REGULAR MEETING OF THE BOARD OF SCHOOL DISTRICT 10 (Arrow Lakes)

MINUTES

School Board Office **Tuesday September 13, 2016**
7:00 pm

PRESENT

TRUSTEES: Q. De Courcy, M. Teindl, J. Struck, R. Farrell

STAFF: T. Taylor, M. Grenier, L. Newman

OTHERS: J. Trainor, R. Bardati, D. Bond

1. CALL TO ORDER:

Q. De Courcy called the meeting to order at 7:04pm

2. ADOPTION OF AGENDA:

Moved by R. Farrell seconded by M. Teindl that the agenda be adopted as presented.

CARRIED

3. ADOPTION OF MINUTES:

Moved by J. Struck seconded by R. Farrell that the minutes of the Regular Meeting of June 28, 2016 be adopted as presented.

CARRIED

4. PRESENTATIONS
Nil

5. DISPOSITION OF PREVIOUS PRESENTATIONS
Nil

6. FINANCIAL UPDATE: David Bond – KPMG

a) David Bond reviewed and provided a high-level overview of the 2015-2016 Audited Financial Statements on behalf of Susan Brenna-Smith.

David Bond presented the Audit Findings Report as prepared by KPMG.

Moved by J. Struck seconded by M. Teindl that the Board of Education of School District 10 (Arrow Lakes) approve the 2015-2016 Audited Financial Statements as prepared by Susan Brenna-Smith, Director of Finance and as attached.

CARRIED

Moved by R. Farrell seconded by M. Teindl that the Board of Education of School District 10 (Arrow Lakes) approve the 2015-2016 Audit Findings Report as prepared and presented by KPMG.

CARRIED

7. QUESTIONS REGARDING FINANCIAL

Nil

8. REPORTS

a) **Chairperson (Q. De Courcy):**

i. Report attached

b) **Education Partnership Committee**

No recommendations.

c) **Parent Advisory Council / Trustee Liaison Reports:**

i) Southern Zone
No report

ii) Nakusp Elementary School
No report

iii) Lucerne Elementary-Secondary School
No report

iv) Nakusp Secondary School
No report

v) District Parent Advisory Council
No report

vi) CUPE/Board Liaison
No report

vii) ALTA/Board Liaison Meeting
No report

viii) Student Council/Student Voice Liaison
No report

ix) Occupational Health and Safety Committee
No report

x) Chamber of Commerce
- Nakusp:
- New Denver/Silverton:

xi) Strong Start Centres
- NES Strong Start report attached
- M. Teindl reported that a Dental Hygienist will be visiting the NES Strong Start Thursday Sept 22nd

xii) Arrow Lakes Aboriginal Educational Advisory Council
No report

d) Branch / BCSTA / BCPSEA

i) Branch: KBB AGM Sept 16-17

ii) BCSTA: No report

iii) BCPSEA: No report

e) Superintendent/Secretary-Treasurer: (T. Taylor)
i. The Superintendent/Secretary-Treasurer Report was presented at the Education Partnership Committee Meeting. A copy of this report has been attached.

9. OLD BUSINESS:

a) Policy Committee Updates
The following policies were presented at the June 28th Regular Meeting of the Board by Notice of Motion.

Moved by M. Teindl seconded by R. Farrell that the Board of Education of School District 10 (Arrow Lakes) approve the abandonment of policy 4400 (n 520) Professional Development at the September 13, 2016 Regular Meeting of the Board as recommended by the Policy Committee.

CARRIED

Moved by J. Struck seconded by M. Teindl that the Board of Education of School District 10 (Arrow Lakes) approve revisions to policy 370 Field Trips at the September 13, 2016 Regular Meeting of the Board as recommended by the Policy Committee and as presented.

CARRIED

Further review and consultation of Policy 412 Evaluation of the Superintendent/Secretary-Treasurer at the 2016-2017 Strategic Planning Session for the SD10 Board of Education (and Policy Committee) conceded that no further changes were required to the revised policy and that the policy be brought forward at the September 13-2016 meeting for approval.

Moved by J. Struck seconded by R. Farrell That the Board of Education of School District 10 (Arrow Lakes) approve revisions to policy 412 – Evaluation of the Superintendent/Secretary-Treasurer at the September 13, 2016 Regular Meeting of the Board as recommended by the Policy Committee and as presented.

CARRIED

10. NEW BUSINESS:

a) 2016-2017 School Enhancement Program
This information was covered as a part of the Superintendents Report.

b) Notice of Special Meeting – September 27, 2016 – To approve the 5 Year Capital Plan
   i. Capital Plan submissions are due by September 30th and in the absence of the Director of Finance a Special Meeting is required.

11. NEXT MEETING DATES:

a) Education Partnership Committee Meeting: October 11th, 2016 at 6:00pm

b) Regular Meeting of the Board: October 11th, 2016 at 7:00pm

12. QUESTIONS FROM PUBLIC:

Discussion was had regarding the next OH+S Meeting.

13. ADJOURNMENT:

R. Farrell adjourned the meeting at 8:09 pm

______________________________	______________________________
Q. De Courcy	T. Taylor
Chairperson	Superintendent/Secretary-Treasurer

Audited Financial Statements of

School District No. 10 (Arrow Lakes)

June 30, 2016

School District No. 10 (Arrow Lakes)

June 30, 2016

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School District No. 10 (Arrow Lakes)

MANAGEMENT REPORT

Version: 6753-6007-4025

Management's Responsibility for the Financial Statements.

The accompanying financial statements of School District No. 10 (Arrow Lakes) have been prepared by management in accordance with the accounting requirements of Section 23.1 of the Budget Transparency and Accountability Act of British Columbia, supplemented by Regulations 257/2010 and 198/2011 issued by the Province of British Columbia Treasury Board, and the integrity and objectivity of these statements are management's responsibility. Management is also responsible for all of the notes to the financial statements and schedules, and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements.

The preparation of 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.

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and reliable financial information is produced.

The Board of Education of School District No. 10 (Arrow Lakes) (called the "Board") is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and exercises these responsibilities through the Board. The Board reviews internal financial statements on a monthly basis and externally audited financial statements yearly.

