	46,334,152	44,565,861
	Student Support Services	12,146,205	9,605,075
	Adult Learning Centres	-	-
	Community Education and Services	644,154	557,081
	Divisional Administration	2,808,837	2,630,019
	Instructional and Other Support Services	3,047,505	3,979,585
	Transportation of Pupils	1,245,891	1,206,405
	Operations and Maintenance	9,393,731	9,742,719
*	Fiscal - Interest	919,176	724,747
	- Other	1,313,979	1,228,222
	Amortization	1,672,991	
	Other Capital Items	-	-
	School Generated Funds	1,889,726	
	Other Special Purpose Funds	-	
		81,416,347	74,239,714
	Current Year Surplus (Deficit)	2,544,470	2,209,913
	Opening Accumulated Surplus	26,040,179	23,830,266
	Restatements: Tangible Cap. Assets and Accum. Amort.	(5,794,076)	
	Other than Tangible Cap. Assets	(707,619)	0
	Opening Accumulated Surplus, as restated	19,538,484	23,830,266
	Closing Accumulated Surplus	22,082,954	26,040,179

* NOTE REQUIRED

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2007

Current Year Surplus (Deficit)	2,544,470
Amortization of Tangible Capital Assets	1,672,991
Acquisition of Tangible Capital Assets	(5,647,626)
(Gain) / Loss on Sale of Tangible Capital Assets	-
Proceeds on Sale of Tangible Capital Assets	-
	(3,974,635)
Inventories (Increase)/Decrease	-
Prepaid Expenses (Increase)/Decrease	(111,248)
	(111,248)
(Increase)/Decrease in Net Debt	(1,541,413)
Net Debt at Beginning of Year	(3,663,993)
Restatements Other than Tangible Cap. Assets	(707,619)
Net Debt at Beginning of Year as Restated	(4,371,612)
Net Debt at End of Year	(5,913,025)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2007

Operating Transactions	
Current Year Surplus/(Deficit)	2,544,470
Non-Cash Items Included in Current Year Surplus/(Deficit):	
Amortization of Tangible Capital Assets	1,672,991
(Gain)/Loss on Disposal of Tangible Capital Assets	-
Employee Future Benefits Increase/(Decrease)	719,110
Short Term Investments (Increase)/Decrease	-
Due from Other Organizations (Increase)/Decrease	(563,846)
Accounts Receivable & Accrued Income (Increase)/Decrease	15,710
Inventories and Prepaid Expenses - (Increase)/Decrease	(111,248)
Due to Other Organizations Increase/(Decrease)	-
Accounts Payable & Accrued Liabilities Increase/(Decrease)	1,711,770
Deferred Revenue Increase/(Decrease)	1,267,493
School Generated Funds Liability Increase/(Decrease)	50,963
Restatements Other than Tangible Cap. Assets	(707,619)
Cash Provided by Operating Transactions	6,599,794
Capital Transactions	
Acquisition of Tangible Capital Assets	(5,647,626)
Proceeds on Sale of Tangible Capital Assets	-
Cash (Applied to)/Provided by Capital Transactions	(5,647,626)
Investing Transactions	
Other Investments (Increase)/Decrease	-
Cash Provided by (Applied to) Investing Transactions	0
Financing Transactions	
Debenture Debt Increase/(Decrease)	454,304
Other Borrowings Increase/(Decrease)	-
Cash Provided by (Applied to) Financing Transactions	454,304
Cash and Bank / Overdraft (Increase)/Decrease	1,406,472
Cash and Bank (Overdraft) at Beginning of Year	(3,486,904)
Cash and Bank (Overdraft) at End of Year	(2,080,432)

St. James - Assiniboia School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2007

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	Totals
	School	Non-School								
Tangible Capital Asset Cost										
Opening Cost, as previously reported	25,810,198	-	707,888	214,651	2,443,985	-	345,310	-	-	29,522,032
Restatements	16,761,767	5,257,904	(143,148)	(23,184)	(579,009)	345,687	7,115,044	902,242	658,948	30,296,251
Opening Cost restated	42,571,965	5,257,904	564,740	191,467	1,864,976	345,687	7,460,354	902,242	658,948	59,818,283
Add: Additions during the year	4,058,067	-	-	53,683	127,170	18,516	-	544,974	845,216	5,647,626
Less: Disposals and write downs	-	-	-	-	-	-	-	-	-	-
Closing Cost	46,630,032	5,257,904	564,740	245,150	1,992,146	364,203	7,460,354	1,447,216	1,504,164	65,465,909
Accumulated Amortization										
Opening, as previously reported	-	-	-	-	-	-	-	-	-	-
Restatements	29,850,840	4,766,807	290,471	50,637	900,255	114,609	-	116,708	-	36,090,327
Opening restated	29,850,840	4,766,807	290,471	50,637	900,255	114,609	-	116,708	-	36,090,327
Add: Current period Amortization	1,032,425	47,057	56,815	42,230	305,612	70,946	-	117,906		1,672,991
Less: Accumulated Amortization on Disposals and Writedowns	-	-	-	-	-	-	-		-	-
Closing Accumulated Amortization	30,883,265	4,813,864	347,286	92,867	1,205,867	185,555	-	234,614	-	37,763,318
Net Tangible Capital Asset	15,746,767	444,040	217,454	152,283	786,279	178,648	7,460,354	1,212,602	1,504,164	27,702,591
Proceeds from Sale of Capital Assets	-	-	-	-	-	-	-			-

* Includes network infrastructure.

1 Nature of organization and economic dependence

St. James-Assiniboia School Division (the Division) is a public body that provides education services to residents within its geographic location. The division is funded mainly by grants from the Province of Manitoba (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 Comparative figures

Commencing with the 2007 fiscal year, the Division adopted Public Sector Accounting Board (PSAB) standards as a result of the Financial Reporting and Accounting in Manitoba Education (FRAME) Manual being updated with PSAB standards as its basis. The standards have been applied retroactively without restatement as a cumulative adjustment to the 2007 opening accumulated surplus. The 2006 comparative figures have not been restated and are presented in accordance with the FRAME policies in effect at June 30, 2006, the prescribed method of accounting that the Division followed prior to the implementation of 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 Consolidated Statement of Revenue, Expenses and Accumulated Surplus. Deferred revenue was recognized for donated tangible capital assets.

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) Accounting for Employee Future Benefits was adopted to recognize the Division's commitment to pay vested future benefits to its employees, including pensions and other employee future benefits.

iv) Accrued Interest Payable, and related expense, was established to account for accrual of interest on debenture debt and other borrowings from the last payment date. An equal revenue amount is set up as due from the Province as interest payable accrues on the debenture.

A summary of the impact of the restatements or opening accumulated surplus is comprised of:

	$
Operating Fund	
Employee future benefits other than pensions	(767,144)
Pension	-
	(767,144)
Capital Fund	
Tangible capital assets - net of accumulated amortization of $36,090,327	(5,794,076)
Deferred revenue	(310,362)
	(6,104,438)
Special Purpose Fund	
Cash	369,887
Total restatement of opening accumulated surplus	(6,501,695)

3 Significant accounting policies

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

a) Reporting entity and consolidation

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

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

b) 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 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.

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 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 prescribed by FRAME.

Asset description	**Capitalization threshold $**	**Estimated useful life (years)**
Land improvements	25,000	10
Buildings		
Bricks, mortar and steel	25,000	15 - 40
Wood frame	25,000	15 - 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

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

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

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

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

Land is recorded at historical cost when known. For land acquired prior to June 30, 2006, where historical cost was not known, land has been recorded based on values determined by the Crown Lands and Property Agency.

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

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.

ii) Other future benefits

For those benefit obligations that are event driven (vacation pay and parental leave), the benefit costs are recognized and recorded only in the period when the event occurs.

The employee future benefits expense includes the Division's contribution for the period.

g) Capital reserve

Certain amounts, as approved by the Board of Trustees and the Public Schools Finance Board (PSFB), have been set aside in reserve accounts for future capital purposes. These capital reserve accounts are internally restricted funds that form part of the accumulated surplus presented in the Consolidated Statement of Financial Position (note 10).

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 (due from amount, accounts receivable, overdraft, accounts payable, accrued liabilities and debenture 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 and due from amounts. However, the majority of these financial assets 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.

4 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.

5 Employee future benefits

Employee future benefits are benefits earned by employees, but will not be paid out until future years.

	$
Employee future benefit liabilities	
Defined benefit pension plan	
Accrued employee benefit obligation	29,777,721
Deduct: Pension plan assets	32,608,228
Valuation allowance	2,830,507
	-
Maternity leave earned	104,121
Vacation payable	614,989
Total employee future benefit liability	719,110

The Division sponsors a defined benefit plan for non-teaching employees that is actuarially valuated every three years using a number of assumptions about future events, including inflation rate (2%), wage and salary increases (4%), and employee turnover and mortality to determine the accrued benefit obligation (includes any related interest owing). The most recent actuarial report was prepared as at December 31, 2005. The net unamortized actuarial gain is amortized on a straight-line basis over the expected average remaining service life of the related employee groups (13 years). Pension plan assets are valued at market related values and the expected rate of return is 6%.

As at December 31, 2005, there were 423 active members, 103 deferred benefit members, and 209 pensioners receiving payments.

	$
Change in accrued benefit obligation	
Balance - beginning of year	28,045,837
Current service cost	
School Division	721,349
Employees	779,674
Interest cost	1,684,181
Benefits paid	(1,372,218)
Non-investment expenses paid	(81102)
Balance - end of year	29,777,721
Change in plan assets	
Market related value - beginning of year	30,027,914
Contributions	
School Division	764,254
Employees	779,674
Expected return on plan assets	1,804,393
Experience gain	685,313
Benefits paid	(1,372,218)
Non-investment expenses paid	(81,102)
Market related value - end of year	32,608,228
Funded status	
Plan assets greater than benefit obligation	2,830,507
Valuation allowance	(2,830,507)
Accrued benefit asset	-
Net benefit plan cost	
Current service cost - School Division	721,349
Interest cost	1,684,181
Expected return on plan assets	(1,804,393)
Valuation allowance increase	163,117
Net benefit plan expense for the year	764,254

	%
Plan assets in equities (includes real estate)	62.11
Plan assets in fixed income	37.89

	%
Significant assumptions	
Accrued benefit obligation as of June 30	
Discount rate	6.00
Rate of compensation increase	4.00
Net benefit plan cost for the year ended June 30	
Discount rate	6.00
Expected return on plan assets	6.00
Rate of compensation increase	4.00
Expected Average Remaining Service Life (EARSL)	13 years

Maternity leave earned and vacation payable 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 Employees' Benefits and Allowances expense account.

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, 2006 $	Additions in the year $	Revenue recognized in the year $	Balance as at June 30, 2007 $
Donated capital assets	-	310,362	63,171	247,191
International education student fees	148,189	68,036	148,189	68,036
Leases	11,572	11,476	11,572	11,476
Western reading recovery	-	96,180	-	96,180
Property tax	3,339,937	4,350,594	3,339,937	4,350,594
Other	6,286	-	6,286	-
	3,505,984	4,836,648	3,569,155	4,773,477

7 School generated funds liability

School generated funds liability includes the non-controlled portion of school generated funds consolidated in the overdraft balance in the amount of $50,963.

	$
Parent council funds	7,751
Other parent group funds	4,829
Students' council funds	19,640
Travel club funds	12,198
Other	6,545
	50,963

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 2008 to 2027 and is owing to public schools finance board (PSFB). Payment of principal and interest is funded entirely by grants from the Province of Manitoba, except for the debenture debt on self-funded capital projects. The debentures carry interest rates that range from 5% to 11.125%.

Debenture interest expense payable as at June 30, 2007, 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 $
2007 - 2008	766,741	669,222	1,435,963
2008 - 2009	624,946	603,363	1,228,309
2009 - 2010	554,560	553,530	1,108,090
2010 - 2011	558,509	512,594	1,071,103
2011 - 2012	535,118	472,271	1,007,389
	3,039,874	2,810,980	5,850,854

9 Net tangible capital assets

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

A summary is as follows:

	Gross amount $	Accumulated amortization $	Net book value $
Owned-tangible capital assets	65,465,909	37,763,318	27,702,591

10 Accumulated surplus

The consolidated accumulated surplus is comprised of the following:

	$
Operating Fund	
Designated surplus	180,787
Undesignated surplus	362,851
	543,638
Capital Fund	
Reserve accounts	3,853,132
Equity in tangible capital assets	17,354,822
	21,207,954
Special Purpose Fund	
School generated funds	331,362
Total accumulated surplus	22,082,954

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.

	$
School budget carryovers by board policy	180,787
Designated surplus	180,787

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

	$
Other reserves - Sturgeon Heights Reserve	3,853,132
Capital reserve	3,853,132

School generated funds and other special purpose funds are externally restricted monies for school use.

11 Municipal Government - property tax and related due from Municipal Government

Education property tax or special levy is raised as the Division's contribution to the cost of providing public education for the students resident in the division. The Municipal Government-Property Tax shown on the consolidated revenue and expense is raised over the two calendar (tax) years; 45.6% from 2006 tax year and 54.4% from 2007 tax year. Below are the related revenue and receivable amounts:

	2007 $	2006 $
Gross revenue, Municipal Government - property tax	21,824,122	18,293,749
Less: Education property tax credit	(5,190,182)	(2,296,206)
Receivable, due from Municipal Government - property tax	16,633,940	15,997,543

12 Interest received and paid

The Division received interest during the year of $309,394 (2006 - $189,893); interest paid during the year was $919,176 (2006 - $724,747).

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

	$
Operating Fund	
Fiscal short-term loan, interest and bank charges	62,529
Capital Fund	
Debenture debt interest	856,647
	919,176

The accrual portion of debenture debt interest expense of $184,450 is offset by an accrual of the debt servicing grant from the Province.

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 2007 $	**Budget 2007 $ (Unaudited)**	**Actual 2006 $**
Salaries	58,185,362	57,027,105	54,901,401
Employees' benefits and allowances	4,077,996	4,081,638	3,891,683
Services	8,182,155	8,542,178	7,730,810
Supplies, materials and minor equipment	4,591,495	5,070,151	5,169,401
Interest	62,529	30,000	10,042
Interest - debenture	856,647	659,581	714,705
Payroll tax	1,313,979	1,226,083	1,228,222
Transfers	583,467	620,353	593,450
Amortization	1,672,991	-	-
School generated funds	1,889,726	-	-
	81,416,347	77,257,089	74,239,714

14 Contractual obligations

Agreements respecting student transportation were entered into for terms ranging from one to five years. The specific costs for these services are approximately $700,000 for 2007-08.

15 Lease revenue

The Division recorded lease revenue of $668,100 within other services relating to various unoccupied building space. Minimum payments under the lease terms over the next four years are as follows:

	$
2008	660,441
2009	233,425
2010	162,020
2011	162,020

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 la Division scolaire franco-manitobaine. As at June 30, 2007, the amount of this special levy was $241,877 (2006 - $212,116). These amounts are not included in the Division's consolidated financial statements.

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Auditors' Report

To the Chairperson and Board of Trustees of
Sunrise School Division

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

We have audited the consolidated statement of financial position of **Sunrise School Division** as at June 30, 2007 and the consolidated statements of revenue, expenses and accumulated surplus, change in net debt and cash flow for the year then ended. These financial statements are the responsibility of the School Division's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly in all material respects, the financial position of the School Division as at June 30, 2007 and the results of its operations and its cash flows for the fiscal year then ended in accordance with Canadian generally accepted accounting principles.