The external auditors, KPMG LLP, conduct an independent examination, in accordance with Canadian generally accepted auditing standards, and express their opinion on the financial statements. The external auditors have full and free access to financial management of School District No. 10 (Arrow Lakes) and meet when required. The accompanying Independent Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the School District's financial statements.

On behalf of School District No. 10 (Arrow Lakes)

Signature of the Chairperson of the Board of Education — Date Signed

Signature of the Superintendent — Date Signed

Signature of the Secretary Treasurer — Date Signed

KPMG

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Kelowna BC V1W 5K9
Canada
Telephone (250) 979-7150
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INDEPENDENT AUDITORS' REPORT

To the Board of Education of School District No. 10 (Arrow Lakes), and
To the Minister of Education, Province of British Columbia

We have audited the accompanying financial statements of School District No. 10 (Arrow Lakes), which comprise the statement of financial position as at June 30, 2016, the statement of operations, changes in net financial assets (debt) and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements in accordance with the financial reporting provisions of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements of School District No. 10 (Arrow Lakes) as at and for the year ended June 30, 2016 are prepared, in all material respects, in accordance with the financial reporting provisions of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 2(a) to the financial statements, which describes the basis of accounting and the significant differences between such basis of accounting and Canadian public sector accounting standards.

Chartered Professional Accountants

September 13, 2016

Kelowna, Canada

School District No. 10 (Arrow Lakes)

Statement of Financial Position
As at June 30, 2016

	2016 Actual	2015 Actual (Recast - Note 19)
	$	$
Financial Assets		
Cash and Cash Equivalents	**859,101**	1,195,273
Accounts Receivable		
Due from Province - Ministry of Education	**21,503**	16,535
Other (Note 3)	**142,330**	87,334
Portfolio Investments (Note 4)	**2,125,733**	2,077,037
Total Financial Assets	**3,148,667**	3,376,179
Liabilities		
Accounts Payable and Accrued Liabilities		
Other (Note 5)	**704,821**	684,615
Unearned Revenue (Note 6)	**72,510**	13,000
Deferred Revenue (Note 7)	**234,832**	249,794
Deferred Capital Revenue (Note 8)	**5,833,701**	5,013,207
Employee Future Benefits (Note 9)	**176,612**	165,606
Total Liabilities	**7,022,476**	6,126,222
Net Financial Assets (Debt)	**(3,873,809)**	(2,750,043)
Non-Financial Assets		
Tangible Capital Assets (Note 10)	**8,660,355**	7,914,872
Prepaid Expenses	**47,007**	43,647
Total Non-Financial Assets	**8,707,362**	7,958,519
Accumulated Surplus (Deficit) (Note 16)	**4,833,553**	5,208,476

Contractual Obligations and Contingencies (Note 14)

Approved by the Board

Signature of the Chairperson of the Board of Education — Date Signed

Signature of the Superintendent — Date Signed

Signature of the Secretary Treasurer — Date Signed

The accompanying notes are an integral part of these financial statements.

School District No. 10 (Arrow Lakes)

Statement of Operations
Year Ended June 30, 2016

	2016 Budget (Note 13)	**2016 Actual**	2015 Actual (Recast - Note 19)
	$	$	$
Revenues			
Provincial Grants			
Ministry of Education	7,623,605	**7,764,604**	7,587,688
Tuition	36,000	**63,800**	33,945
Other Revenue	208,672	**236,154**	187,057
Rentals and Leases	12,000	**4,221**	5,610
Investment Income	50,000	**52,276**	55,718
Amortization of Deferred Capital Revenue	339,943	**341,146**	336,848
Total Revenue	8,270,220	**8,462,201**	8,206,866
Expenses (Note 15)			
Instruction	6,190,358	**6,201,879**	5,670,717
District Administration	720,910	**679,622**	704,665
Operations and Maintenance	1,753,568	**1,590,172**	1,626,150
Transportation and Housing	263,393	**365,451**	335,115
Total Expense	8,928,229	**8,837,124**	8,336,647
Surplus (Deficit) for the year	(658,009)	**(374,923)**	(129,781)
Accumulated Surplus (Deficit) from Operations, beginning of year		**5,208,476**	5,338,257
Accumulated Surplus (Deficit) from Operations, end of year		**4,833,553**	5,208,476

The accompanying notes are an integral part of these financial statements.

School District No. 10 (Arrow Lakes)

Statement of Changes in Net Financial Assets (Debt)
Year Ended June 30, 2016

	2016 Budget (Note 13)	2016 Actual	2015 Actual (Recast - Note 19)
	$	$	$
Surplus (Deficit) for the year	(658,009)	**(374,923)**	(129,781)
Effect of change in Tangible Capital Assets			
Acquisition of Tangible Capital Assets	(207,770)	**(1,234,586)**	(362,076)
Amortization of Tangible Capital Assets	499,406	**489,103**	487,525
Total Effect of change in Tangible Capital Assets	291,636	**(745,483)**	125,449
Acquisition of Prepaid Expenses		**(3,360)**	(10,090)
Total Effect of change in Other Non-Financial Assets	-	**(3,360)**	(10,090)
(Increase) Decrease in Net Financial Assets (Debt), before Net Remeasurement Gains (Losses)	(366,373)	**(1,123,766)**	(14,422)
Net Remeasurement Gains (Losses)			
(Increase) Decrease in Net Financial Assets (Debt)		**(1,123,766)**	(14,422)
Net Financial Assets (Debt), beginning of year		**(2,750,043)**	(2,735,621)
Net Financial Assets (Debt), end of year		**(3,873,809)**	(2,750,043)

The accompanying notes are an integral part of these financial statements.

School District No. 10 (Arrow Lakes)

Statement of Cash Flows
Year Ended June 30, 2016

	2016 Actual	2015 Actual (Recast - Note 19)
	$	$
Operating Transactions		
Surplus (Deficit) for the year	**(374,923)**	(129,781)
Changes in Non-Cash Working Capital		
Decrease (Increase)		
Accounts Receivable	**(59,964)**	10,981
Prepaid Expenses	**(3,360)**	(10,090)
Increase (Decrease)		
Accounts Payable and Accrued Liabilities	**20,206**	(45,544)
Unearned Revenue	**59,510**	1,000
Deferred Revenue	**(14,962)**	35,633
Employee Future Benefits	**11,006**	22,914
Amortization of Tangible Capital Assets	**489,103**	487,525
Amortization of Deferred Capital Revenue	**(341,146)**	(336,848)
Total Operating Transactions	**(214,530)**	35,790
Capital Transactions		
Tangible Capital Assets Purchased	**(1,234,586)**	(362,076)
Total Capital Transactions	**(1,234,586)**	(362,076)
Financing Transactions		
Capital Revenue Received	**1,161,640**	299,052
Total Financing Transactions	**1,161,640**	299,052
Investing Transactions		
Investments in Portfolio Investments	**(48,696)**	(26,738)
Total Investing Transactions	**(48,696)**	(26,738)
Net Increase (Decrease) in Cash and Cash Equivalents	**(336,172)**	(53,972)
Cash and Cash Equivalents, beginning of year	**1,195,273**	1,249,245
Cash and Cash Equivalents, end of year	**859,101**	1,195,273
Cash and Cash Equivalents, end of year, is made up of:		
Cash	**859,101**	1,195,273
	859,101	1,195,273

The accompanying notes are an integral part of these financial statements.

Note 1 Authority and Purpose

The School District operates under authority of the *School Act* of British Columbia as a corporation under the name of "The Board of Education of School District No. 10 (Arrow Lakes)", and operates as "School District No. 10 (Arrow Lakes)." A board of education ("Board") elected for a four-year term governs the School District. The School District provides educational programs to students enrolled in schools in the district, and is principally funded by the Province of British Columbia through the Ministry of Education. School District No. 10 (Arrow Lakes) is exempt from federal and provincial corporate income taxes.

Note 2 Summary of Significant Accounting Policies

The financial statements of the School District are prepared by management in accordance with the basis of accounting described below. Significant accounting policies of the School District are as follows:

a) Basis of Accounting

The financial statements have been prepared in accordance with Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia supplemented by Regulations 257/2010 and 198/2011 issued by the Province of British Columbia Treasury Board. The Budget Transparency and Accountability Act requires that the financial statements be prepared in accordance with the set of standards and guidelines that comprise generally accepted accounting principles for senior governments in Canada, or if the Treasury Board makes a regulation, the set of standards and guidelines that comprise generally accepted accounting principles for senior governments in Canada as modified by the alternate standard or guideline or part thereof adopted in the regulation.

Regulation 257/2010 requires all tax-payer supported organizations in the Schools, Universities, Colleges and Hospitals sectors to adopt Canadian public sector accounting standards without any PS4200 elections.

Regulation 198/2011 requires that restricted contributions received or receivable for acquiring or developing a depreciable tangible capital asset or contributions in the form of a depreciable tangible capital asset are to be deferred and recognized in revenue at the same rate that amortization of the related tangible capital asset is recorded. For British Columbia tax-payer supported organizations, these contributions include government transfers and externally restricted contributions.

Note 2 Summary of Significant Accounting Policies *(Continued)*

The accounting policy requirements under Regulation 198/2011 are significantly different from the requirements of Canadian public sector accounting standards which requires that

- government transfers, which do not contain a stipulation that creates a liability, be recognized as revenue by the recipient when approved by the transferor and the eligibility criteria have been met in accordance with public sector accounting standard PS3410; and
- externally restricted contributions be recognized as revenue in the period in which the resources are used for the purpose or purposes specified in accordance with public sector accounting standard PS3100.

As a result, revenue recognized in the statement of operations and certain related deferred capital revenue would be recorded differently under Canadian Public Sector Accounting Standards.

b) Basis of Presentation

These financial statements reflect the assets, liabilities, revenues, and expenses of the reporting entity, which is comprised of all controlled entities. Inter-departmental balances and organizational transactions have been eliminated. The School District does not control any significant external entities and accordingly no entities have been consolidated with the financial statements. The School District does not administer any trust activities on behalf of external parties.

c) Cash and Cash Equivalents

Cash and cash equivalents include cash and highly liquid securities that are readily convertible to known amounts of cash and that are subject to an insignificant risk of change in value. These cash equivalents generally have a maturity of three months or less at acquisition and are held for the purpose of meeting short-term cash commitments rather than for investing.

d) Unearned Revenue

Unearned revenue includes tuition fees received for courses to be delivered in future periods and receipt of proceeds for services or products to be delivered in a future period. Revenue will be recognized in that future period when the courses, services, or products are provided.

Note 2 Summary of Significant Accounting Policies *(Continued)*

e) Deferred Revenue and Deferred Capital Revenue

Deferred revenue includes contributions received with stipulations that meet the description of restricted contributions in Regulation 198/2011 issued by the Treasury Board. When restrictions are met, deferred revenue is recognized as revenue in the fiscal year in a manner consistent with the circumstances and evidence used to support the initial recognition of the contributions received as a liability as detailed in Note 2 (k).

Funding received for the acquisition of depreciable tangible capital assets is recorded as deferred capital revenue and amortized over the life of the asset acquired as revenue in the statement of operations. This accounting treatment is not consistent with the requirements of Canadian public sector accounting standards which require that government transfers be recognized as revenue when approved by the transferor and eligibility criteria have been met unless the transfer contains a stipulation that creates a liability in which case the transfer is recognized as revenue over the period that the liability is extinguished.

f) Employee Future Benefits

The School District provides certain post-employment benefits including vested and non-vested benefits for certain employees pursuant to certain contracts and union agreements.

The School District accrues its obligations and related costs including both vested and non-vested benefits under employee future benefit plans. Benefits include vested sick leave, accumulating non-vested sick leave, early retirement, retirement/severance, vacation, overtime and death benefits. The benefits cost is actuarially determined using the projected unit credit method pro-rated on service and using management's best estimate of expected salary escalation, termination rates, retirement rates and mortality. The discount rate used to measure obligations is based on the cost of borrowing.