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

BDO Dunwoody LLP

Chartered Accountants

Selkirk, Manitoba
August 24, 2007

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2007	2006 (see Note 3)
	Financial Assets		
	Cash and Bank	-	-
*	Short Term Investments	1,205,513	416,299
	Due from - Provincial Government	2,840,815	1,631,593
	- Federal Government	258,942	197,824
	- Municipal Government	10,495,505	9,795,197
	- Other School Divisions	130	21,517
	- First Nations	-	-
	Accounts Receivable	421,246	227,875
	Accrued Investment Income	-	-
	Other Investments	-	
		15,222,151	12,290,305
	Liabilities		
*	Overdraft	7,613,054	2,944,038
	Accounts Payable	1,992,272	3,903,369
	Accrued Liabilities	1,218,979	1,908,122
*	Employee Future Benefits	361,408	-
	Accrued Interest Payable	489,944	-
	Due to - Provincial Government	-	-
	- Federal Government	-	-
	- Municipal Government	-	5
	- Other School Divisions	-	-
	- First Nations	-	-
*	Deferred Revenue	1,084,388	1,096,406
*	Debenture Debt	17,338,699	18,429,935
*	Other Borrowings	372,568	481,135
	School Generated Funds Liability	47,053	
		30,518,365	28,763,010
	Net Debt	(15,296,214)	(16,472,705)
	Non-Financial Assets		
*	Net Tangible Capital Assets (TCA Schedule)	25,605,477	55,315,609
	Inventories	223,806	200,550
	Prepaid Expenses	340,047	164,369
		26,169,330	55,680,528
*	**Accumulated Surplus**	10,873,116	39,207,823

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes		2007 Actual	2006 Actual (see Note 3)
	Revenue		
	Provincial Government	30,918,163	30,154,153
	Federal Government	15,870	8,575
	Municipal Government - Property Tax	18,365,102	16,931,674
	- Other	-	-
	Other School Divisions	102,425	120,804
	First Nations	532,874	463,821
	Private Organizations and Individuals	357,602	274,865
	Other Sources	569,255	2,283,532
	School Generated Funds	1,263,928	
	Other Special Purpose Funds	-	
		52,125,219	50,237,424
	Expenses		
	Regular Instruction	25,905,713	24,714,232
	Student Support Services	7,900,820	6,589,755
	Adult Learning Centres	939,591	1,023,917
	Community Education and Services	125,128	116,450
	Divisional Administration	1,755,571	1,532,762
	Instructional and Other Support Services	1,421,623	1,968,145
	Transportation of Pupils	3,572,756	3,479,455
	Operations and Maintenance	4,672,025	4,158,391
*	Fiscal - Interest	1,477,264	1,386,682
	- Other	738,519	731,860
	Amortization	1,556,307	
	Other Capital Items	-	328,906
	School Generated Funds	1,171,140	
	Other Special Purpose Funds	-	
		51,236,457	46,030,555
	Current Year Surplus (Deficit)	888,762	4,206,869
	Opening Accumulated Surplus	39,207,820	35,000,951
	Restatements: Tangible Cap. Assets and Accum. Amort.	(29,535,454)	
*	Other than Tangible Cap. Assets	311,988	0
	Opening Accumulated Surplus, as restated	9,984,354	35,000,951
	Closing Accumulated Surplus	10,873,116	39,207,820

* NOTE REQUIRED

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2007

Current Year Surplus (Deficit)	888,762
Amortization of Tangible Capital Assets	1,556,307
Acquisition of Tangible Capital Assets	(1,381,629)
(Gain) / Loss on Sale of Tangible Capital Assets	-
Proceeds on Sale of Tangible Capital Assets	-
	174,678
Inventories (Increase)/Decrease	(23,256)
Prepaid Expenses (Increase)/Decrease	(175,678)
	(198,934)
(Increase)/Decrease in Net Debt	864,506
Net Debt at Beginning of Year	(16,472,705)
Restatements Other than Tangible Cap. Assets	311,988
Net Debt at Beginning of Year as Restated	(16,160,717)
Net Debt at End of Year	(15,296,211)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2007

Operating Transactions	
Current Year Surplus/(Deficit)	888,762
Non-Cash Items Included in Current Year Surplus/(Deficit):	
Amortization of Tangible Capital Assets	1,556,307
(Gain)/Loss on Disposal of Tangible Capital Assets	-
Employee Future Benefits Increase/(Decrease)	361,408
Short Term Investments (Increase)/Decrease	(789,214)
Due from Other Organizations (Increase)/Decrease	(1,949,261)
Accounts Receivable & Accrued Income (Increase)/Decrease	(193,371)
Inventories and Prepaid Expenses - (Increase)/Decrease	(198,934)
Due to Other Organizations Increase/(Decrease)	(5)
Accounts Payable & Accrued Liabilities Increase/(Decrease)	(2,110,296)
Deferred Revenue Increase/(Decrease)	(12,018)
School Generated Funds Liability Increase/(Decrease)	47,053
Restatements Other than Tangible Cap. Assets	311,988
Cash Provided by Operating Transactions	(2,087,581)
Capital Transactions	
Acquisition of Tangible Capital Assets	(1,381,629)
Proceeds on Sale of Tangible Capital Assets	-
Cash (Applied to)/Provided by Capital Transactions	(1,381,629)
Investing Transactions	
Other Investments (Increase)/Decrease	-
Cash Provided by (Applied to) Investing Transactions	0
Financing Transactions	
Debenture Debt Increase/(Decrease)	(1,091,236)
Other Borrowings Increase/(Decrease)	(108,567)
Cash Provided by (Applied to) Financing Transactions	(1,199,803)
Cash and Bank / Overdraft (Increase)/Decrease	(4,669,013)
Cash and Bank (Overdraft) at Beginning of Year	(2,944,038)
Cash and Bank (Overdraft) at End of Year	(7,613,051)

Sunrise School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2007

	Buildings and Leasehold Improvements		School	Other	Furniture / Fixtures &	Computer Hardware &		Land	Assets Under	Totals
	School	Non-School	Buses	Vehicles	Equipment	Software *	Land	Improvements	Construction	
Tangible Capital Asset Cost										
Opening Cost, as previously reported	44,112,863	1,098,178	6,254,439	186,023	2,297,527	-	1,366,579	-	-	55,315,609
Restatements	(1,332,157)	812,747	(37,331)	-	(2,168,701)	555,996	(1,143,906)	71,374	-	(3,241,978)
Opening Cost restated	42,780,706	1,910,925	6,217,108	186,023	128,826	555,996	222,673	71,374	-	52,073,631
Add: Additions during the year	198,140	-	752,833	-	55,220	216,571	-	31,904	126,961	1,381,629
Less: Disposals and write downs	-	-	-	-	-	-	-	-	-	-
Closing Cost	42,978,846	1,910,925	6,969,941	186,023	184,046	772,567	222,673	103,278	126,961	53,455,260
Accumulated Amortization										
Opening, as previously reported	-	-	-	-	-	-	-	-	-	-
Restatements	20,639,681	1,230,330	4,101,184	136,541	20,981	161,191	-	3,568	-	26,293,476
Opening restated	20,639,681	1,230,330	4,101,184	136,541	20,981	161,191	-	3,568	-	26,293,476
Add: Current period Amortization	974,590	48,232	414,902	10,996	18,881	79,973	-	8,733		1,556,307
Less: Accumulated Amortization on Disposals and Writedowns	-	-	-	-	-	-	-	-	-	-
Closing Accumulated Amortization	21,614,271	1,278,562	4,516,086	147,537	39,862	241,164	-	12,301	-	27,849,783
Net Tangible Capital Asset	21,364,575	632,363	2,453,855	38,486	144,184	531,403	222,673	90,977	126,961	25,605,477
Proceeds from Sale of Capital Assets	-	-	-	-	-	-	-			-

* Includes network infrastructure.

SUNRISE SCHOOL DIVISION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As at June 30, 2007

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. Comparative Figures

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. The 2006 comparative figures have not been restated and are presented in accordance with FRAME, the prescribed method of accounting that the Division followed prior to the 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).

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.

However, the Division provides retirement and other future benefits to its non-teaching employees as a defined contribution plan, under the Manitoba Association of School Trustees Pension Plan (MAST). The Division adopted the following policy with respect to accounting for these employee future benefits:

Defined contribution plan

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

Capital Reserve

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

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.

4. Conversion to PSAB

Commencing with the 2006/07 fiscal year, the Board has adopted generally accepted accounting principles established by PSAB. As explained in Note 2, the comparative figures included in these financial statements have not been restated to conform to the accounting standards adopted for the current year.

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. 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. Bank Overdraft

The Division has an authorized line of credit with South Interlake Credit Union of $12,000,000 by way of overdrafts and is repayable on demand at the bank's prime rate; interest is paid monthly. Overdrafts are secured by a borrowing by-law.

6. Employee Future Benefits

The Division sponsors a defined contribution pension plan, run by the Manitoba Association of School Trustees (MAST). 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 MAST pension plan has a specific percentage for the employees to contribute. The Division contributions equal the employee contributions to the plan. No pension liability is included in the financial statements.

The Division under the terms of the Mobility Enhancement Plan (MEP) offered certain teaching staff a payment of $500 per month for 60 months to terminate their teachers contract of employment . The MEP Plan is not offered after July 1, 2004. The full liability owing to those in the plan has been recorded. The payments scheduled to be made are:

2008	$182,500
2009	72,500
	255,000

A liability of $106,408 for maternity/parental benefits is reflected in the financial statements.

7. Deferred Revenue

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

	Balance as at June 30, 2006	Additions in the period	Revenue recognized in the period	Balance as at June 30,2007
Education Property Tax Credit	$ 722,213	$ 4,064,910	$ 4,125,188	$ 661,935
International Student Program	176,824	167,338	176,824	167,338
North Eastman Health Authority	-	64,780	-	64,780
Capital D Grant	127,500	145,080	127,500	145,080
Grants from outside sources	64,417	23,981	46,193	42,205
Other	5,452	3,050	5,452	3,050
	$1,,096,406	$ 1,051,164	$ 1,078,182	$ 1,084,388

8. School Generated Funds

School generated funds revenue and expenses reported in the Consolidated Statement of Revenue, Expenses and Accumulated Surplus as at June 30, 2007 covers a period of twelve months from July 1, 2006 to June 30, 2007.

9. 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 installments and maturing at various dates from 2008 to 2026. Payment of principal and interest is funded entirely by grants from the Province of Manitoba except for the debenture debt on self-funded capital projects. The debentures carry interest rates that range from 5.875% to 12.125%. Debenture interest expense payable as at June 30, 2007, 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:

	Total
2008	$ 2,371,630
2009	2,364,522
2010	2,001,858
2011	1,957,350
2012	1,899,081
	$ 10,594,441

10. Other Borrowings

	2007	2006
P.S.F.B., Capital Projects loan, repayable over 10 years in annual payments of $141,644 including interest at 6.875% per annum, due in 2010	**$ 372,568**	481,135

Required principal repayments over the next three years are estimated to be as follows:

2007	$ 116,030
2008	$ 124,007
2009	$ 132,531

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 $ nil (previous year $ nil).

12. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2007
Operating Fund	
Designated Surplus	$ 0
Undesignated Surplus	2,535,275
	2,535,275
Capital Fund	
Reserve Accounts	1,219,126
Equity in Tangible Capital Assets	6,713,939
	7,933,065
Special Purpose Fund	
School Generated Funds	404,776
Other	0
	404,776
Total Accumulated Surplus	$ 10,873,116

13. Restatement of Opening Accumulated Surplus

Restatement of Opening Accumulated Surplus is comprised of:

	2007
Operating Fund	$
Employee Future Benefits	0
Capital Fund	
Tangible Capital Assets	(3,241,978)
Accumulated Amortization	(26,293,476)
	(29,535,454)
Special Purpose Fund	
School Generated Funds	311,988
Other	0
	311,988
Total Restatement of Opening Accumulated Surplus	$(29,223,466)

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

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

Education property tax or Special Levy is raised as the Division's contribution to the cost of providing public education for the 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; 42.5% from 2006 tax year and 57.5% from 2007 tax year. Below are the related revenue and receivable amounts:

	2007	2006
Revenue – Municipal Government – Property Tax	$ 22,490,290	$ 20,184,120
Receivable – Due from Municipal – Property Tax	$ 10,495,505	$ 9,795,197

15. Interest Received and Paid

The Division received interest during the year of $104,942 (previous year $62,578); interest paid during the year was $1,477,264 (previous year $1,340,635).

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

	2007
Operating Fund	
Fiscal-short term loan, interest and bank charges	$ 127,466
Capital Fund	
Debenture interest	1,280,393
Other interest	69,405
	$ 1,477,264

The accrual portion of debenture debt interest expense of $489,944 included under the Capital Fund-Debenture debt interest is offset by an accrual of the debt servicing grant from the Province of Manitoba.

16. 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 2007	Budget 2007	Actual 2006
Salaries	$ 34,232,612	$35,382,353	$ 33,231,602
Employees benefits and allowances	2,519,469	2,649,862	2,546,377
Services	5,065,982	4,498,679	4,042,862
Supplies, materials & minor equipment	3,927,357	3,094,717	3,253,269
Interest	1,477,264	120,000	1,386,682
Bad debts	-	-	-
Payroll tax	738,519	760,000	731,860
Amortization	1,556,307	-	-
Transfers	547,807	531,600	508,997
Other capital items	-	-	-
Loss/(Gain) on Disposal of Capital Assets	-	-	328,906
School generated funds	1,171,140	-	-
Other special purpose funds	6,057	-	-
	$ 51,236,457	$ 47,037,211	$ 46,030,555

17. Commitments

The school division has equipment lease agreements. Future annual minimum operating lease commitments as at June 30, 2007 are as follows:

2008	$ 509,737
2009	267,105
2010	94,813
2011	27,916
2012	27,916

18. Other

A legal action had been initiated against the Division by the contractor of a school built in the division. The disputed amount represents monies which have not been paid because of non-compliant and unfinished work. The Division has recorded a liability for work completed and for the holdback on this completed work ,but not for any non-compliant work performed.

MANAGEMENT REPORT

Management's Responsibility for the Financial Statements

The accompanying consolidated financial statements of Swan Valley School Division are the responsibility of the Division management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants. A summary of the significant accounting policies are described in Note 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 Pacak Kowal Hardie & Company independent external auditors appointed by the Board. The accompanying Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Division's consolidated financial statements.

Chairperson	Secretary-Treasurer

October 29, 2007

AUDITOR'S REPORT

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

SWAN VALLEY SCHOOL DIVISION
(Name of School Division/District)

TO THE CHAIRPERSON AND MEMBERS OF THE BOARD OF TRUSTEES

We have audited the consolidated statements of financial position of the Swan Valley School Division as at 30 June 2007 and the consolidated statements of revenues, expenditures and accumulated surplus and the consolidated statements of change in net debt, and consolidated statements of cash flow. These financial statements have been prepared to comply with the standards set out in the Financial Reporting and Accounting in Manitoba Education Manual. The financial statements are the responsibility of the school division's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the school division as at 30 June 2007 and the results of its operations and its cash flows for the year then ended in accordance with the basis of accounting described in Note 3 to the financial statements.

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

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles established by Public Sector Accounting Board of the Canadian Institute of Chartered Accountants, and are solely for the information and use of the Board of Trustees of the Swan Valley School Division and the Manitoba Public Schools Finance Branch to comply with the Public Schools Act. The financial statements are not intended to be and should not be used by anyone other than the specified users or for any other purpose.