The cumulative unrecognized actuarial gains and losses are amortized over the expected average remaining service lifetime (EARSL) of active employees covered under the plan.

The most recent valuation of the obligation was performed at March 31, 2016 and projected to June 30, 2019. The next valuation will be performed at March 31, 2019 for use at June 30, 2019. For the purposes of determining the financial position of the plans and the employee future benefit costs, a measurement date of March 31 was adopted for all periods subsequent to July 1, 2004.

The School District and its employees make contributions to the Teachers' Pension Plan and Municipal Pension Plan. The plans are multi-employer plans where assets and obligations are not separated. The costs are expensed as incurred.

Note 2 Summary of Significant Accounting Policies *(Continued)*

g) Tangible Capital Assets

Tangible capital assets acquired or constructed are recorded at cost which includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets. Cost also includes overhead directly attributable to construction as well as interest costs that are directly attributable to the acquisition or construction of the asset. Donated tangible capital assets are recorded at their fair market value on the date of donation, except in circumstances where fair value cannot be reasonably determined, which are then recognized at nominal value. Transfers of capital assets from related parties are recorded at carrying value. Buildings that are demolished or destroyed are written-off.

Work-in-progress is recorded as an acquisition to the applicable asset class at substantial completion.

Tangible capital assets are written down to residual value when conditions indicate they no longer contribute to the ability of the School District to provide services or when the value of future economic benefits associated with the sites and buildings are less than their net book value. The write-downs are accounted for as expenses in the Statement of Operations.

Works of art, historic assets and other intangible assets are not recorded as assets in these financial statements.

The cost, less residual value, of tangible capital assets (excluding sites), is amortized on a straight-line basis over the estimated useful life of the asset. These useful lives are reviewed on a regular basis or if significant events initiate the need to revise. Estimated useful life is as follows:

Buildings	40 years
Furniture & Equipment	10 years
Vehicles	10 years
Computer Software	5 years
Computer Hardware	5 years

Note 2 Summary of Significant Accounting Policies *(Continued)*

h) Funds and Reserves

Certain amounts, as approved by the Board are set aside in accumulated surplus for future operating and capital purposes. Transfers to and from funds and reserves are an adjustment to the respective fund when approved.

i) Revenue Recognition

Revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues. All revenues are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable.

Contributions received or where eligibility criteria have been met are recognized as revenue except where the contribution meets the criteria for deferral as described below. Eligibility criteria are the criteria that the School District has to meet in order to receive the contributions including authorization by the transferring government.

For contributions subject to a legislative or contractual stipulation or restriction as to their use, revenue is recognized as follows:

- Non-capital contributions for specific purposes are recorded as deferred revenue and recognized as revenue in the year related expenses are incurred,
- Contributions restricted for site acquisitions are recorded as revenue when the sites are purchased, and
- Contributions restricted for tangible capital assets acquisitions other than sites are recorded as deferred capital revenue and amortized over the useful life of the related assets.

Donated tangible capital assets other than sites are recorded at fair market value and amortized over the useful life of the assets. Donated sites are recorded as revenue at fair market value when received or receivable.

Revenue related to fees or services received in advance of the fee being earned or the service is performed is deferred and recognized when the fee is earned or service performed.

Investment income is reported in the period earned. When required by the funding party or related Act, investment income earned on deferred revenue is added to the deferred revenue balance.

Note 2 Summary of Significant Accounting Policies *(Continued)*

j) Expenditures

Expenses are reported on an accrual basis. The cost of all goods consumed and services received during the year is expensed.

Categories of Salaries

- Principals, Vice-Principals, and Directors of Instruction employed under an administrative officer contract are categorized as Principals and Vice-Principals.
- Superintendents, Secretary-Treasurers, Trustees and other employees excluded from union contracts are categorized as Other Professionals.

Allocation of Costs

- Operating expenses are reported by function, program, and object. Whenever possible, expenditures are determined by actual identification. Additional costs pertaining to specific instructional programs, such as special and aboriginal education, are allocated to these programs. All other costs are allocated to related programs.
- Actual salaries of personnel assigned to two or more functions or programs are allocated based on the time spent in each function and program. School-based clerical salaries are allocated to school administration and partially to other programs to which they may be assigned. Principals and Vice-Principals salaries are allocated to school administration and may be partially allocated to other programs to recognize their other responsibilities.
- Employee benefits and allowances are allocated to the same programs, and in the same proportions, as the individual's salary.
- Supplies and services are allocated based on actual program identification.

Note 2 Summary of Significant Accounting Policies *(Continued)*

k) Financial Instruments

A contract establishing a financial instrument creates, at its inception, rights and obligations to receive or deliver economic benefits. The financial assets and financial liabilities portray these rights and obligations in the financial statements. The School District recognizes a financial instrument when it becomes a party to a financial instrument contract.

Financial instruments consist of cash and cash equivalents, accounts receivable, portfolio investments, and accounts payable and accrued liabilities. Portfolio investments include GICs, term deposits and bonds that have a maturity of greater than 3 months at the time of acquisition.

Except for portfolio investments in equity instruments quoted in an active market that are recorded at fair value, all financial assets and liabilities are recorded at cost or amortized cost and the associated transaction costs are added to the carrying value of these investments upon initial recognition. Transaction costs are incremental costs directly attributable to the acquisition or issue of a financial asset or a financial liability. Interest and dividends attributable to financial instruments are reported in the statement of operations. For financial instruments measured using amortized cost, the effective interest rate method is used to determine interest revenue or expense.

For financial instruments recorded at fair value, unrealized gains and losses from changes in the fair value of financial instruments are recognized in the statement of remeasurement gains and losses. Upon settlement, the cumulative gain or loss is reclassified from the statement of remeasurement gains and losses and recognized in the statement of operations. For the year ended June 30, 2016 the School District did not have any financial instruments recorded at fair value. Accordingly, a statement of remeasurement gains and losses has not been presented.

All financial assets are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the statement of operations. A write-down of a portfolio investment to reflect a loss in value is not reversed for a subsequent increase in value.

l) Measurement Uncertainty

Preparation of financial statements in accordance with the basis of accounting described in Note 2 a) requires management to make estimates and assumptions that impact reported amounts of assets and liabilities at the date of the financial statements and revenues and expenses during the reporting periods. Significant areas requiring the use of management estimates relate to the potential impairment of assets, rates for amortization and estimated employee future benefits. Actual results could differ from those estimates

Note 3 Accounts Receivable – Other Receivables

	2016	2015
Due from Federal Government	$ 50,859	$ 24,490
Other	91,471	62,844
	$ 142,330	$ 87,334

Note 4 Portfolio Investments

	2016	2015
Investments in the cost and amortized cost category:		
Term deposits	$ 2,125,733	$ 2,077,037

Note 5 Accounts Payable and Accrued Liabilities - Other

	2016	2015
Trade payables	$ 138,903	$ 136,731
Salaries and benefits payable	474,586	459,583
Accrued vacation pay	91,332	88,301
	$ 704,821	$ 684,615

Note 6 Unearned Revenue

	2016	2015
Balance, beginning of year	$ 13,000	$ 12,000
Increase: International student fees	135,978	34,945
Increase: Unearned revenue for services	11,532	-
Decrease: International student fees	(88,000)	(33,945)
Balance, end of year	$ 72,510	$ 13,000

Note 7 Deferred Revenue

Deferred revenue includes unspent grants and contributions received that meet the description of a restricted contribution in Regulation 198/2011 issued by the Treasury Board, i.e., the stipulations associated with those grants and contributions have not yet been fulfilled. Detailed information about the changes in deferred revenue is included in Schedule 3A.

Note 8 Deferred Capital Revenue

Deferred capital revenue includes grants and contributions received that are restricted by the contributor for the acquisition of tangible capital assets that meet the description of a restricted contribution in Regulation 198/2011 issued by the Treasury Board. Once spent, the contributions are amortized into revenue over the life of the asset acquired. Detailed information about the changes in deferred capital revenue is included in Schedules 4C and 4D.

Note 9 Employee Future Benefits

Benefits include vested sick leave, accumulating non-vested sick leave, early retirement, retirement/severance, vacation, overtime and death benefits. Funding is provided when the benefits are paid and accordingly, there are no plan assets. Although no plan assets are uniquely identified, the School District has provided for the payment of these benefits.

	2016	2015
Reconciliation of Accrued Benefit Obligation		
Accrued Benefit Obligation – April 1	$ 193,192	$ 172,767
Service Cost	15,851	13,878
Interest Cost	4,525	5,863
Benefit Payments	(14,444)	(2,015)
Increase in obligation due to Plan Amendment	1,709	-
Actuarial Loss (Gain)	(78,253)	2,699
Accrued Benefit Obligation – March 31	$ 122,580	$ 193,192
Reconciliation of Funded Status at End of Fiscal Year		
Accrued Benefit Obligation – March 31	$ (122,580)	$ (193,192)
Employer Contributions After Measurement Date	-	-
Benefits Expense After Measurement Date	(3,104)	(5,094)
Unamortized Net Actuarial Loss (Gain)	(50,928)	32,680
Accrued Benefit Asset (Liability) – June 30	$ (176,612)	$ (165,606)

Note 9 Employee Future Benefits *(Continued)*

	2016	2015
Reconciliation of Change in Accrued Benefit Liability		
Accrued Benefit Liability – July 1	$ 165,606	$ 142,692
Net expense for Fiscal Year	25,450	24,929
Employer Contributions	(14,444)	(2,015)
Accrued Benefit Liability – June 30	$ 176,612	$ 165,606
Components of Net Benefit Expense		
Service Cost	$ 14,217	$ 14,372
Interest Cost	4,170	5,528
Immediate Recognition of Plan Amendment	1,709	-
Amortization of Net Actuarial (Gain)/Loss	5,354	5,029
Net Benefit Expense (Income)	$ 25,450	$ 24,929

The significant actuarial assumptions adopted for measuring the School District's accrued benefit obligations are:

Discount Rate – April 1	2.25%	3.25%
Discount Rate – March 31	2.50%	2.25%
Long Term Salary Growth – April 1	2.50% + seniority	2.50% + seniority
Long Term Salary Growth – March 31	2.50% + seniority	2.50% + seniority
EARSL – March 31	7.9 years	8.3 years

Note 10 Tangible Capital Assets

Net Book Value:

	Net Book Value 2016	Net Book Value 2015
Sites	$ 362,514	$ 362,514
Buildings	7,322,893	6,815,771
Furniture & Equipment	239,381	194,679
Vehicles	634,158	473,732
Computer Software	-	2,269
Computer Hardware	101,409	65,907
Total	$ 8,660,355	$ 7,914,872

June 30, 2016

	Opening Cost	Additions	Disposals	Total 2016
Sites	$ 362,514	$ -	$ -	$ 362,514
Buildings	16,361,199	832,814	-	17,194,013
Furniture & Equipment	311,628	75,865	5,459	382,034
Vehicles	1,084,838	268,910	131,489	1,222,259
Computer Software	11,337	-	11,337	-
Computer Hardware	107,473	56,997	-	164,470
Total	$18,238,989	$ 1,234,586	$ 148,285	$19,325,290

	Opening Accumulated Amortization	Additions	Disposals	Total 2016
Sites	$ -	$ -	$ -	$ -
Buildings	9,545,428	325,692	-	9,871,120
Furniture & Equipment	116,949	31,163	5,459	142,653
Vehicles	611,106	108,484	131,489	588,101
Computer Software	9,068	2,269	11,337	-
Computer Hardware	41,566	21,495	-	63,061
Total	$ 10,324,117	$489,103	$ 148,285	$10,664,935