Swan River, Manitoba
26 October 2007

Pollock Kowal Hardie & Company
CHARTERED ACCOUNTANTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2007	2006 (see Note 4)
	Financial Assets		
	Cash and Bank	2,082,055	961,916
	Short Term Investments	-	-
	Due from - Provincial Government	473,394	343,981
	- Federal Government	29,727	69,093
	- Municipal Government	2,256,543	2,428,672
	- Other School Divisions	9,620	8,160
	- First Nations	-	-
	Accounts Receivable	4,320	22,960
	Accrued Investment Income	-	-
5	Other Investments	978	
		4,856,637	3,834,782
	Liabilities		
	Overdraft	-	-
	Accounts Payable	118,362	48,412
	Accrued Liabilities	1,773,290	1,512,337
7	Employee Future Benefits	71,801	-
	Accrued Interest Payable	156,482	-
	Due to - Provincial Government	26,790	22,093
	- Federal Government	14,029	812
	- Municipal Government	5,547	12,629
	- Other School Divisions	-	-
	- First Nations	3,765	-
8	Deferred Revenue	690,767	472,211
10	Debenture Debt	4,280,448	4,162,128
	Other Borrowings	-	-
	School Generated Funds Liability	3,584	
		7,144,865	6,230,622
	Net Debt	(2,288,228)	(2,395,840)
	Non-Financial Assets		
11	Net Tangible Capital Assets (TCA Schedule)	6,061,381	19,541,284
	Inventories	18,842	27,837
	Prepaid Expenses	71,146	67,747
		6,151,369	19,636,868
12	**Accumulated Surplus**	3,863,141	17,241,028

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes			2007 Actual	2006 Actual (see Note 4)
	Revenue			
	Provincial Government		12,196,945	11,692,343
	Federal Government		5,261	45,678
	Municipal Government	- Property Tax	4,290,615	4,416,954
		- Other	-	-
	Other School Divisions		62,380	55,468
	First Nations		416,800	436,001
	Private Organizations and Individuals		268,051	283,473
	Other Sources		193,252	161,274
	School Generated Funds		340,048	
	Other Special Purpose Funds		23,080	
			17,796,432	17,091,191
	Expenses			
	Regular Instruction		9,574,258	9,339,460
	Student Support Services		2,645,184	2,292,049
	Adult Learning Centres		-	-
	Community Education and Services		65,688	64,072
	Divisional Administration		645,465	635,510
	Instructional and Other Support Services		341,713	537,516
	Transportation of Pupils		1,227,635	1,213,156
	Operations and Maintenance		1,755,072	1,882,558
15	Fiscal	- Interest	279,974	274,119
		- Other	261,928	253,602
	Amortization		681,741	
	Other Capital Items		(4,499)	190,441
	School Generated Funds		323,646	
	Other Special Purpose Funds		23,080	
			17,820,885	16,682,483
	Current Year Surplus (Deficit)		(24,453)	408,708
	Opening Accumulated Surplus		17,241,028	16,832,320
	Restatements:	Tangible Cap. Assets and Accum. Amort.	(13,480,431)	
13		Other than Tangible Cap. Assets	126,997	0
	Opening Accumulated Surplus, as restated		3,887,594	16,832,320
	Closing Accumulated Surplus		3,863,141	17,241,028

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2007

Current Year Surplus (Deficit)	(24,453)
Amortization of Tangible Capital Assets	681,741
Acquisition of Tangible Capital Assets	(682,269)
(Gain) / Loss on Sale of Tangible Capital Assets	(4,499)
Proceeds on Sale of Tangible Capital Assets	4,499
	(528)
Inventories (Increase)/Decrease	8,995
Prepaid Expenses (Increase)/Decrease	(3,399)
	5,596
(Increase)/Decrease in Net Debt	(19,385)
Net Debt at Beginning of Year	(2,395,840)
Restatements Other than Tangible Cap. Assets	126,997
Net Debt at Beginning of Year as Restated	(2,268,843)
Net Debt at End of Year	(2,288,228)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2007

Operating Transactions	
Current Year Surplus/(Deficit)	(24,453)
Non-Cash Items Included in Current Year Surplus/(Deficit):	
Amortization of Tangible Capital Assets	681,741
(Gain)/Loss on Disposal of Tangible Capital Assets	(4,499)
Employee Future Benefits Increase/(Decrease)	71,801
Short Term Investments (Increase)/Decrease	-
Due from Other Organizations (Increase)/Decrease	80,622
Accounts Receivable & Accrued Income (Increase)/Decrease	18,640
Inventories and Prepaid Expenses - (Increase)/Decrease	5,596
Due to Other Organizations Increase/(Decrease)	14,597
Accounts Payable & Accrued Liabilities Increase/(Decrease)	487,385
Deferred Revenue Increase/(Decrease)	218,556
School Generated Funds Liability Increase/(Decrease)	3,584
Restatements Other than Tangible Cap. Assets	126,997
Cash Provided by Operating Transactions	1,680,567
Capital Transactions	
Acquisition of Tangible Capital Assets	(682,269)
Proceeds on Sale of Tangible Capital Assets	4,499
Cash (Applied to)/Provided by Capital Transactions	(677,770)
Investing Transactions	
Other Investments (Increase)/Decrease	(978)
Cash Provided by (Applied to) Investing Transactions	(978)
Financing Transactions	
Debenture Debt Increase/(Decrease)	118,320
Other Borrowings Increase/(Decrease)	-
Cash Provided by (Applied to) Financing Transactions	118,320
Cash and Bank / Overdraft (Increase)/Decrease	1,120,139
Cash and Bank (Overdraft) at Beginning of Year	961,916
Cash and Bank (Overdraft) at End of Year	2,082,055

Swan Valley School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2007

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	Totals
	School	Non-School								
Tangible Capital Asset Cost										
Opening Cost, as previously reported	14,615,875	254,505	2,520,501	273,610	1,533,337	-	343,456	-	-	19,541,284
Restatements	(1,587,686)	216,060	(1)	(55,188)	(834,649)	236,210	(62,966)	-	-	(2,088,220)
Opening Cost restated	13,028,189	470,565	2,520,500	218,422	698,688	236,210	280,490	-	-	17,453,064
Add: Additions during the year	355,427	-	253,964		14,298	21,270	-	-	37,310	682,269
Less: Disposals and write downs	313,887	-	76,632	-	-	-	-	-	-	390,519
Closing Cost	13,069,729	470,565	2,697,832	218,422	712,986	257,480	280,490	-	37,310	17,744,814
Accumulated Amortization										
Opening, as previously reported	-	-	-	-	-	-	-	-	-	-
Restatements	8,820,441	429,089	1,504,588	170,853	346,036	121,204		-	-	11,392,211
Opening restated	8,820,441	429,089	1,504,588	170,853	346,036	121,204	-	-	-	11,392,211
Add: Current period Amortization	339,514	2,729	192,090	18,041	101,278	28,089	-	-		681,741
Less: Accumulated Amortization on Disposals and Writedowns	313,887	-	76,632	-	-	-	-	-	-	390,519
Closing Accumulated Amortization	8,846,068	431,818	1,620,046	188,894	447,314	149,293	-	-	-	11,683,433
Net Tangible Capital Asset	4,223,661	38,747	1,077,786	29,528	265,672	108,187	280,490	-	37,310	6,061,381
Proceeds from Sale of Capital Assets		-	4,499	-	-	-	-			4,499

* 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. Comparative Figures

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. The 2006 comparative figures have not been restated and are presented in accordance with FRAME, the prescribed method of accounting that the Division followed prior to the 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 controlled by the Division and funds held in the Division's Registered Charity.

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

b) Basis of Accounting

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

c) Fund Accounting

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

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

d) School Generated Funds

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

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

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

e) Tangible Capital Assets

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

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

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

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

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

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

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

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

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

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

All other capital leases are amortized over the lesser of the lease term and the useful life of the asset class.

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

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

f) Employee Future Benefits

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

However, the Division provides a defined contribution pension plan to all eligible non teachers in the Division. There is no future liability or benefit to be recorded for this type of pension plan. The terms and conditions of the Pension Plan for the Employees of Swan Valley School Division are administered by the school division trustees and a division management representative. Participating employees in the plan generally contribute from 7.0% to 9.0% (dependant on age and years of plan membership as outlined in the plan's text) of eligible earnings to the plan. The Division matches this contribution and remits both contributions monthly. No responsibility is assumed by the Division to make any further contribution.

g) Capital Reserve

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

h) Use of Estimates

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

i) Financial instruments

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

4. Conversion to PSAB

Commencing with the 2006/07 fiscal year, the Board has adopted generally accepted accounting principles established by PSAB. As explained in Note 2, the comparative figures included in these financial statements have not been restated to conform to the accounting standards adopted for the current year.

The following changes have been implemented to comply with the PSAB standard:

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

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

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

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

5. Other Investments

	2007
Swan Valley Credit Union Patronage Shares	$ 978

6. 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.

7. 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 $71,801 for maternity/parental and sick leave benefits is reflected in the financial statements.

8. Deferred Revenue

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

	Balance as at June 30, 2006	Additions in the period	Revenue recognized in the period	Balance as at June 30, 2007
Healthy Child Manitoba Grant	$ 16,705	$ 42,648	$ 49,353	$ 10,000
Technical Vocational Initative Grant	-	15,000	-	15,000
Making Education Work	2,532	95,333	89,694	8,171
Education Property Tax Credit	444,850	1,195,910	1,119,260	521,500
Other Province of Manitoba Grants	4,982	66,682	56,781	14,883
Grants from outside sources	3,143	2,057	-	5,200
Charitable Scholarship and Other Fund	81,322	34,315	23,079	92,558
School Generated Funds	7,801	17,455	1,801	23,455
	$ 561,335	$ 1,469,400	$ 1,339,968	$ 690,767

9. School Generated Funds Liability

School Generated Funds Liability includes the non-controlled portion of school generated funds consolidated in the cash and bank balances in the amount of $3,584.

School generated funds revenue and expenses reported in the Consolidated Statement of Revenue, Expenses and Accumulated Surplus as at June 30, 2007 covers a period of twelve months from July 1, 2006 to June 30, 2007.

10. Debenture Debt

The debenture debt of the Division is in the form of twenty-year debentures payable, principal and interest, in twenty equal yearly installments and maturing at various dates from 2006 to 2026. 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% to11.125%. Debenture interest expense payable as at June 30, 2007, 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**
2008	$ 239,366	$ 279,482	$ 518,848
2009	257,888	260,560	518,448
2010	231,484	240,901	472,385
2011	232,121	224,338	456,459
2012	248,353	208,197	456,550
	$ 1,209,212	$1,213,478	$ 2,422,690

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 $5 (previous year $ nil).

12. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2007
Operating Fund	
Designated Surplus	124,757
Undesignated Surplus	1,390,181
	1,514,938
Capital Fund	
Reserve Accounts	429,586
Equity in Tangible Capital Assets	1,775,218
	2,204,804
Special Purpose Fund	
School Generated Funds	143,399
Other Special Purpose Funds	-
	143,399
Total Accumulated Surplus	$ 3,863,141

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.

	2007
Board approved appropriation by motion	80,951
School budget carryovers by Board policy	43,806
Designated surplus	$ 124,757

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.

	2007
Bus reserves	429,586
Other reserves	-
Capital Reserve	$ 429,586

13. Restatement of Opening Accumulated Surplus

Restatement of Opening Accumulated Surplus is comprised of:

	2007
Operating Fund	
Employee Future Benefits	
Capital Fund	
Tangible Capital Assets	(2,088,220)
Accumulated Amortization	11,392,211
	(13,480,431)
Special Purpose Fund	
School Generated Funds	126,997
Other Special Purpose Funds	
	126,997
Total Restatement of Operating Accumulated Surplus	$ (13,353,434)

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

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

Education property tax or Special Levy is raised as the Division's contribution to the cost of providing public education for the student'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 2006 tax year and 55% from 2007 tax year. Below are the related revenue and receivable amounts:

	2007	2006
Revenue - Municipal Government-Property Tax	$ 4,290,615	$ 4,416,954
Receivable - Due from Municipal-Property Tax	$ 2,256,543	$ 2,428,672

15. Interest Received and Paid

The Division received interest during the year of $86,295 (previous year $54,987); interest paid during the year was $1(previous year $14).

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

	2007
Operating Fund	
Fiscal-short term loan, interest and bank charges	$ -
Capital Fund	
Debenture debt interest	279,973
Other interest	1
	$ 279,974

The accrual portion of debenture debt interest expense of $156,482 included under the Capital Fund-Debenture debt interest, is offset by an accrual of the debt servicing grant from the Province of Manitoba.

16. 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 2007	Budget 2007	Actual 2006
Salaries	$ 12,157,929	$ 12,143,395	$ 11,658,500
Employees benefits & allowances	1,125,496	1,200,099	1,110,530
Services	1,423,699	1,556,525	1,436,868
Supplies, materials & minor equipment	1,547,891	1,490,874	1,758,423
Interest	279,974	4,000	274,119
Bad debts	-	-	-
Payroll tax	261,928	262,927	253,602
Amortization	681,741	-	-
Other capital items	(4,499)	-	190,441
School generated funds	323,646	-	-
Other special purpose funds	23,080	-	-
	$ 17,820,885	$ 16,657,820	$ 16,682,483

17. Commitment

As a result of a resolution approved at the 23 April 2007 school trustees meeting the Division is committed to purchase three new school buses in the amount of approximately $283,171 during 2007/2008 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 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 Meyers Norris Penny independent external auditors appointed by the Board. The accompanying Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Division's consolidated financial statements.

Chairperson	Secretary-Treasurer

October 9, 2007

MEYERS NORRIS PENNY LLP

AUDITOR'S REPORT

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

To the Board of Trustees
Turtle Mountain School Division

We have audited the consolidated statement of financial position of the Turtle Mountain School Division as at June 30, 2007 and the consolidated statements of revenue, expenses, and accumulated surplus, change in net debt and cash flow for the year then ended. These consolidated financial statements are the responsibility of the Division's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly in all material respects, the financial position of the School Division as at June 30, 2007 and the results of its operations and cash flow for that fiscal year in accordance with Canadian generally accepted accounting principles.

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

Meyers Norris Penny LLP
AUDITOR

Brandon, Manitoba
October 9, 2007

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2007	2006 (see Note 2)
	Financial Assets		
	Cash and Bank	-	-
	Short Term Investments	-	-
	Due from - Provincial Government	549,485	173,081
	- Federal Government	48,942	44,066
	- Municipal Government	2,011,777	1,929,867
	- Other School Divisions	-	-
	- First Nations	-	-
	Accounts Receivable	46,894	45,261
	Accrued Investment Income	-	-
	Other Investments	-	
		2,657,098	2,192,275
	Liabilities		
5	Overdraft	473,546	25,625
	Accounts Payable	1,433,409	1,139,024
	Accrued Liabilities	5,500	6,008
	Employee Future Benefits	-	-
	Accrued Interest Payable	118,806	-
	Due to - Provincial Government	-	-
	- Federal Government	-	-
	- Municipal Government	28,032	27,361
	- Other School Divisions	-	-
	- First Nations	-	-
6	Deferred Revenue	146,378	259,605
8	Debenture Debt	4,177,744	4,340,340
	Other Borrowings	-	-
	School Generated Funds Liability	8,022	
		6,391,437	5,797,963
	Net Debt	(3,734,339)	(3,605,688)
	Non-Financial Assets		
9	Net Tangible Capital Assets (TCA Schedule)	4,388,597	11,656,547
	Inventories	41,189	48,466
	Prepaid Expenses	21,853	13,000
		4,451,639	11,718,013
12	**Accumulated Surplus**	717,300	8,112,325

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes		2007 Actual	2006 Actual (see Note 2)
	Revenue		
	Provincial Government	7,157,485	6,994,277
	Federal Government	-	-
	Municipal Government - Property Tax	3,449,553	3,243,572
	- Other	-	-
	Other School Divisions	31,200	32,175
	First Nations	-	-
	Private Organizations and Individuals	132,491	160,681
	Other Sources	62,470	48,146
	School Generated Funds	165,088	
	Other Special Purpose Funds	-	
		10,998,287	10,478,851
	Expenses		
	Regular Instruction	5,493,470	5,246,677
	Student Support Services	1,688,040	1,443,689
	Adult Learning Centres	167,605	176,216
	Community Education and Services	5,032	4,992
	Divisional Administration	516,185	486,884
	Instructional and Other Support Services	335,788	455,513
	Transportation of Pupils	771,692	748,696
	Operations and Maintenance	1,058,019	881,538
14	Fiscal - Interest	459,801	347,970
	- Other	157,359	157,219
	Amortization	383,767	
	Other Capital Items	3,428	200,925
	School Generated Funds	162,671	
	Other Special Purpose Funds	-	
		11,202,857	10,150,319
	Current Year Surplus (Deficit)	(204,570)	328,532
	Opening Accumulated Surplus	8,112,325	7,783,793
	Restatements: Tangible Cap. Assets and Accum. Amort.	(7,249,338)	
13	School Generated Funds	58,883	0
	Opening Accumulated Surplus, as restated	921,870	7,783,793
	Closing Accumulated Surplus	717,300	8,112,325