Note 10 Tangible Capital Assets *(Continued)*

June 30, 2015

	Opening Cost	Additions	Disposals	Total 2015
Sites	$ 362,514	$ -	$ -	$ 362,514
Buildings	16,022,920	338,279	-	16,361,199
Furniture & Equipment	347,104	-	35,476	311,628
Vehicles	1,098,960	-	14,122	1,084,838
Computer Software	11,337	-	-	11,337
Computer Hardware	101,957	23,797	18,281	107,473
Total	$17,944,792	$ 362,076	$ 67,879	$18,238,989

	Opening Accumulated Amortization	Additions	Disposals	Total 2015
Sites	$ -	$ -	$ -	$ -
Buildings	9,225,167	320,261	-	9,545,428
Furniture & Equipment	117,715	34,710	35,476	116,949
Vehicles	515,332	109,896	14,122	611,106
Computer Software	6,801	2,267	-	9,068
Computer Hardware	39,456	20,391	18,281	41,566
Total	$9,904,471	$ 487,525	$ 67,879	$10,324,117

Note 11 Employee Pension Plans

The School District and its employees contribute to the Teachers' Pension Plan and Municipal Pension Plan (jointly trusteed pension plans). The boards of trustees for these plans, representing plan members and employers, are responsible for administering the pension plans, including investing assets and administering benefits. The plans are multi-employer defined benefit pension plans. Basic pension benefits are based on a formula. As at December 31, 2014, the Teachers' Pension Plan has about 45,000 active members and approximately 35,000 retired members. As of December 31, 2014, the Municipal Pension Plan has about 185,000 active members, including approximately 24,000 from school districts.

Every three years, an actuarial valuation is performed to assess the financial position of the plans and adequacy of plan funding. The actuary determines an appropriate combined employer and member contribution rate to fund the plans. The actuary's calculated contribution rate is based on the entry-age normal cost method, which produces the long-term rate of member and employer contributions sufficient to provide benefits for average future entrants to the plans. This rate is then adjusted to the extent there is amortization of any funding deficit. Employers participating in the plans record their pension expense as the amount of employer contributions made during the fiscal year (defined contribution pension plan accounting). This is because the plans record accrued liabilities and accrued assets for each plan in aggregate, resulting in no consistent and reliable basis for allocating the obligation, assets and cost to individual employers participating in the plans.

The most recent actuarial valuation of the Teachers' Pension Plan as at December 31, 2014, indicated a $449 million surplus for basic pension benefits on a going concern basis. The next valuation for the Teachers' Pension Plan will be as at December 31, 2017, with results available in 2018. The next valuation for the Municipal Pension Plan will be as at December 31, 2015, with results available later in 2016. The most recent actuarial valuation for the Municipal Pension Plan as at December 31, 2012, indicated a $1,370 million funding deficit for basic pension benefits on a going concern basis.

The School District paid $693,157 for employer contributions to the plans for the year ended June 30, 2016 (2015: $604,424)

Note 12 Related Party Transactions

The School District is related through common ownership to all Province of British Columbia ministries, agencies, school districts, health authorities, colleges, universities, and crown corporations. Transactions with these entities, unless disclosed separately, are considered to be in the normal course of operations and are recorded at the exchange amount.

Note 13 Budget Figures

Budget figures included in the financial statements were approved by the Board through the adoption of the annual budget on April 30, 2015. An amended annual budget, which reflected minor adjustments in revenues and expenses, was adopted by the Board on February 23, 2016.

	2016 Annual Budget	Adjustments	2016 Amended Budget
Revenues:			
Provincial Grants – Ministry of Education	$ 7,623,605	$ 13,800	$ 7,637,405
Tuition	36,000	26,500	62,500
Other Revenue	208,672	2,758	211,430
Rentals and Leases	12,000	(6,000)	6,000
Investment Income	50,000	8,100	58,100
Amortization of Deferred Capital Revenue	339, 943	1,993	341,936
Total Revenue	8,270,220	47,151	8,317,371
Expenses:			
Instruction	6,190,358	155,918	6,346,276
District Administration	720,910	6,471	727,381
Operations and Maintenance	1,753,568	(124,875)	1,628,693
Transportation and Housing	263,393	71,933	335,326
Total Expenses	8,928,229	109,447	9,037,676
Deficit for the year	$ (658,009)	$ (62,296)	$ (720,305)

Note 14 Contractual obligations, commitments and contingencies

a) Asset retirement obligation

Legal liabilities may exist for the removal/disposal of asbestos in schools that will undergo major renovations or demolition. The fair value of the liability for asbestos removal or disposal will be recognized in the period in which it is incurred. As at June 30, 2016 the liability is not reasonably determinable.

b) Operating commitments

i) Software support and maintenance contract
The School District has an ongoing agreement for software support and maintenance related to the School District's accounting system with an expiry date of June 30, 2017. The annual support and maintenance fee under this contract for the 2016-2017 fiscal year is $31,382. After the expiry date, the contract will automatically renew on an annual basis unless terminated by either party upon giving to the other not less than 90 days written notice prior to the end of the initial term or any subsequent anniversary of such date. If notice is not given 90 days prior to the expiry date of June 30, 2017, the annual support and maintenance fee for the 2017-2018 fiscal year will be $32,873.

ii) Propane contract
The School District, in partnership with School District No. 8, has entered into a contract for the purchase of propane with an expiry date of September 30, 2018. Based on minimum contracted volumes and fixed contracted prices, the annual fee for the School Districts would be $58,772.

The future estimated payments for this contract over the next three years are as follows:

2017	$ 58,772
2018	$ 58,772
2019	$ 2,184

Note 15 Expense By Object

	2016	2015
Salaries and benefits	$ 6,593,416	$ 6,217,474
Services and supplies	1,754,605	1,607,459
Amortization	489,103	487,525
	$ 8,837,124	$ 8,312,458

Note 16 Internally Restricted Surplus – Operating Fund

Internally Restricted (appropriated) by Board for:		
Utilities, Equipment & Capital Projects	$ 115,670	
Emergency	250,000	
Strategic Planning/School Reconfiguration	100,000	
Professional Learning	190,000	
Long Range Facilities Plan	100,000	
Board Scholarship	33,150	
Subtotal Internally Restricted		788,820
Unrestricted Operating Surplus		644,273
Total Available for Future Operations		$ 1,433,093

Note 17 Economic Dependence

The operations of the School District are dependent on continued funding from the Ministry of Education and various governmental agencies to carry out its programs. These financial statements have been prepared on a going concern basis.

Note 18 Risk Management

The School District has exposure to the following risks from its use of financial instruments; credit risk, market risk and liquidity risk.

The Board ensures that the School District has identified its risks and ensures that management monitors and controls them.

a) Credit risk:

Credit risk is the risk of financial loss to an institution if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Such risks arise principally from certain financial assets held consisting of cash, amounts receivable and investments.

The School District is exposed to credit risk in the event of non-performance by a borrower. This risk is mitigated as most amounts receivable are due from the Province and are collectible.

It is management's opinion that the School District is not exposed to significant credit risk associated with its cash deposits and investments as they are placed in recognized British Columbia institutions and the School District invests solely in term deposits.

Note 18 Risk Management *(Continued)*

b) Market risk :

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of currency risk and interest rate risk.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the foreign exchange rates. It is management's opinion that the School District is not exposed to significant currency risk, as amounts held and purchases made in foreign currency are insignificant.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market interest rates. The School District is exposed to interest rate risk through its investments. It is management's opinion that the School District is not exposed to significant interest rate risk as they invest solely in term deposits that have a maturity date of no more than 3 years.

c) Liquidity risk

Liquidity risk is the risk that the School District will not be able to meet its financial obligations as they become due.

The School District manages liquidity risk by continually monitoring actual and forecasted cash flows from operations and anticipated investing activities to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the School District's reputation.

Risk Management and insurance services for all School Districts in British Columbia are provided by the Risk Management Branch of the Ministry of Finance.

Note 19 Comparative Figures

Certain balances of the comparative figures have been reclassified to conform with the current year's financial statement presentation.

School District No. 10 (Arrow Lakes)

Schedule of Changes in Accumulated Surplus (Deficit) by Fund
Year Ended June 30, 2016

	Operating Fund	Special Purpose Fund	Capital Fund	2016 Actual	2015 Actual (Recast - Note 19)
	$	$	$	$	$
Accumulated Surplus (Deficit), beginning of year	1,813,314		3,395,162	**5,208,476**	5,338,257
Changes for the year					
Surplus (Deficit) for the year	(262,359)	33,507	(146,071)	**(374,923)**	(129,781)
Interfund Transfers					
Tangible Capital Assets Purchased	(117,862)	(33,507)	151,369	-	
Net Changes for the year	**(380,221)**	-	**5,298**	**(374,923)**	**(129,781)**
Accumulated Surplus (Deficit), end of year - Statement 2	**1,433,093**	-	**3,400,460**	**4,833,553**	5,208,476

School District No. 10 (Arrow Lakes)

Schedule of Operating Operations
Year Ended June 30, 2016

	2016 Budget (Note 13)	**2016 Actual**	2015 Actual (Recast - Note 19)
	$	$	$
Revenues			
Provincial Grants			
Ministry of Education	7,195,076	**7,265,516**	7,149,979
Tuition	36,000	**63,800**	33,945
Other Revenue	8,672	**24,374**	26,562
Rentals and Leases	12,000	**4,221**	5,610
Investment Income	50,000	**50,390**	53,727
Total Revenue	7,301,748	**7,408,301**	7,269,823
Expenses			
Instruction	5,629,599	**5,558,781**	5,141,885
District Administration	720,910	**679,622**	704,665
Operations and Maintenance	1,254,162	**1,066,806**	1,114,436
Transportation and Housing	263,393	**365,451**	335,115
Total Expense	7,868,064	**7,670,660**	7,296,101
Operating Surplus (Deficit) for the year	(566,316)	**(262,359)**	(26,278)
Budgeted Appropriation (Retirement) of Surplus (Deficit)	706,316		
Net Transfers (to) from other funds			
Tangible Capital Assets Purchased	(140,000)	**(117,862)**	(23,797)
Total Net Transfers	(140,000)	**(117,862)**	(23,797)
Total Operating Surplus (Deficit), for the year	-	**(380,221)**	(50,075)
Operating Surplus (Deficit), beginning of year		**1,813,314**	1,863,389
Operating Surplus (Deficit), end of year		**1,433,093**	1,813,314
Operating Surplus (Deficit), end of year			
Internally Restricted		**788,820**	1,448,150
Unrestricted		**644,273**	365,164
Total Operating Surplus (Deficit), end of year		**1,433,093**	1,813,314

School District No. 10 (Arrow Lakes)

Schedule of Operating Revenue by Source
Year Ended June 30, 2016

	2016 Budget (Note 13)	2016 Actual	2015 Actual (Recast - Note 19)
	$	$	$
Provincial Grants - Ministry of Education			
Operating Grant, Ministry of Education	7,154,516	**7,173,321**	7,166,920
Strike Savings Recovery			(181,303)
Other Ministry of Education Grants			
Labour Settlement Funding			98,887
Pay Equity	40,560	**40,560**	40,560
Economic Stability Dividend		**3,289**	
Foundation Skills Assessment		**4,348**	4,348
Carbon Tax		**9,898**	11,119
Education Guarantee			2,631
Skills Training Assessment		**5,000**	5,000
Teacher Benefit Levelling Up			1,817
Curriculum Implementation		**4,100**	
Shoulder Tapping		**25,000**	
Total Provincial Grants - Ministry of Education	7,195,076	**7,265,516**	7,149,979
Tuition			
Offshore Tuition Fees	36,000	**63,800**	33,945
Total Tuition	36,000	**63,800**	33,945
Other Revenues			
Other School District/Education Authorities		**2,000**	2,400
Miscellaneous			
ArtStart Grants	8,672	**7,430**	20,212
Donations		**12,944**	1,750
Growing Innovations		**2,000**	2,200
Total Other Revenue	8,672	**24,374**	26,562
Rentals and Leases	12,000	**4,221**	5,610
Investment Income	50,000	**50,390**	53,727
Total Operating Revenue	7,301,748	**7,408,301**	7,269,823