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2007

Current Year Surplus (Deficit)	(204,570)
Amortization of Tangible Capital Assets	383,767
Acquisition of Tangible Capital Assets	(370,933)
(Gain) / Loss on Sale of Tangible Capital Assets	3,428
Proceeds on Sale of Tangible Capital Assets	2,350
	18,612
Inventories (Increase)/Decrease	7,277
Prepaid Expenses (Increase)/Decrease	(8,853)
	(1,576)
(Increase)/Decrease in Net Debt	(187,534)
Net Debt at Beginning of Year	(3,605,688)
Restatements Other than Tangible Cap. Assets	58,883
Net Debt at Beginning of Year as Restated	(3,546,805)
Net Debt at End of Year	(3,734,339)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2007

Operating Transactions	
Current Year Surplus/(Deficit)	(204,570)
Non-Cash Items Included in Current Year Surplus/(Deficit):	
Amortization of Tangible Capital Assets	383,767
(Gain)/Loss on Disposal of Tangible Capital Assets	3,428
Employee Future Benefits Increase/(Decrease)	-
Short Term Investments (Increase)/Decrease	-
Due from Other Organizations (Increase)/Decrease	(463,190)
Accounts Receivable & Accrued Income (Increase)/Decrease	(1,633)
Inventories and Prepaid Expenses - (Increase)/Decrease	(1,576)
Due to Other Organizations Increase/(Decrease)	671
Accounts Payable & Accrued Liabilities Increase/(Decrease)	412,683
Deferred Revenue Increase/(Decrease)	(113,227)
School Generated Funds Liability Increase/(Decrease)	8,022
Restatements Other than Tangible Cap. Assets	58,883
Cash Provided by Operating Transactions	83,258
Capital Transactions	
Acquisition of Tangible Capital Assets	(370,933)
Proceeds on Sale of Tangible Capital Assets	2,350
Cash (Applied to)/Provided by Capital Transactions	(368,583)
Investing Transactions	
Other Investments (Increase)/Decrease	-
Cash Provided by (Applied to) Investing Transactions	0
Financing Transactions	
Debenture Debt Increase/(Decrease)	(162,596)
Other Borrowings Increase/(Decrease)	-
Cash Provided by (Applied to) Financing Transactions	(162,596)
Cash and Bank / Overdraft (Increase)/Decrease	(447,921)
Cash and Bank (Overdraft) at Beginning of Year	(25,625)
Cash and Bank (Overdraft) at End of Year	(473,546)

Turtle Mountain School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2007

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	Totals
	School	Non-School								
Tangible Capital Asset Cost										
Opening Cost, as previously reported	9,266,191	351,816	1,828,783	-	183,857	-	25,900	-	-	11,656,547
Restatements	(2,355,848)	228,660	-	35,194	(157,669)	-	15,051	320,207	-	(1,914,405)
Opening Cost restated	6,910,343	580,476	1,828,783	35,194	26,188	-	40,951	320,207	-	9,742,142
Add: Additions during the year	119,511	-	240,119	11,303	-	-	-	-	-	370,933
Less: Disposals and write downs	-	-	86,634	11,555	-	-	-	-	-	98,189
Closing Cost	7,029,854	580,476	1,982,268	34,942	26,188	-	40,951	320,207	-	10,014,886
Accumulated Amortization										
Opening, as previously reported	-	-	-	-	-	-	-	-	-	-
Restatements	3,738,231	352,527	1,066,885	17,976	6,398	-	-	152,916	-	5,334,933
Opening restated	3,738,231	352,527	1,066,885	17,976	6,398	-	-	152,916	-	5,334,933
Add: Current period Amortization	182,051	11,168	147,431	5,858	5,238	-	-	32,021		383,767
Less: Accumulated Amortization on Disposals and Writedowns	-	-	86,634	5,777	-	-	-	-	-	92,411
Closing Accumulated Amortization	3,920,282	363,695	1,127,682	18,057	11,636	-	-	184,937	-	5,626,289
Net Tangible Capital Asset	3,109,572	216,781	854,586	16,885	14,552	-	40,951	135,270	-	4,388,597
Proceeds from Sale of Capital Assets	-	-	2,350	-	-	-	-			2,350

* 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. Comparative Figures

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. The 2006 comparative figures have not been restated and are presented in accordance with FRAME, the prescribed method of accounting that the Division followed prior to the 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 controlled by the Division.

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

b) Basis of Accounting

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

c) Fund Accounting

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

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

d) School Generated Funds

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

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

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

e) Tangible Capital Assets

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

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

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

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

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

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

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

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

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

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

f) Capital Reserve

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

g) Use of Estimates

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

h) Financial Instruments

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

4. Conversion to PSAB

Commencing with the 2006/07 fiscal year, the Board has adopted generally accepted accounting principles established by PSAB. As explained in Note 2, the comparative figures included in these financial statements have not been restated to conform to the accounting standards adopted for the current year.

The following changes have been implemented to comply with the PSAB standard:

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

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

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

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

5. Overdraft

The Division has an authorized line of credit with Westoba Credit Union of $2,500,000.00 by way of overdrafts and is repayable on demand at prime less 0.5%; interest is paid monthly. Overdrafts are secured by borrowing by-law.

6. Deferred Revenue

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

Description	Balance at June 30, 2007
Provincial Education Property Tax Credit Advance	$141,478
Professional Development Seminar Prepaid	4,900
	$146,378

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 $8,022.

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 2008 to 2027. Payment of principal and interest is funded entirely by grants from the Province of Manitoba, except for the debenture debt on self-funded capital projects. The debentures carry interest rates that range from 5.125% to 11.75%. Debenture interest expense payable as at June 30, 2007, 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.

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 is raised over the two calendar (tax) years; 40.5% from 2006 tax year and 59.5% from 2007 tax year. Below are the related revenue and receivable amounts:

Description	2007	2006
Revenue-Municipal Government-Property Tax	$3,449,553	$3,243,572
Receivable-Due from Municipal-Property Tax	$2,011,777	$1,929,867

11. Commitments

Agreements respecting photocopiers were entered into for terms ranging from one to four years. The cost for the lease of this equipment is $19,987 for 2007-08.

12. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2007
Operating Fund	
Designated Surplus	41,361
Undesignated Surplus	264,487
	305,848
Capital Fund	
Reserve Accounts	139,299
Equity in Tangible Capital Assets	210,853
	350,152
Special Purpose Fund	
School Generated Funds	61,300
Other Special Purpose Funds	0
	61,300
Total Accumulated Surplus	$717,300

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.

	2007
Board approved appropriation by motion	15,590
School budget carryovers by board policy	25,771
Designated surplus	$41,361

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.

	2007
Bus reserves	139,299
Other reserves	0
Capital Reserve	$139,299

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

	2007
School generated funds	61,300
Other	0
Other Special Purpose Funds	$61,300

13. Restatement of Opening Accumulated Surplus

Restatement of Opening Accumulated Surplus is comprised of:

	2007
Operating Fund	
Employee Future Benefits	$0
Capital Fund	
Tangible Capital Assets	(1,914,405)
Accumulated Amortization	(5,334,933)
	($7,249,338)
Special Purpose Fund	
School Generated Funds	58,883
Other Special Purpose Funds	0
	$58,883
Total Restatement of Opening Accumulated Surplus	($7,190,455)

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

14. Interest Received and Paid

The Division received interest during the year of $17,969 (previous year $10,237); interest paid during the year was $459,801 (previous year $347,970).

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

	2007
Operating Fund	
Fiscal-short term loan, interest and bank charges	$21,657
Capital Fund	
Debenture debt interest	438,144
Other interest	0
	$459,801

The accrual portion of debenture debt interest expense of $118,806 included under the Capital Fund-Debenture debt interest is offset by an accrual of the debt servicing grant from the Province of Manitoba.

15. Expenses by object

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

Description	Actual 2007	Budget 2007	Actual 2006
Salaries	$7,478,067	$7,460,106	$7,275,667
Employee benefits and allowances	588,374	497,457	540,525
Services	955,851	922,046	858,437
Supplies, materials & minor equip.	980,967	787,716	733,685
Interest	459,801	25,000	347,970
Payroll tax / Transfers	189,931	162,000	193,110
Amortization	383,767	0	0
Other capital items	3,428	0	200,925
School generated funds	162,671	0	0
Total	$11,202,857	$9,854,325	$10,150,319

MANAGEMENT REPORT

Management's Responsibility for the Financial Statements

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 Meyers Norris Penny independent external auditors appointed by the Board. The accompanying Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Division's consolidated financial statements.

____________________ ____________________

Chairperson Secretary-Treasurer

November 29, 2007

MEYERS NORRIS PENNY LLP

AUDITOR'S REPORT

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

To the Board of Trustees
Turtle River School Division

We have audited the consolidated statement of financial position of the Turtle River School Division as at June 30, 2007 and the consolidated statements of revenue, expenses, and accumulated surplus, change in net debt and cash flow for the year then ended. These consolidated financial statements are the responsibility of the Division's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly in all material respects, the financial position of the School Division as at June 30, 2007 and the results of its operations and cash flow for that fiscal year in accordance with Canadian generally accepted accounting principles.

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

Meyers Norris Penny LLP
AUDITOR

Brandon, Manitoba
November 29, 2007

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2007	2006 (see Note 2)
	Financial Assets		
	Cash and Bank	728,046	979,569
	Short Term Investments	-	-
	Due from - Provincial Government	178,485	82,465
	- Federal Government	77,128	101,827
	- Municipal Government	1,966,264	1,934,598
	- Other School Divisions	41,086	98,331
	- First Nations	5,730	-
	Accounts Receivable	58,908	30,203
	Accrued Investment Income	-	-
	Other Investments	-	
		3,055,647	3,226,993
	Liabilities		
	Overdraft	-	-
	Accounts Payable	337,517	270,225
	Accrued Liabilities	806,420	856,719
	Employee Future Benefits	-	-
	Accrued Interest Payable	90,558	-
	Due to - Provincial Government	-	100,110
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	52,460	46,764
	- First Nations	-	-
6	Deferred Revenue	1,186,351	1,267,928
7	Debenture Debt	2,717,523	2,898,810
	Other Borrowings	-	-
	School Generated Funds Liability	-	
		5,190,829	5,440,556
	Net Debt	(2,135,182)	(2,213,563)
	Non-Financial Assets		
8	Net Tangible Capital Assets (TCA Schedule)	3,963,726	16,084,586
	Inventories	94,442	91,038
	Prepaid Expenses	45,371	98,435
		4,103,539	16,274,059
9	**Accumulated Surplus**	1,968,357	14,060,496

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes		2007 Actual	2006 Actual (see Note 2)
	Revenue		
	Provincial Government	6,342,698	5,901,512
	Federal Government	9,734	18,587
	Municipal Government - Property Tax	2,053,989	1,692,552
	- Other	-	-
	Other School Divisions	32,500	25,350
	First Nations	107,464	71,935
	Private Organizations and Individuals	6,479	12,093
	Other Sources	27,962	12,234
	School Generated Funds	316,751	
	Other Special Purpose Funds	-	
		8,897,577	7,734,263
	Expenses		
	Regular Instruction	4,405,767	4,015,004
	Student Support Services	1,226,707	908,429
	Adult Learning Centres	-	-
	Community Education and Services	6,742	10,756
	Divisional Administration	314,618	289,463
	Instructional and Other Support Services	187,438	178,815
	Transportation of Pupils	793,988	708,021
	Operations and Maintenance	840,666	848,422
12	Fiscal - Interest	307,272	196,419
	- Other	117,378	98,651
	Amortization	408,811	
	Other Capital Items	(3,200)	-
	School Generated Funds	301,947	
	Other Special Purpose Funds	-	
		8,908,134	7,253,980
	Current Year Surplus (Deficit)	(10,557)	480,283
	Opening Accumulated Surplus	14,060,496	13,580,213
10	Restatements: Tangible Cap. Assets and Accum. Amort.	(12,153,937)	
10	Other than Tangible Cap. Assets	72,355	0
	Opening Accumulated Surplus, as restated	1,978,914	13,580,213
	Closing Accumulated Surplus	1,968,357	14,060,496

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2007

Current Year Surplus (Deficit)	(10,557)
Amortization of Tangible Capital Assets	408,811
Acquisition of Tangible Capital Assets	(441,888)
(Gain) / Loss on Sale of Tangible Capital Assets	(3,200)
Proceeds on Sale of Tangible Capital Assets	3,200
	(33,077)
Inventories (Increase)/Decrease	(3,404)
Prepaid Expenses (Increase)/Decrease	53,064
	49,660
(Increase)/Decrease in Net Debt	6,026
Net Debt at Beginning of Year	(2,213,563)
Restatements Other than Tangible Cap. Assets	72,355
Net Debt at Beginning of Year as Restated	(2,141,208)
Net Debt at End of Year	(2,135,182)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2007

Operating Transactions	
Current Year Surplus/(Deficit)	(10,557)
Non-Cash Items Included in Current Year Surplus/(Deficit):	
Amortization of Tangible Capital Assets	408,811
(Gain)/Loss on Disposal of Tangible Capital Assets	(3,200)
Employee Future Benefits Increase/(Decrease)	-
Short Term Investments (Increase)/Decrease	-
Due from Other Organizations (Increase)/Decrease	(51,472)
Accounts Receivable & Accrued Income (Increase)/Decrease	(28,705)
Inventories and Prepaid Expenses - (Increase)/Decrease	49,660
Due to Other Organizations Increase/(Decrease)	(94,414)
Accounts Payable & Accrued Liabilities Increase/(Decrease)	107,551
Deferred Revenue Increase/(Decrease)	(81,577)
School Generated Funds Liability Increase/(Decrease)	-
Restatements Other than Tangible Cap. Assets	72,355
Cash Provided by Operating Transactions	368,452
Capital Transactions	
Acquisition of Tangible Capital Assets	(441,888)
Proceeds on Sale of Tangible Capital Assets	3,200
Cash (Applied to)/Provided by Capital Transactions	(438,688)
Investing Transactions	
Other Investments (Increase)/Decrease	-
Cash Provided by (Applied to) Investing Transactions	0
Financing Transactions	
Debenture Debt Increase/(Decrease)	(181,287)
Other Borrowings Increase/(Decrease)	-
Cash Provided by (Applied to) Financing Transactions	(181,287)
Cash and Bank / Overdraft (Increase)/Decrease	(251,523)
Cash and Bank (Overdraft) at Beginning of Year	979,569
Cash and Bank (Overdraft) at End of Year	728,046

Turtle River School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2007

	Buildings and Leasehold Improvements		School	Other	Furniture / Fixtures &	Computer Hardware &		Land	Assets Under	Totals
	School	Non-School	Buses	Vehicles	Equipment	Software *	Land	Improvements	Construction	
Tangible Capital Asset Cost										
Opening Cost, as previously reported	12,877,804	146,234	2,161,581	29,064	869,903	-	-	-	-	16,084,586
Restatements	(4,499,262)	264,958	(718,765)	30,584	(828,764)	66,492	37,325	-	-	(5,647,432)
Opening Cost restated	8,378,542	411,192	1,442,816	59,648	41,139	66,492	37,325	-	-	10,437,154
Add: Additions during the year	155,565	-	250,003	36,320	-	-	-	-	-	441,888
Less: Disposals and write downs	-	-	-	-	-	-	-	-	-	-
Closing Cost	8,534,107	411,192	1,692,819	95,968	41,139	66,492	37,325	-	-	10,879,042
Accumulated Amortization										
Opening, as previously reported	-	-	-	-	-	-	-	-	-	-
Restatements	5,385,290	411,192	634,023	24,011	11,979	40,010	-	-	-	6,506,505
Opening restated	5,385,290	411,192	634,023	24,011	11,979	40,010	-	-	-	6,506,505
Add: Current period Amortization	211,616	-	156,782	15,562	8,228	16,623	-	-		408,811
Less: Accumulated Amortization on Disposals and Writedowns	-	-	-	-	-	-	-	-	-	-
Closing Accumulated Amortization	5,596,906	411,192	790,805	39,573	20,207	56,633	-	-	-	6,915,316
Net Tangible Capital Asset	2,937,201	-	902,014	56,395	20,932	9,859	37,325	-	-	3,963,726
Proceeds from Sale of Capital Assets	-	-	3,200	-	-	-	-			3,200

* Includes network infrastructure.

TURTLE RIVER SCHOOL DIVISION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2007

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. Comparative Figures

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. The 2006 comparative figures have not been restated and are presented in accordance with FRAME, the prescribed method of accounting that the Division followed prior to the 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 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, 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 MAST (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 4.7% to 6.7% (dependant on age) of earnings to the plan. The Division matches this contribution and remits both contributions monthly.

g) Capital Reserve

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

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. As explained in Note 2, the comparative figures included in these financial statements have not been restated to conform to the accounting standards adopted for the current year.

The following changes have been implemented to comply with the PSAB standard:

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

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

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

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

5. Overdraft

The Division has an operating $1,000,000 line of credit with the Royal Bank of Canada by way of overdraft. (By-Law #151) The Division does not receive any 2007 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, 2006	Additions in the period	Revenue recognized in the period	Balance as at June 30, 2007
Municipal Revenue	$1,050,643	$921,770	$1,050,643	$921,770
Eduction Property Tax Credit	217,285	264,581	217,285	264,581
	$ 1,267,928	$ 1,186,351	$ 1,267,928	$ 1,186,351

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 2008 to 2026. Payment of principal and interest is funded entirely by grants from the Province of Manitoba. The debentures carry interest rates that range from 5.125% to 12.125%. Debenture interest expense payable as at June 30, 2007, 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
2008	$ 196,543	$ 201,458	$ 398,001
2009	213,138	184,863	398,001
2010	225,589	166,807	392,396
2011	244,631	147,765	392,396
2012	257,790	127,050	384,840
	$ 1,137,691	$ 827,943	$ 1,965,634

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.

	Gross Amount	Accumulated Amortization	2007 Net Book Value
Owned-tangible capital assets	$ 10,879,042	$ 6,915,316	$ 3,963,726
Capital lease	-	-	-
	$ 10,879,042	$ 6,915,316	$ 3,963,726

9. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2007
Operating Fund	
Designated Surplus	58,535
Undesignated Surplus	329,874
	388,409
Capital Fund	
Reserve Accounts	417,493
Equity in Tangible Capital Assets	1,075,296
	1,492,789
Special Purpose Fund	
School Generated Funds	87,159
Other Special Purpose Funds	-
	87,159
Total Accumulated Surplus	$ 1,968,357

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.

	2007
Board approved appropriation by motion	42,390
School budget carryovers by board policy	16,145
Designated surplus	$ 58,535

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.

	2007
Bus reserves	417,493
Other reserves	-
Capital Reserve	$ 417,493

10. Restatement of Opening Accumulated Surplus

Restatement of Opening Accumulated Surplus is comprised of:

	2007
Operating Fund	
Employee Future Benefits	-
Capital Fund	
Tangible Capital Assets	(5,647,432)
Accumulated Amortization	6,506,505
	(12,153,937)
Special Purpose Fund	
School Generated Funds	72,355
Other Special Purpose Funds	-
	72,355
Total Restatement of Opening Accumulated Surplus	$ (12,081,582)

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

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 2006 tax year and 50% from 2007 tax year. Below are the related revenue and receivable amounts:

	2007	2006
Revenue-Municipal Government-Property Tax	$ 2,053,989	$ 1,692,552
Receivable-Due from Municipal-Property Tax	$ 1,966,264	$ 1,934,598

12. Interest Received and Paid

The Division received interest during the year of $27,962 (previous year $12,234); interest paid during the year was $307,272 (previous year $196,419).

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

		2007
Operating Fund		
Fiscal-short term loan, interest and bank charges	$	-
Capital Fund		
Debenture debt interest		307,272
Other interest		-
	$	307,272

The accrual portion of debenture debt interest expense of $90,558 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 2007		Budget 2007		Actual 2006
Salaries	$	5,535,720	$	5,441,746	$	4,783,649
Employees benefits & allowances		431,231		470,370		356,958
Services		921,802		818,423		996,119
Supplies, materials & minor equipment		724,481		743,965		706,848
Interest		307,272		8,500		196,419
Transfers		162,692		135,100		115,336
Payroll tax		117,378		106,433		98,651
Amortization		408,811		-		-
Other capital items		(3,200)		-		-
School generated funds		301,947		-		-
Other special purpose funds		-		-		-
	$	8,908,134	$	7,724,537	$	7,253,980

WESTERN
School Division
Morden, Manitoba

"Rooted In Caring;
Committed To Learning"

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MANAGEMENT REPORT

Management's Responsibility for the Financial Statements

The accompanying consolidated financial statements of Western School Division are the responsibility of the Division management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants. A summary of the significant accounting policies are described in Note 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 Gislason Targownik Peters, Certified General Accountants, independent external auditors appointed by the Board. The accompanying Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Division's consolidated financial statements.

Chairperson   Secretary-Treasurer

October 5, 2007

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

AUDITORS' REPORT

To the board of trustees
Western School Division

We have audited the Consolidated Statement of Financial Position for the Operating Fund, Capital Fund and Special Fund of Western School Division as at June 30, 2007, and the Consolidated Statements of Revenue, Expenses and Accumulated Surplus and Cash Flow for the year then ended. These financial statements are the responsibility of the organization's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the organization as at June 30, 2007 and the results of operations and cash flow of the organization for the year then ended, in accordance with Canadian generally accepted accounting principles.

The previous report dated October 5, 2007 has been withdrawn and the financial statements have been revised. Management discovered a misstatement in the costs recorded for certain capital assets and a misclassification of certain operating fund expenses. The effect of the correction of the misstatements was an increase in Net Tangible Capital Assets and Capital Fund Equity of $1,579,213 respectively, as well as an increase in the Operating Fund for Divisional Administration expense of $16,879 and a corresponding decrease in Operations and Maintenance expense.

Gislason Targownik Peters

CERTIFIED GENERAL ACCOUNTANTS

Winkler, Manitoba
August 7, 2008

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2007	2006 (see Note 2)
	Financial Assets		
	Cash and Bank	-	-
5	Short Term Investments	744,690	-
	Due from - Provincial Government	351,034	741,104
	- Federal Government	37,519	76,243
	- Municipal Government	2,148,483	1,774,233
	- Other School Divisions	72,911	-
	- First Nations	-	-
	Accounts Receivable	28,865	36,269
	Accrued Investment Income	25,546	-
	Other Investments	-	
		3,409,048	2,627,849
	Liabilities		
6	Overdraft	376,332	2,409,137
	Accounts Payable	389,900	150,784
	Accrued Liabilities	119,661	422,620
	Employee Future Benefits	-	-
	Accrued Interest Payable	165,955	-
	Due to - Provincial Government	-	-
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	158,244	-
	- First Nations	-	-
7	Deferred Revenue	1,802,796	110,105
8	Debenture Debt	4,348,074	4,749,858
9	Other Borrowings	438,172	-
10	School Generated Funds Liability	70,265	
		7,869,399	7,842,504
	Net Debt	(4,460,351)	(5,214,655)
	Non-Financial Assets		
11	Net Tangible Capital Assets (TCA Schedule)	6,194,078	14,117,858
	Inventories	-	-
	Prepaid Expenses	30,270	7,380
		6,224,348	14,125,238
12	**Accumulated Surplus**	1,763,997	8,910,583

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes		2007 Actual	2006 Actual (see Note 2)
	Revenue		
	Provincial Government	9,216,548	8,649,946
	Federal Government	137,242	126,632
	Municipal Government - Property Tax	3,796,742	2,967,524
	- Other	3,200	3,200
	Other School Divisions	16,900	25,350
	First Nations	-	-
	Private Organizations and Individuals	256,298	206,405
	Other Sources	5,670	20,572
	School Generated Funds	44,480	
	Other Special Purpose Funds	-	
		13,477,080	11,999,629
	Expenses		
	Regular Instruction	7,250,619	6,882,562
	Student Support Services	1,329,898	1,191,023
	Adult Learning Centres	325,242	341,173
	Community Education and Services	144,177	231,652
	Divisional Administration	429,379	423,226
	Instructional and Other Support Services	418,514	592,137
	Transportation of Pupils	463,329	419,516
	Operations and Maintenance	1,188,107	1,245,924
14	Fiscal - Interest	619,515	467,335
	- Other	199,687	180,998
	Amortization	471,216	
	Other Capital Items	(1,000)	-
	School Generated Funds	45,573	
	Other Special Purpose Funds	-	
		12,884,255	11,975,546
	Current Year Surplus (Deficit)	592,824	24,083
	Opening Accumulated Surplus	8,910,583	8,886,500
	Restatements: Tangible Cap. Assets and Accum. Amort.	(7,742,903)	
15	Other than Tangible Cap. Assets	3,492	0
	Opening Accumulated Surplus, as restated	1,171,172	8,886,500
	Closing Accumulated Surplus	1,763,997	8,910,583

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2007

Current Year Surplus (Deficit)	592,824
Amortization of Tangible Capital Assets	471,216
Acquisition of Tangible Capital Assets	(290,338)
(Gain) / Loss on Sale of Tangible Capital Assets	(1,000)
Proceeds on Sale of Tangible Capital Assets	1,000
	180,878
Inventories (Increase)/Decrease	-
Prepaid Expenses (Increase)/Decrease	(22,890)
	(22,890)
(Increase)/Decrease in Net Debt	750,812
Net Debt at Beginning of Year	(5,214,655)
Restatements Other than Tangible Cap. Assets	3,492
Net Debt at Beginning of Year as Restated	(5,211,163)
Net Debt at End of Year	(4,460,351)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2007

Operating Transactions	
Current Year Surplus/(Deficit)	592,824
Non-Cash Items Included in Current Year Surplus/(Deficit):	
Amortization of Tangible Capital Assets	471,216
(Gain)/Loss on Disposal of Tangible Capital Assets	(1,000)
Employee Future Benefits Increase/(Decrease)	-
Short Term Investments (Increase)/Decrease	(744,690)
Due from Other Organizations (Increase)/Decrease	(18,367)
Accounts Receivable & Accrued Income (Increase)/Decrease	(18,142)
Inventories and Prepaid Expenses - (Increase)/Decrease	(22,890)
Due to Other Organizations Increase/(Decrease)	158,244
Accounts Payable & Accrued Liabilities Increase/(Decrease)	102,112
Deferred Revenue Increase/(Decrease)	1,692,691
School Generated Funds Liability Increase/(Decrease)	70,265
Restatements Other than Tangible Cap. Assets	3,492
Cash Provided by Operating Transactions	2,285,755
Capital Transactions	
Acquisition of Tangible Capital Assets	(290,338)
Proceeds on Sale of Tangible Capital Assets	1,000
Cash (Applied to)/Provided by Capital Transactions	(289,338)
Investing Transactions	
Other Investments (Increase)/Decrease	-
Cash Provided by (Applied to) Investing Transactions	0
Financing Transactions	
Debenture Debt Increase/(Decrease)	(401,784)
Other Borrowings Increase/(Decrease)	438,172
Cash Provided by (Applied to) Financing Transactions	36,388
Cash and Bank / Overdraft (Increase)/Decrease	2,032,805
Cash and Bank (Overdraft) at Beginning of Year	(2,409,137)
Cash and Bank (Overdraft) at End of Year	(376,332)

Western School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2007

	Buildings and Leasehold Improvements		School	Other	Furniture / Fixtures &	Computer Hardware &		Land	Assets Under	
	School	Non-School	Buses	Vehicles	Equipment	Software *	Land	Improvements	Construction	Totals
Tangible Capital Asset Cost										
Opening Cost, as previously reported	11,392,544	335,488	1,054,032	-	740,340	-	595,454	-	-	14,117,858
Restatements	(528,516)	74,172	-	28,992	(662,593)	279,459	(89,255)	-	9,204	(888,538)
Opening Cost restated	10,864,028	409,660	1,054,032	28,992	77,747	279,459	506,199	-	9,204	13,229,320
Add: Additions during the year	-	-	173,747	-	19,058	-	27,518	-	70,015	290,338
Less: Disposals and write downs	-	-	47,000	-	-	-	-	-	-	47,000
Closing Cost	10,864,028	409,660	1,180,779	28,992	96,805	279,459	533,717	-	79,218	13,472,659
Accumulated Amortization										
Opening, as previously reported	-	-	-	-	-	-	-	-	-	-
Restatements	5,770,881	167,956	718,669	17,243	16,947	162,669	-	-	-	6,854,365
Opening restated	5,770,881	167,956	718,669	17,243	16,947	162,669	-	-	-	6,854,365
Add: Current period Amortization	301,347	13,494	80,340	2,611	17,455	55,969	-	-		471,216
Less: Accumulated Amortization on Disposals and Writedowns	-	-	47,000	-	-	-	-	-	-	47,000
Closing Accumulated Amortization	6,072,228	181,450	752,009	19,854	34,402	218,638	-	-	-	7,278,581
Net Tangible Capital Asset	4,791,800	228,210	428,770	9,138	62,403	60,821	533,717	-	79,218	6,194,078
Proceeds from Sale of Capital Assets	-	-	1,000	-	-	-	-			1,000

* Includes network infrastructure.

WESTERN SCHOOL DIVISION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2007

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. Comparative Figures

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. The 2006 comparative figures have not been restated and are presented in accordance with FRAME, the prescribed method of accounting that the Division followed prior to the 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 controlled by the Division.

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

b) Basis of Accounting

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

c) Fund Accounting

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

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

d) School Generated Funds

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

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

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

e) Tangible Capital Assets

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

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

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

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

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

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

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

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

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

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

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

f) Employee Future Benefits

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

g) Capital Reserve

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

h) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities 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. 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 carrying values, unless otherwise noted.

j) Comparative figures

The comparative figures shown on the financial statements have been prepared by another accounting firm.

4. Conversion to PSAB

Commencing with the 2006/07 fiscal year, the Board has adopted generally accepted accounting principles established by PSAB. As explained in Note 2, the comparative figures included in these financial statements have not been restated to conform to the accounting standards adopted for the current year.

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.

(iii) 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. Short Term Investments

Short term investments consist of guaranteed investment certificates that mature within one year. Short term investments are recorded at the lower of cost or market. As at June 30, 2007, the cost of short term investment was $744,690 (last year $Nil); investment income earned during the year was $25,546 (last year $Nil).

6. Overdraft

The Division has an authorized line of credit with Agassiz Credit Union Limited of $2,800,000 by way of overdrafts and is repayable on demand at prime less 0.5%.

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, 2006	Additions in the period	Revenue recognized in the period	Balance as at June 30, 2007
Manitoba Textbook Bureau	$ 17,257	$ 43,908	$ 36,069	$ 25,096
Education & Property Tax Credit	-	474,987	-	474,987
International Education Tuition	31,950	-	31,950	-
Other	60,408	-	32,839	27,569
Restricted Capital Fund Donation		1,275,144		1,275,144
	$ 109,615	$ 1,794,039	$ 100,858	$ 1,802,796

The Restricted Capital Fund Donation consists of a donation the Division received for the specific purpose of the construction of a building. The donation is externally restricted by the donor for this purpose. The assets corresponding to these funds are a guaranteed investment certificate of $744,690, accrued interest receivable of $25,546 and a savings account of $504,908 for a total of $1,275,145.

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 2010 to 2025. Payment of principal and interest is funded entirely by grants from the Province of Manitoba, except for the debenture debt on self-funded capital projects. The debentures carry interest rates that range from 5.75% to 11.875%. Debenture interest expense payable as at June 30, 2007, 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
2008	$ 440,214	$ 374,982	$ 815,196
2009	482,409	332,787	815,196
2010	528,746	286,450	815,196
2011	381,337	235,558	616,895
2012	373,513	201,216	574,729
	$ 2,206,219	$ 1,430,993	$ 3,637,212

9. Other Borrowings

Other borrowings are debts other than overdrafts or debentures. This includes a loan to purchase property.

	2007	2006
Property loan	$ 438,172	$ -
	$ 438,172	$ -

The property loan has prime less 0.5% interest per annum, due in 2017 and a monthly payment of $4,885 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
2008	$ 34,326	$ 24,300	$ 58,626
2009	36,353	22,273	58,626
2010	38,499	20,127	58,626
2011	40,772	17,854	58,626
2012	43,179	15,447	58,626
	$ 193,129	$ 100,001	$ 293,130

10. School Generated Funds Liability

School Generated Funds Liability includes the non-controlled portion of school generated funds consolidated in the cash and bank balances in the amount of $70,265

11. Net Tangible Capital Assets

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

	Gross Amount	Accumulated Amortization	2007 Net Book Value
Owned-tangible capital assets	$ 13,472,659	$ 7,278,581	$ 6,194,078
	$ 13,472,659	$ 7,278,581	$ 6,194,078

12. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2007
Operating Fund	
Designated Surplus	-
Undesignated Surplus	675,110
	675,110
Capital Fund	
Reserve Accounts	8,839
Equity in Tangible Capital Assets	1,077,649
	1,086,488
Special Purpose Fund	
School Generated Funds	2,399
Other Special Purpose Funds	-
	2,399
Total Accumulated Surplus	$ 1,763,997

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.

	2007
Bus reserves	8,839
Other reserves	-
Capital Reserve	$ 8,839

School Generated Funds and Other Special Purpose Funds are externally restricted moneys 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 is raised over the two calendar (tax) years; 40% from 2006 tax year and 60% from 2007 tax year. Below are the related revenue and receivable amounts:

	2007	2006
Revenue-Municipal Government-Property Tax	$ 3,796,742	$ 2,967,524
Receivable-Due from Municipal-Property Tax	$ 2,148,483	$ 1,774,233

14. Interest Received and Paid

The Division received interest during the year of $9,591 (previous year $Nil); interest paid during the year was $453,561 (previous year $467,336).

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

	2007
Operating Fund	
Fiscal-short term loan, interest and bank charges	$ 32,434
Capital Fund	
Debenture debt interest	579,367
Other interest	7,714
	$ 619,515

The accrual portion of debenture debt interest expense of $165,955 included under the Capital Fund-Debenture debt interest, is offset by an accrual of the debt servicing grant from the Province of Manitoba.

15. Restatement of Opening Accumulated Surplus

Restatement of Opening Accumulated Surplus is comprised of:

	2007
Capital Fund	
Tangible Capital Assets	13,229,320
Accumulated Amortization	6,854,365
	6,374,955
Special Purpose Fund	
School Generated Funds	(3,492)
Other Special Purpose Funds	-
	(3,492)
Total Restatement of Opening Accumulated Surplus	$ 6,371,463

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

16. 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 2007	Budget 2007	Actual 2006
Salaries	$ 8,991,723	$ 8,914,544	$ 8,655,281
Employees benefits & allowances	628,227	641,532	610,081
Services	1,048,371	1,073,186	1,063,388
Supplies, materials & minor equipment	750,762	881,355	841,513
Interest	619,514	433,412	467,335
Payroll tax	199,687	181,903	180,998
Amortization	471,216	-	-
Other capital items	(1,000)	-	-
School generated funds	45,572	-	-
Transfers	130,183	129,300	156,950
	$ 12,884,255	$ 12,255,232	$ 11,975,546

17. Contractual Obligations

The Division has entered into a lease agreement for its Adult Learning Centre premises at $3,333 per month expiring November 2008.

The minimum annual lease payments for the next two years are as follows:

2008	$40,000
2009	$13,333

A sublet agreement has been entered into for a portion of these premises. The sublet pays $1,013 per month to the Division expiring November 2008.

Collins Barrow
Chartered Accountants

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Auditors' Report

To the Chairperson and Trustees
Whiteshell School District

We have audited the Consolidated Statement of Financial Position for the Whiteshell School District as at June 30, 2007, and the Consolidated Statement of Revenue, Expenses, Consolidated Statement of change in Net Debt and Consolidated Statement of Cash Flow for the year ended June 30, 2007. These financial statements are the responsibility of the school district's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In common with many not for profit organizations, certain revenues are not susceptible to satisfactory audit verification for completeness. Accordingly, our verification of revenue for the special purpose fund was limited to the amounts recorded in the District and we were not able to determine whether any adjustments might be necessary to revenue, current year surplus (deficit) and accumulated surplus.

In our opinion, except for the adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of revenue, as described in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the school district as at June 30, 2007 and the results of its operations and its cash flows for the year then ended in accordance with accepted accounting principles for school divisions in Manitoba as set out in notes 3 and 4 to the financial statements.

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

Winnipeg, Canada
August 23, 2007

Collins Barrow
CHARTERED ACCOUNTANTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2007	2006 (see Note)
	Financial Assets		
	Cash and Bank	684,422	555,104
	Short Term Investments	-	-
	Due from - Provincial Government	111,338	142,997
	- Federal Government	9,391	12,858
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
	Accounts Receivable	82	482
	Accrued Investment Income	-	-
	Other Investments	-	
		805,233	711,441
	Liabilities		
	Overdraft	-	-
	Accounts Payable	341,855	344,209
	Accrued Liabilities	-	9,205
	Employee Future Benefits	-	-
	Accrued Interest Payable	9,626	-
	Due to - Provincial Government	-	-
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
*	Deferred Revenue	257,583	197,180
*	Debenture Debt	238,989	289,753
*	Other Borrowings	175,000	200,000
	School Generated Funds Liability	-	
		1,023,053	1,040,347
	Net Debt	(217,820)	(328,906)
	Non-Financial Assets		
*	Net Tangible Capital Assets (TCA Schedule)	1,308,109	3,426,815
	Inventories	-	-
	Prepaid Expenses	-	-
		1,308,109	3,426,815
*	**Accumulated Surplus**	1,090,289	3,097,909

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes		2007 Actual	2006 Actual (see Note)
	Revenue		
	Provincial Government	1,107,151	1,050,926
	Federal Government	-	-
	Municipal Government - Property Tax	1,583,423	1,555,944
	- Other	-	-
	Other School Divisions	47,450	40,300
	First Nations	-	-
	Private Organizations and Individuals	805	6,542
	Other Sources	26,571	12,821
	School Generated Funds	53,463	
	Other Special Purpose Funds	-	
		2,818,863	2,666,533
	Expenses		
	Regular Instruction	1,636,143	1,577,291
	Student Support Services	469,102	340,484
	Adult Learning Centres	-	-
	Community Education and Services	5,000	6,557
	Divisional Administration	107,050	117,078
	Instructional and Other Support Services	43,636	130,178
	Transportation of Pupils	26,847	28,873
	Operations and Maintenance	308,445	317,465
*	Fiscal - Interest	31,474	33,832
	- Other	43,360	38,980
	Amortization	67,471	
	Other Capital Items	-	-
	School Generated Funds	55,095	
	Other Special Purpose Funds	-	
		2,793,623	2,590,738
	Current Year Surplus (Deficit)	25,240	75,795
	Opening Accumulated Surplus	3,097,909	3,022,114
	Restatements: Tangible Cap. Assets and Accum. Amort.	(2,051,235)	
*	Other than Tangible Cap. Assets	18,375	0
	Opening Accumulated Surplus, as restated	1,065,049	3,022,114
	Closing Accumulated Surplus	1,090,289	3,097,909

* NOTE REQUIRED

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2007

Current Year Surplus (Deficit)	25,240
Amortization of Tangible Capital Assets	67,471
Acquisition of Tangible Capital Assets	-
(Gain) / Loss on Sale of Tangible Capital Assets	-
Proceeds on Sale of Tangible Capital Assets	-
	67,471
Inventories (Increase)/Decrease	-
Prepaid Expenses (Increase)/Decrease	-
	0
(Increase)/Decrease in Net Debt	92,711
Net Debt at Beginning of Year	(328,906)
Restatements Other than Tangible Cap. Assets	18,375
Net Debt at Beginning of Year as Restated	(310,531)
Net Debt at End of Year	(217,820)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2007

Operating Transactions	
Current Year Surplus/(Deficit)	25,240
Non-Cash Items Included in Current Year Surplus/(Deficit):	
Amortization of Tangible Capital Assets	67,471
(Gain)/Loss on Disposal of Tangible Capital Assets	-
Employee Future Benefits Increase/(Decrease)	-
Short Term Investments (Increase)/Decrease	-
Due from Other Organizations (Increase)/Decrease	35,126
Accounts Receivable & Accrued Income (Increase)/Decrease	400
Inventories and Prepaid Expenses - (Increase)/Decrease	-
Due to Other Organizations Increase/(Decrease)	-
Accounts Payable & Accrued Liabilities Increase/(Decrease)	(1,933)
Deferred Revenue Increase/(Decrease)	60,403
School Generated Funds Liability Increase/(Decrease)	-
Restatements Other than Tangible Cap. Assets	18,375
Cash Provided by Operating Transactions	205,082
Capital Transactions	
Acquisition of Tangible Capital Assets	-
Proceeds on Sale of Tangible Capital Assets	-
Cash (Applied to)/Provided by Capital Transactions	0
Investing Transactions	
Other Investments (Increase)/Decrease	-
Cash Provided by (Applied to) Investing Transactions	0
Financing Transactions	
Debenture Debt Increase/(Decrease)	(50,764)
Other Borrowings Increase/(Decrease)	(25,000)
Cash Provided by (Applied to) Financing Transactions	(75,764)
Cash and Bank / Overdraft (Increase)/Decrease	129,318
Cash and Bank (Overdraft) at Beginning of Year	555,104
Cash and Bank (Overdraft) at End of Year	684,422

Whiteshell School District

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2007

	Buildings and Leasehold Improvements		School	Other	Furniture / Fixtures &	Computer Hardware &		Land	Assets Under	
	School	Non-School	Buses	Vehicles	Equipment	Software *	Land	Improvements	Construction	Totals
Tangible Capital Asset Cost										
Opening Cost, as previously reported	3,239,378	-	-	-	187,437	-	-	-	-	3,426,815
Restatements	(237,377)	-	-	-	(187,437)	-	15,400	-	-	(409,414)
Opening Cost restated	3,002,001	-	-	-	-	-	15,400	-	-	3,017,401
Add: Additions during the year	-	-	-	-	-	-	-	-	-	-
Less: Disposals and write downs	-	-	-	-	-	-	-	-	-	-
Closing Cost	3,002,001	-	-	-	-	-	15,400	-	-	3,017,401
Accumulated Amortization										
Opening, as previously reported	-	-	-	-	-	-	-	-	-	-
Restatements	1,641,821	-	-	-	-	-	-	-	-	1,641,821
Opening restated	1,641,821	-	-	-	-	-	-	-	-	1,641,821
Add: Current period Amortization	67,471	-	-	-	-	-	-	-		67,471
Less: Accumulated Amortization on Disposals and Writedowns	-	-	-	-	-	-	-	-	-	-
Closing Accumulated Amortization	1,709,292	-	-	-	-	-	-	-	-	1,709,292
Net Tangible Capital Asset	1,292,709	-	-	-	-	-	15,400	-	-	1,308,109
Proceeds from Sale of Capital Assets	-	-	-	-	-	-	-			-

* Includes network infrastructure.

WHITESHELL SCHOOL DISTRICT
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2007

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

The School District (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 (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. **Comparative Figures**

The District 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. The 2006 comparative figures have not been restated and are presented in accordance with FRAME, the prescribed method of accounting that the District followed prior to the 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 District.

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

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.

3. **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 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 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 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.

3. **Significant Accounting Policies - Continued**

e) **Tangible Capital Assets - continued**

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

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

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

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

f) **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.

g) **Capital Reserve**

Certain amounts, as approved by the Board of Trustees and the Public Schools Finance Board (PSFB), may 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 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, accounts payable, accrued interest payable, deferred revenue 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.

4. Conversion to PSAB

Commencing with the 2006/07 fiscal year, the Board has adopted generally accepted accounting principles established by PSAB. As explained in Note 2, the comparative figures included in these financial statements have not been restated to conform to the accounting standards adopted for the current year.

The following changes have been implemented to comply with the PSAB standard:

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

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

ii. The Employee Future Benefits Liability was established to account for the District's commitment to pay vested future benefits to its employees when the accruals can be determined with a reasonable degree of certainty or when their estimation is practicable. The District applied this principal in prior years and consequently had no adjustment for the opening balances in the current year.

iii. 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 District has an authorized line of credit with The South Interlake Credit Union Limited of $250,000 by way of overdrafts and is repayable on demand at prime plus .50%; interest is paid monthly. $250,000 remains available on this line of credit. Overdrafts are secured by a temporary borrowing by-law.

6. Deferred Revenue

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

7. Debenture Debt

The debenture debt of the District is in the form of one ten-year debenture payable, principal and interest, in ten equal yearly installments and maturing June 15, 2011. Payment of principal and interest is funded entirely by grants from the Province of Manitoba. The debenture carries interest at 6.625% . Debenture interest expense payable as at June 30, 2007, is accrued and recorded in Accrued Interest Payable, and is funded by the Operating Fund as an annual transfer. The debenture principal and interest repayments in the next four years are:

	Principal	Interest	Total
2008	$ 54,127	$ 15,833	$ 69,960
2009	57,713	12,247	69,690
2010	61,537	8,423	69,690
2011	65,613	4,347	69,690
	$238,990	$ 40,850	$278,760

8. Other Borrowings

Other borrowings are debts other than overdrafts or debentures. This includes loans to finance a boiler replacement project.

The loan bears interest at 6.50% per annum, due in 2013 and an annual payment of $25,000 principal plus interest. This loan is secured by way of a borrowing By-law.

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

	Principal	Interest	Total
2008	$ 25,000	$ 11,375	$ 36,375
2009	25,000	9,750	34,750
2010	25,000	8,125	33,125
2011	25,000	6,500	31,500
2012	25,000	4,875	29,875
	$ 125,000	$ 40,625	$ 165,625

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	2007 Net Book Value
Owned-tangible capital assets	$3,017,401	$1,709,292	$1,308,109
Capital lease	-	-	-
	$3,017,401	$1,709,292	$1,308,109

10. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2007	2006
Operating Fund		
Designated Surplus	$ 0	$ 0
Undesignated Surplus	189,000	169,998
	189,000	169,998
Capital Fund		
Reserve Accounts	0	0
Equity in Tangible Capital Assets	884,546	2,927,911
	884,546	2,927,911
Special Purpose Fund		
School Generated Funds	16,743	
Other Special Purpose Funds	0	
	16,743	-
Total Accumulated Surplus	$1,090,289	$3,097,909

10. 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.

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. Restatement of Opening Accumulated Surplus

Restatement of Opening Accumulated Surplus is comprised of:

	2007
Operating Fund	
Employee Future Benefits	$ -
Capital Fund	
Tangible Capital Assets	(409,414)
Accumulated Amortization	(1,641,821)
	(2,051,235)
Special Purpose Fund	
School Generated Funds	18,375
Other Special Purpose Funds	0
	18,375
Total Restatement of Operating Accumulated Surplus	$(2,032,860)

Restatements of the above accounts are prior period cumulative adjustments to the opening balance of the accumulated surplus of the current period. These adjustments are the result of adopting PSAB standards.

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 students resident in the District. The Municipal Government-Property Tax shown on the consolidated revenue and expense is raised over the two calendar (tax) years; 44% from 2006 tax year and 56% from 2007 tax year. Below are the related revenue and receivable amounts:

	2007	2006
Revenue-Municipal Government-Property Tax	$1,583,423	$1,555,944
Receivable-Due from Municipal-Property Tax	$ 0	$ 0

13. Interest Received and Paid

The District received interest during the year of $22,108 (previous year $12,289); interest paid during the year was $31,474 (previous year $33,832).

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

	2007	2006
Operating Fund		
Fiscal-short term loan, interest and bank charges	$ 85	$ 42
Capital Fund		
Debenture debt interest	19,847	22,350
Other interest	11,542	11,440
	$ 31,474	$ 33,832

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 2007	Budget 2007	Actual 2006
Salaries	$1,977,993	$1,942,610	$1,878,176
Employees benefits and allowances	131,155	113,284	125,759
Services	366,051	377,673	373,678
Supplies, materials and minor equipment	117,278	111,013	133,014
Interest	31,474	0	33,832
Bad debts	-	-	-
Payroll tax	43,360	16,000	38,980
Transfers	3,746	109,000	7,299
Amortization	67,471		
Loss (Gain) and disposal of capital assets	0		
School generated funds	55,095		
Other special purpose funds	0		
	$2,793,623	$2,669,580	$2,590,738

15. Budget Figures and Non Financial Information

The 2007 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 The Winnipeg 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 KPMG LLP independent external auditors appointed by the Board. The accompanying Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Division's consolidated financial statements.

Chairperson

Secretary-Treasurer

September 14, 2007

KPMG LLP
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AUDITORS' REPORT TO THE BOARD OF TRUSTEES

We have audited the consolidated statement of financial position of The Winnipeg School Division as at June 30, 2007 and the consolidated statements of revenues, expenses and accumulated surplus, changes in net debt and cash flows for the year then ended. These financial statements have been prepared to comply with the Public Schools Act. These financial statements are the responsibility of the Division's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Division as at June 30, 2007 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

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 the 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. Budgeted figures provided for information purposes are unaudited.

KPMG LLP

Chartered Accountants

Winnipeg, Canada

September 14, 2007

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2007	2006 (see Note)
	Financial Assets		
	Cash and Bank	-	-
(6)	Short Term Investments	2,305,005	2,274,363
	Due from - Provincial Government	8,964,509	5,240,801
	- Federal Government	1,038,491	686,635
	- Municipal Government	64,570,962	65,567,300
	- Other School Divisions	1,104,663	2,179,778
	- First Nations	925,907	926,609
	Accounts Receivable	1,352,674	1,295,870
	Accrued Investment Income	7,525	-
	Other Investments	3,112,585	
		83,382,321	78,171,356
	Liabilities		
(5)	Overdraft	15,013,469	14,842,967
	Accounts Payable	5,472,523	6,228,833
	Accrued Liabilities	8,771,860	9,210,955
(7)	Employee Future Benefits	3,551,483	-
	Accrued Interest Payable	2,606,214	-
	Due to - Provincial Government	2,808,803	2,727,766
	- Federal Government	13,552,847	13,565,904
	- Municipal Government	-	-
	- Other School Divisions	437,882	414,453
	- First Nations	-	-
(8)	Deferred Revenue	9,843,161	7,275,782
(10)	Debenture Debt	78,062,285	81,815,444
	Other Borrowings	-	-
	School Generated Funds Liability	1,946,196	
		142,066,723	136,082,104
	Net Debt	(58,684,402)	(57,910,748)
	Non-Financial Assets		
(3)	Net Tangible Capital Assets (TCA Schedule)	108,175,174	253,411,166
	Inventories	1,062,198	778,592
	Prepaid Expenses	614,718	692,796
		109,852,090	254,882,554
	Accumulated Surplus	51,167,688	196,971,806

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes		2007 Actual	2006 Actual (see Note)
	Revenue		
	Provincial Government	193,183,943	181,882,542
	Federal Government	9,822	16,625
	Municipal Government - Property Tax	107,087,925	106,841,426
	- Other	435,652	520,009
	Other School Divisions	2,183,800	2,166,143
	First Nations	2,491,990	2,369,748
	Private Organizations and Individuals	967,011	1,046,964
	Other Sources	1,634,521	2,366,445
	School Generated Funds	1,340,103	
	Other Special Purpose Funds	204,800	
		309,539,567	297,209,902
	Expenses		
	Regular Instruction	156,824,627	151,428,229
	Student Support Services	62,543,656	55,968,091
	Adult Learning Centres	266,203	275,000
	Community Education and Services	6,591,406	5,964,285
	Divisional Administration	7,866,218	7,706,243
	Instructional and Other Support Services	9,418,735	13,525,850
	Transportation of Pupils	4,044,924	3,911,560
	Operations and Maintenance	39,713,263	38,502,140
	Fiscal - Interest	9,012,066	6,779,965
	- Other	4,946,213	4,732,422
	Amortization	5,152,459	
	Other Capital Items	-	31,330
	School Generated Funds	1,324,650	
	Other Special Purpose Funds	239,497	
		307,943,917	288,825,115
	Current Year Surplus (Deficit)	1,595,650	8,384,787
	Opening Accumulated Surplus	196,971,806	188,587,019
(4)	Restatements: Tangible Cap. Assets and Accum. Amort.	(148,153,250)	
(4)	Other than Tangible Cap. Assets	753,482	0
	Opening Accumulated Surplus, as restated	49,572,038	188,587,019
	Closing Accumulated Surplus	51,167,688	196,971,806

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2007

Current Year Surplus (Deficit)	1,595,650
Amortization of Tangible Capital Assets	5,152,459
Acquisition of Tangible Capital Assets	(8,069,717)
(Gain) / Loss on Sale of Tangible Capital Assets	-
Proceeds on Sale of Tangible Capital Assets	-
	(2,917,258)
Inventories (Increase)/Decrease	(283,606)
Prepaid Expenses (Increase)/Decrease	78,078
	(205,528)
(Increase)/Decrease in Net Debt	(1,527,136)
Net Debt at Beginning of Year	(57,910,748)
Restatements Other than Tangible Cap. Assets	753,482
Net Debt at Beginning of Year as Restated	(57,157,266)
Net Debt at End of Year	(58,684,402)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2007

Operating Transactions	
Current Year Surplus/(Deficit)	1,595,650
Non-Cash Items Included in Current Year Surplus/(Deficit):	
Amortization of Tangible Capital Assets	5,152,459
(Gain)/Loss on Disposal of Tangible Capital Assets	-
Employee Future Benefits Increase/(Decrease)	3,551,483
Short Term Investments (Increase)/Decrease	(30,642)
Due from Other Organizations (Increase)/Decrease	(2,003,409)
Accounts Receivable & Accrued Income (Increase)/Decrease	(64,329)
Inventories and Prepaid Expenses - (Increase)/Decrease	(205,528)
Due to Other Organizations Increase/(Decrease)	91,409
Accounts Payable & Accrued Liabilities Increase/(Decrease)	1,410,809
Deferred Revenue Increase/(Decrease)	2,567,379
School Generated Funds Liability Increase/(Decrease)	1,946,196
Restatements Other than Tangible Cap. Assets	753,482
Cash Provided by Operating Transactions	14,764,959
Capital Transactions	
Acquisition of Tangible Capital Assets	(8,069,717)
Proceeds on Sale of Tangible Capital Assets	-
Cash (Applied to)/Provided by Capital Transactions	(8,069,717)
Investing Transactions	
Other Investments (Increase)/Decrease	(3,112,585)
Cash Provided by (Applied to) Investing Transactions	(3,112,585)
Financing Transactions	
Debenture Debt Increase/(Decrease)	(3,753,159)
Other Borrowings Increase/(Decrease)	-
Cash Provided by (Applied to) Financing Transactions	(3,753,159)
Cash and Bank / Overdraft (Increase)/Decrease	(170,502)
Cash and Bank (Overdraft) at Beginning of Year	(14,842,967)
Cash and Bank (Overdraft) at End of Year	(15,013,469)

Winnipeg School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2007

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	Totals
	School	Non-School								
Tangible Capital Asset Cost										
Opening Cost, as previously reported	220,175,855	3,137,701	5,582,649	227,337	6,752,512	-	17,535,112	-	-	253,411,166
Restatements	(54,582,184)	1,382,837	(1,725,199)	31,328	(3,813,037)	603,446			564,351	(57,538,458)
Opening Cost restated	165,593,671	4,520,538	3,857,450	258,665	2,939,475	603,446	17,535,112	-	564,351	195,872,708
Add: Additions during the year	5,509,927	4,577	1,652,599	62,654	416,854	128,457	70,386	251,598	(27,335)	8,069,717
Less: Disposals and write downs	-	-	-	-	-	-	-	-		-
Closing Cost	171,103,598	4,525,115	5,510,049	321,319	3,356,329	731,903	17,605,498	251,598	537,016	203,942,425
Accumulated Amortization										
Opening, as previously reported	-	-	-	-	-	-	-	-	-	-
Restatements	83,771,312	2,866,215	2,536,306	129,091	1,007,731	304,137	-	-		90,614,792
Opening restated	83,771,312	2,866,215	2,536,306	129,091	1,007,731	304,137	-	-	-	90,614,792
Add: Current period Amortization	4,062,402	79,162	468,375	57,998	382,309	89,633	-	12,580		5,152,459
Less: Accumulated Amortization on Disposals and Writedowns	-	-	-	-	-	-	-	-	-	-
Closing Accumulated Amortization	87,833,714	2,945,377	3,004,681	187,089	1,390,040	393,770	-	12,580	-	95,767,251
Net Tangible Capital Asset	83,269,884	1,579,738	2,505,368	134,230	1,966,289	338,133	17,605,498	239,018	537,016	108,175,174
Proceeds from Sale of Capital Assets	-	-	-	-	-	-	-			-

* 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. Comparative figures:

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). The standards have been applied retroactively with a cumulative adjustment to the opening accumulated surplus presented as a restatement on the consolidated statements of revenue, expenses and accumulated surplus. The 2006 figures have not been restated and are presented in accordance with FRAME, the prescribed method of accounting that the Division followed prior to the implementation of PSAB. Changes implemented to comply with PSAB standards are listed in note 4.

3. 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, 2006 were $575,404 (2005 - $554,950).

School scholarship funds:

Certain schools in the Division administer trust funds for the specific purpose of awarding scholarships to students. As at June 30, 2007 funds on hand in these schools for this purpose totaled $151,886 (2006 - $173,403).

3. Significant accounting principles (continued).

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 $751,655 have not been included in these consolidated financial statements.

(c) Basis of accounting:

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.

(f) Tangible capital assets:

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

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

Asset description	Capitalization threshold	Estimated useful life (years)
Land improvements	$ 25,000	10
Buildings - bricks, mortar and steel	25,000	40
Building - wood frame	25,000	25
Network infrastructure	25,000	10
Leasehold improvements	25,000	Over term of the lease
School buses	20,000	10
Vehicles	10,000	5
Computer software	10,000	4
Equipment	5,000	5
Computer hardware, services and peripherals	5,000	4
Furniture and fixtures	5,000	10

With the exception of buildings, all tangible capital assets are recorded at historical cost.

3. Significant accounting principles (continued).

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.

(g) Employee future benefits:

The Division provides a contributory defined benefit pension plan and Disability Income Plan (benefit plans) and other negotiated future benefits to employees. The costs of the Division's benefit plans are recognized over the period in which the related employees render their service. The Division adopted the following PSAB reporting standards with respect to accounting for these employee future benefits:

(i) Benefit plans:

A discount rate is used to measure benefit obligations. The expected return on pension plan assets is calculated on the fair value of the assets as of the year end date.

These costs are actuarially determined using the accrued benefit actuarial cost method with salary projection and management's best estimate of expected plan investment performance, salary escalation and retirement ages of employees.

Current service costs and interest costs on the benefit obligation are charged to income as they accrue. Actuarial gains and losses are amortized to the liability or asset and the related expenditure over the expected average remaining service life of active plan members.

The cost of the benefit plan amendments related to prior period employee services is accounted for in the period of the plan amendment.

(ii) Other future benefits.

Other future benefits are currently under-written on an experience-rated non-refundable basis. Should the rates established be inadequate or excessive, any deficit or surplus which develops in the account is absorbed by the insurer.

(h) Capital reserve:

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

(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.

3. Significant accounting principles (continued).

(j) Investment income:

Investment income is reported as revenue in the period earned.

(k) Use of estimates:

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

4. Conversion to PSAB:

Commencing with the 2006/07 fiscal year, school divisions in Manitoba have adopted generally accepted accounting principles established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. As explained in note 2 the comparative figures included in these financial statements have not been restated to conform to the accounting standards adopted for the current year.

The following changes have been implemented to comply with the PSAB standards:

(i) The net book value of tangible capital assets at the beginning of the fiscal year has been recalculated as if these assets had been amortized over their useful lives. The difference between this value and the previously reported book value is recorded as a cumulative adjustment to opening accumulated surplus. Amortization of tangible capital assets and gain or loss on disposal of capital assets for the current fiscal year is recorded in the statement of revenue, expenses and accumulated surplus. As a result, opening accumulated surplus has been restated and reduced by $148,153,250.

(ii) The Operating Fund, Capital Fund and Special Purpose Fund have been combined in the consolidated financial statements. The Special Purpose Fund was created to consolidate on a prospective basis the Children's Heritage Fund and school generated funds (note 9), controlled by the Division. As a result, opening accumulated surplus has been restated and increased by $4,275,869.

(iii) The liability for employee future benefits at the beginning of the fiscal year has been actuarially determined and recorded as a cumulative adjustment to the opening accumulated surplus as if the related transactions had been recorded from their origin. Employee future benefits expense for the current fiscal year is recorded in the consolidated statement of revenue, expense and accumulated surplus. As a result, opening accumulated surplus has been restated and decreased by $3,443,100.

(iv) In the current fiscal year, accrued interest payable was established to accrue 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.

5. Overdraft:

The Division has an authorized overdraft limit with a chartered bank of $55,000,000. As at June 30, 2007 $15,000,000 of the authorized overdraft has been utilized in the form of fixed rate promissory notes, bearing interest at rates ranging from 4.98 percent to 5.01 percent, due July 2007.

5. Overdraft (continued):

Included in the overdraft are capital projects totaling approximately $472,675 which will be submitted to PSFB for debenture funding. Overdrafts are secured by borrowing By-Law No. 1141.

6. Short-term investments:

Short-term investments consist of Federal, Provincial and Corporate bonds and debentures, mortgage backed securities, and equity investments. All short-term investments are recorded at the lower of cost or market. As at June 30, 2007, the cost of short-term investments was $2,305,005 (2006 - $2,195,076, net of PSAB related adjustments of $79,287); investment income earned during the year was $109,991 (2006 - $51,460).

7. Employee future benefits:

The Division sponsors a contributory defined benefit pension plan and other future benefits for certain employees.

(i) Benefit plans:

Employees eligible for the pension plan are required to contribute a percentage of earnings in accordance with the following schedule:

Year	Pensionable salary	Excess pensionable salary
2006	5.50%	7.00%
2007	6.00%	7.40%
2008	6.50%	7.80%
2009	7.00%	8.20%

The School Division is required to contribute an amount each year equal to 127.4 percent of employees' required pension contributions.

The benefit plans are actuarially valued every two years. The most recent actuarial report was prepared on December 31, 2006.

Information about the Division's benefit plans in aggregate, is as follows:

Benefit plan assets:	
Fair value, beginning of year	$ 231,935,530
Expected return	14,378,818
Actuarial investment gain/(loss)	(3,593,274)
Employer contributions	4,215,430
Employee contributions	3,308,815
Benefits paid	(11,963,925)
Fair value, end of year	$ 238,281,394

7. Employee future benefits (continued):

Accrued benefit plan obligations:	
Balance, beginning of year	$ 199,315,982
Current service costs	8,659,136
Interest costs	13,297,262
Benefits paid	(11,963,925)
Actuarial gain/loss	11,346,699
Balance, end of year	$ 220,655,154
Surplus of plan assets versus plan obligations	$ 17,626,240

Unamortized net actuarial gain/loss	$ 14,939,973
Benefit plan surplus	17,626,240
Less: valuation allowance	(32,566,213)
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.

The total net cost for the Division's benefit plans is as follows:

Net defined benefit plan's costs:	
Current service cost less employee contributions	$ 5,350,321
Interest on plan obligations	13,297,262
Expected return on plan assets	(14,378,818)
Amortization of actuarial (gains) and losses	–
Valuation allowance increase (decrease)	(53,335)
Net defined benefit plans cost	$ 4,215,430

The significant actuarial assumptions adopted in measuring the Division's accrued benefit obligations are as follows:

Discount rate	6.00%
Rate of compensation increase	4.00%

The significant actuarial assumptions adopted in measuring the Division's pension cost are as follows:

Discount rate	6.00%
Expected long-term rate of return on plan assets	6.00%
Rate of compensation increase	4.00%

7. Employee future benefits (continued):

The benefit plan assets are held in trust and are invested as follows:

Equities	51%
Bonds	45%
Cash and cash equivalents	4%

(ii) Other future benefits:

The Division promotes 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, 2007, the Division has recorded an estimated liability of $3,551,483 in respect of these benefits.

8. Deferred revenue:

	Balance as at June 30, 2006	Additions in the period	Revenue recognized in the period	Balance as at June 30, 2007
Educational property tax credit	$ 6,637,780	$ 8,654,617	$ 6,637,780	$ 8,654,617
Manitoba Textbook Bureau	202,535	903,402	783,670	322,267
Other special purpose funds	435,467	1,034,807	603,997	866,277
	$ 7,275,782	$ 10,592,826	$ 8,025,447	$ 9,843,161

9. 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, 2007, school funds held totaled $2,270,755.

The school generated funds liability of $1,946,196 comprises the portion of school generated funds that are not controlled and included in the cash and bank balances noted above.

10. Debenture debt:

The debenture debt of the Division is in the form of twenty-year debentures payable, principal and interest, in twenty equal yearly installments and maturing at various dates from 2008 to 2027. Payment of principal and interest is funded entirely by grants from the Province of Manitoba. The debentures carry interest rates that range from 5.5 percent to 12.25 percent. The debenture principal and interest repayments in the next five years and thereafter are:

	Principal	Interest	Total
2008	$ 7,511,851	$ 5,684,282	$ 13,196,133
2009	6,553,416	4,990,490	11,543,906
2010	6,106,789	4,413,870	10,520,659
2011	5,714,899	3,896,943	9,611,842
2012	5,459,988	3,432,304	8,892,292
Thereafter	46,715,342	17,417,061	64,132,403
	$ 78,062,285	$ 39,834,950	$ 117,897,235

As June 30, 2007, the Division has submitted claims for capital projects to the Public Schools Finance Board totaling $472,675 (2006 - $846,397).

11. Net tangible capital assets:

The schedule of tangible capital assets (TCA), page 23 of the consolidated financial statements provides a breakdown of cost, accumulated amortization and net book value by class

	Gross amount	Accumulated amortization	Net book value
Tangible capital assets	$ 203,942,425	$ 95,767,251	$ 108,175,174

12. Expenditures by type:

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

13. Contractual obligations:

The Division is committed to payments under operating leases for equipment and buildings through 2011 in the amount of $3,577,657. Annual payments are; 2008 - $1,426,161; 2009 - $1,266,526; 2010 - $635,749; and 2011 - $249,221.

14. Special levy raised for la Division Scolaire Franco-Manitobaine:

In accordance with Section 190.1 of *The Public Schools Act* the Division is required to collect a special levy on behalf la Division Scolaire Franco-Manitobaine. As at June 30, 2007, the amount of this special levy was $714,185 (2006 - $633,760). These amounts are not included in the Division's consolidated financial statements.

MANAGEMENT REPORT

Management's Responsibility for the Financial Statements

The accompanying consolidated financial statements of Winnipeg Technical College are the responsibility of the College management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants. *(except for ……..any qualification per auditors' report……..).* 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. College management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

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

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

____________________	______________________
Chairperson	Secretary-Treasurer

October xx, 200x
(Same date as Auditors' Report)

Grant Thornton

Grant Thornton LLP
Chartered Accountants
Management Consultants

Auditors' Report

To the Chair and Members of the Governing Board of
Winnipeg Technical College

We have audited the consolidated statements of financial position of **Winnipeg Technical College** as at June 30, 2007 and the consolidated statements of revenues, expenses and accumulated surplus change in net debt and cash flow, for the year ended. These financial statements are the responsibility of the College's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements fairly, in all material respects, the financial position of the College as at June 30, 2007 and the results of its operations and changes in its financial position for the year then ended in accordance with the generally accepted accounting principals as established by the Public Sector Accounting Board.

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 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.

The comparative figures, as described in Note 2, have not been restated and are presented in accordance with Financial Reporting and Accounting in Manitoba Education, the prescribed method of accounting that was followed prior to the implementation of generally accepted accounting principals as established by the Public Sector Accounting Board (PSAB).

Grant Thornton LLP

Winnipeg, Canada
October 19, 2007

Chartered Accountants

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2007	2006 (see Note 2)
	Financial Assets		
	Cash and Bank	1,277,602	480,173
	Short Term Investments	-	-
	Due from - Provincial Government	292,328	363,060
	- Federal Government	28,669	36,167
	- Municipal Government	-	-
	- Other School Divisions	78,053	232,215
	- First Nations	-	-
	Accounts Receivable	101,352	127,387
	Accrued Investment Income	-	-
	Other Investments	-	
		1,778,004	1,239,002
	Liabilities		
	Overdraft	-	-
	Accounts Payable	139,958	169,651
	Accrued Liabilities	11,426	504,797
6	Employee Future Benefits	481,308	-
	Accrued Interest Payable	27,722	-
	Due to - Provincial Government	-	6,119
	- Federal Government	4,603	4,363
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
	Deferred Revenue	306,081	254,724
7	Debenture Debt	1,672,707	1,718,933
	Other Borrowings	37,683	38,667
	School Generated Funds Liability	-	
		2,681,488	2,697,254
	Net Debt	(903,484)	(1,458,252)
	Non-Financial Assets		
8	Net Tangible Capital Assets (TCA Schedule)	6,181,654	12,619,377
	Inventories	-	-
	Prepaid Expenses	64,659	55,893
		6,246,313	12,675,270
9	**Accumulated Surplus**	5,342,829	11,217,018

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes			2007 Actual	2006 Actual (see Note 2)
	Revenue			
	Provincial Government		6,404,311	6,941,162
	Federal Government		-	-
	Municipal Government	- Property Tax	-	-
		- Other	-	-
	Other School Divisions		1,765,522	1,670,687
	First Nations		25,000	60,736
	Private Organizations and Individuals		2,947,899	2,721,645
	Other Sources		175,935	134,008
	School Generated Funds		-	
	Other Special Purpose Funds		5,107	
			11,323,774	11,528,238
	Expenses			
	Regular Instruction		4,763,269	4,647,087
	Student Support Services		700,867	159,639
	Adult Learning Centres		1,943,490	2,666,887
	Community Education and Services		1,053,631	1,200,393
	Divisional Administration		701,923	698,294
	Instructional and Other Support Services		251,213	765,566
	Transportation of Pupils		-	-
	Operations and Maintenance		940,522	949,061
*	Fiscal	- Interest	133,721	142,495
		- Other	101,998	109,619
	Amortization		270,340	
	Other Capital Items		-	-
	School Generated Funds		-	
	Other Special Purpose Funds		5,056	
			10,866,030	11,339,041
	Current Year Surplus (Deficit)		457,744	189,197
	Opening Accumulated Surplus		11,217,018	11,027,821
	Restatements:	Tangible Cap. Assets and Accum. Amort.	(6,337,554)	
*		Other than Tangible Cap. Assets	5,621	0
	Opening Accumulated Surplus, as restated		4,885,085	11,027,821
	Closing Accumulated Surplus		5,342,829	11,217,018

* NOTE REQUIRED

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2007

Current Year Surplus (Deficit)	457,744
Amortization of Tangible Capital Assets	270,340
Acquisition of Tangible Capital Assets	(170,171)
(Gain) / Loss on Sale of Tangible Capital Assets	-
Proceeds on Sale of Tangible Capital Assets	-
	100,169
Inventories (Increase)/Decrease	-
Prepaid Expenses (Increase)/Decrease	(8,766)
	(8,766)
(Increase)/Decrease in Net Debt	549,147
Net Debt at Beginning of Year	(1,458,252)
Restatements Other than Tangible Cap. Assets	5,621
Net Debt at Beginning of Year as Restated	(1,452,631)
Net Debt at End of Year	(903,484)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2007

Operating Transactions	
Current Year Surplus/(Deficit)	457,744
Non-Cash Items Included in Current Year Surplus/(Deficit):	
Amortization of Tangible Capital Assets	270,340
(Gain)/Loss on Disposal of Tangible Capital Assets	-
Employee Future Benefits Increase/(Decrease)	481,308
Short Term Investments (Increase)/Decrease	-
Due from Other Organizations (Increase)/Decrease	232,392
Accounts Receivable & Accrued Income (Increase)/Decrease	26,035
Inventories and Prepaid Expenses - (Increase)/Decrease	(8,766)
Due to Other Organizations Increase/(Decrease)	(5,879)
Accounts Payable & Accrued Liabilities Increase/(Decrease)	(495,342)
Deferred Revenue Increase/(Decrease)	51,357
School Generated Funds Liability Increase/(Decrease)	-
Restatements Other than Tangible Cap. Assets	5,621
Cash Provided by Operating Transactions	1,014,810
Capital Transactions	
Acquisition of Tangible Capital Assets	(170,171)
Proceeds on Sale of Tangible Capital Assets	-
Cash (Applied to)/Provided by Capital Transactions	(170,171)
Investing Transactions	
Other Investments (Increase)/Decrease	-
Cash Provided by (Applied to) Investing Transactions	0
Financing Transactions	
Debenture Debt Increase/(Decrease)	(46,226)
Other Borrowings Increase/(Decrease)	(984)
Cash Provided by (Applied to) Financing Transactions	(47,210)
Cash and Bank / Overdraft (Increase)/Decrease	797,429
Cash and Bank (Overdraft) at Beginning of Year	480,173
Cash and Bank (Overdraft) at End of Year	1,277,602

Winnipeg Technical College

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2007

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	Totals
	School	Non-School								
Tangible Capital Asset Cost										
Opening Cost, as previously reported	8,849,258	-	-	-	2,855,775	-	914,344	-	-	12,619,377
Restatements	443,545	-	-	-	(2,744,304)		(15,034)	-	5,650	(2,310,143)
Opening Cost restated	9,292,803	-	-	-	111,471	-	899,310	-	5,650	10,309,234
Add: Additions during the year	83,653	-	-	-	61,273	25,245	-	-	-	170,171
Less: Disposals and write downs	-	-	-	-	-	-	-	-		-
Closing Cost	9,376,456	-	-	-	172,744	25,245	899,310	-	5,650	10,479,405
Accumulated Amortization										
Opening, as previously reported	-	-	-	-	-	-	-	-	-	-
Restatements	3,956,149	-	-	-	57,708	7,904	-	-	5,650	4,027,411
Opening restated	3,956,149	-	-	-	57,708	7,904	-	-	5,650	4,027,411
Add: Current period Amortization	239,584	-	-	-	24,445	6,311	-	-		270,340
Less: Accumulated Amortization on Disposals and Writedowns	-	-	-	-	-	-	-	-	-	-
Closing Accumulated Amortization	4,195,733	-	-	-	82,153	14,215	-	-	5,650	4,297,751
Net Tangible Capital Asset	5,180,723	-	-	-	90,591	11,030	899,310	-	-	6,181,654
Proceeds from Sale of Capital Assets	-	-	-	-	-	-	-			-

* Includes network infrastructure.

1. Nature of Organization and Economic Dependence

The Winnipeg Technical College is a public body that provides vocational training to adults and secondary students. The division is funded primarily through a five year agreement with the Province of Manitoba and the Pembina Trails School Division which details operational requirements of the College. The Pembina Trails School Division contributed $866,100 to the partnership relationship recorded in ‘Other School Division Revenue’ on page 10: Operating Fund – Revenue Detail.

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

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

2. Comparative Figures

The College 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. The 2006 comparative figures have not been restated and are presented in accordance with FRAME, the prescribed method of accounting that the College followed prior to the 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 College. The College reporting entity includes funds associated with the SWTC Scholarship/ Trust Fund controlled by the College.

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

b) Basis of Accounting

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

c) Fund Accounting

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

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

d) School Generated Funds

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

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

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

e) Tangible Capital Assets

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

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

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

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

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

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

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

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

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

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

f) Employee Future Benefits

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

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

(i) Defined contribution/ insured benefit plans

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

(ii) Vacation Days

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

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

(iii) Accumulated Sick Days

The College offers sick leave to its employees which do not vest, but accumulate for use by the employee beyond the current period. The College concurs with the Province of Manitoba that the liability for accumulated sick days would not be material, therefore a liability has not been recorded for this benefit.

g) Use of Estimates

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

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 College is exposed to credit risk from the potential non-payment of accounts receivable. However, the majority of the receivables are from local, provincial and federal governments, and therefore, the credit risk is minimal. The carrying amounts of the financial instruments approximate their carrying values, unless otherwise noted.

4. Conversion to PSAB

Commencing with the 2006/07 fiscal year, the Board has adopted generally accepted accounting principles established by PSAB. As explained in Note 2, the comparative figures included in these financial statements have not been restated to conform to the accounting standards adopted for the current year.

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) 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 College has an authorized demand facility with the Royal Bank of Canada of $ 625,000 by way of overdraft and loan and is repayable on demand at RB Prime less .75 % (interest is paid monthly in arrears).

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

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

7. Debenture Debt

PS 3230.15, 3230.17-18 (Reference)

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 2010 to 2027. Payment of principal and interest is funded entirely by grants from the Province of Manitoba, except for debenture debt on one self-funded capital project which matures in 2018. The debentures carry interest rates that range from 4.875 % to 10.25 %. Debenture interest expense payable as at June 30, 2007, 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
	$	$	$
2008	81,562	93,110	174,672
2009	86,315	88,357	174,672
2010	91,353	83,319	174,672
2011	92,392	77,979	170,371
2012	97,613	72,758	170,371
	$ 449,235	$ 415,523	$ 864,758

8. Tangible Capital Assets

PS 3150.40-41, 3150.42, PSG-2 24(a) (Reference)

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	2007 Net Book Value
	$	$	$
Owned-tangible capital assets	10,479,405	4,297,751	6,181,654
Capital lease	-	-	-
	$ 10,479,405	$ 4,297,751	$ 6,181,654

9. Accumulated Surplus

PSG-4 7-8 (Reference)

The consolidated accumulated surplus is comprised of the following:

	2007
Operating Fund	
Designated Surplus	641,632
Undesignated Surplus	200,305
	841,937
Capital Fund	
Reserve Accounts	-
Equity in Tangible Capital Assets	4,495,220
	4,495,220
Special Purpose Fund	
School Generated Funds	-
Other Special Purpose Funds	5,672
	5,672
Total Accumulated Surplus	$ 5,342,829

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.

	2007
Board approved appropriation by motion	641,632
School budget carryovers by board policy	
Designated surplus	$ 641,632

School Generated Funds and Other Special Purpose Funds are externally restricted moneys for school and (*provide details of Other Special Purpose Funds*) use.

	2007
Foundation-Scholarship	5,672
Other - *Specify*	-
Other Special Purpose Funds	$ 5,672

10. Restatement of Opening Accumulated Surplus

PS 2120.020 (Reference)

Restatement of Opening Accumulated Surplus is comprised of:

	2007
Operating Fund	
Employee Future Benefits	
Capital Fund	
Tangible Capital Assets	(2,310,143)
Accumulated Amortization	(4,027,411)
	(6,337,554)
Special Purpose Fund	
School Generated Funds	-
Other Special Purpose Funds	5,621
	5,621
Total Restatement of Opening Accumulated Surplus	$ (6,331,933)

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

11. Interest Received and Paid

PS 1200.106-7 ***(Reference)***

The Division received interest during the year of $66,786 (previous year $39,533); interest paid during the year was $129,278(previous year $136,408).

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

	2007
Operating Fund	
Fiscal-short term loan, interest and bank charges	$ 26,832
Capital Fund	
Debenture debt interest	99,175
Other interest	3,271
	$ 129,278

The accrual portion of debenture debt interest expense of $27,722 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

PS 1200.085; PS 2500.014 (Reference)

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 2007	Budget 2007	Actual 2006
	$	$	$
Salaries	6,469,351	6,828,489	4,848,477
Employees benefits & allowances	582,123	576,322	428,477
Services	1,757,603	1,725,380	1,437,038
Supplies, materials & minor equipment	1,176,389	1,312,033	1,148,948
Interest	31,275	25,000	28,799
Bad debts	-	-	-
Payroll tax	101,998	130,431	109,619
Amortization	270,340	-	-
Other capital items	102,446	62,569	489,869
School generated funds	-	-	-
Other special purpose funds	5,056	-	5,600
	$ 10,496,581	$ 10,660,224	$ 8,496,827

13. Contractual Obligations

An agreement providing guaranteed access to training spaces for students from the Louis Riel School Division was concluded in late June 2006. The agreement covers the period July 1, 2006 through June 30, 2011 and outlines certain rights granted to the Louis Riel School Division and their students as a result of withdrawal from governance of the College. The College will guarantee access to 76.5 FTE students from the Louis Riel School Division and charge a fee for these services of $755,955 for 2007-08.