School District No. 10 (Arrow Lakes)

Schedule of Operating Expense by Object
Year Ended June 30, 2016

	2016 Budget (Note 13)	**2016 Actual**	2015 Actual (Recast - Note 19)
	$	$	$
Salaries			
Teachers	2,457,459	**2,551,179**	2,392,024
Principals and Vice Principals	687,245	**638,961**	553,675
Educational Assistants	384,753	**388,898**	369,329
Support Staff	725,729	**706,737**	725,638
Other Professionals	474,049	**506,727**	439,657
Substitutes	325,918	**196,167**	261,191
Total Salaries	5,055,153	**4,988,669**	4,741,514
Employee Benefits	1,301,727	**1,266,887**	1,198,914
Total Salaries and Benefits	6,356,880	**6,255,556**	5,940,428
Services and Supplies			
Services	468,322	**368,201**	456,151
Student Transportation	4,000	**2,400**	3,659
Professional Development and Travel	224,938	**248,733**	157,463
Rentals and Leases	350	**351**	367
Dues and Fees	14,500	**20,524**	22,874
Insurance	40,500	**30,080**	28,746
Supplies	507,974	**544,609**	479,231
Utilities	250,600	**200,206**	207,182
Total Services and Supplies	1,511,184	**1,415,104**	1,355,673
Total Operating Expense	7,868,064	**7,670,660**	7,296,101

School District No. 10 (Arrow Lakes)

Operating Expense by Function, Program and Object

Year Ended June 30, 2016

	Teachers Salaries	Principals and Vice Principals Salaries	Educational Assistants Salaries	Support Staff Salaries	Other Professionals Salaries	Substitutes Salaries	Total Salaries
	$	$	$	$	$	$	$
1 Instruction							
1.02 Regular Instruction	2,311,267	294,196		100,182	19,341	107,838	**2,832,824**
1.03 Career Programs							**-**
1.07 Library Services				37,196			**37,196**
1.08 Counselling	34,222						**34,222**
1.10 Special Education	156,370	33,843	388,898			28,658	**607,769**
1.31 Aboriginal Education	39,157	5,641					**44,798**
1.41 School Administration		269,093		62,543			**331,636**
1.62 Offshore Students	10,163	24,907					**35,070**
1.64 Other							**-**
Total Function 1	**2,551,179**	**627,680**	**388,898**	**199,921**	**19,341**	**136,496**	**3,923,515**
4 District Administration							
4.11 Educational Administration		11,281			175,687		**186,968**
4.40 School District Governance					38,155		**38,155**
4.41 Business Administration					111,702		**111,702**
Total Function 4	**-**	**11,281**	**-**	**-**	**325,544**	**-**	**336,825**
5 Operations and Maintenance							
5.41 Operations and Maintenance Administration					75,262		**75,262**
5.50 Maintenance Operations				314,372	85,259	40,063	**439,694**
5.52 Maintenance of Grounds				18,298			**18,298**
5.56 Utilities							**-**
Total Function 5	**-**	**-**	**-**	**332,670**	**160,521**	**40,063**	**533,254**
7 Transportation and Housing							
7.41 Transportation and Housing Administration					1,321		**1,321**
7.70 Student Transportation				174,146		19,608	**193,754**
Total Function 7	**-**	**-**	**-**	**174,146**	**1,321**	**19,608**	**195,075**
9 Debt Services							
Total Function 9	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total Functions 1 - 9	**2,551,179**	**638,961**	**388,898**	**706,737**	**506,727**	**196,167**	**4,988,669**

School District No. 10 (Arrow Lakes)

Schedule 3 (Unaudited)

Schedule of Special Purpose Operations
Year Ended June 30, 2016

	2016 Budget (Note 13)	**2016 Actual**	2015 Actual (Recast - Note 19)
	$	$	$
Revenues			
Provincial Grants			
Ministry of Education	428,529	**499,088**	437,709
Other Revenue	200,000	**211,780**	160,495
Investment Income			144
Total Revenue	628,529	**710,868**	598,348
Expenses			
Instruction	560,759	**643,098**	528,832
Operations and Maintenance		**34,263**	24,189
Total Expense	560,759	**677,361**	553,021
Special Purpose Surplus (Deficit) for the year	67,770	**33,507**	45,327
Net Transfers (to) from other funds			
Tangible Capital Assets Purchased	(67,770)	**(33,507)**	(45,327)
Total Net Transfers	(67,770)	**(33,507)**	(45,327)
Total Special Purpose Surplus (Deficit) for the year	-	**-**	-
Special Purpose Surplus (Deficit), beginning of year			
Special Purpose Surplus (Deficit), end of year		**-**	-

School District No. 10 (Arrow Lakes)
Changes in Special Purpose Funds and Expense by Object
Year Ended June 30, 2016

	Annual Facility Grant	Learning Improvement Fund	Special Education Equipment	School Generated Funds	Strong Start	Ready, Set, Learn	OLEP	Community-LINK	Service Delivery Transformation
	$	$	$	$	$	$	$	$	$
Deferred Revenue, beginning of year		13,220	890	156,489	46,161	8,034			25,000
Add: Restricted Grants									
Provincial Grants - Ministry of Education	67,770	150,168	211		96,000	9,800	7,043	104,791	
Other				260,123					
	67,770	150,168	211	260,123	96,000	9,800	7,043	104,791	-
Less: Allocated to Revenue	67,770	163,388	1,101	211,780	137,161	17,834	7,043	104,791	-
Deferred Revenue, end of year	-	-	-	204,832	5,000	-	-	-	25,000
Revenues									
Provincial Grants - Ministry of Education	67,770	163,388	1,101		137,161	17,834	7,043	104,791	
Other Revenue				211,780					
	67,770	163,388	1,101	211,780	137,161	17,834	7,043	104,791	-
Expenses									
Salaries									
Teachers		104,371					5,502	68,805	
Educational Assistants		24,031			60,402				
	-	128,402	-	-	60,402	-	5,502	68,805	-
Employee Benefits		34,986			18,412		1,541	19,810	
Services and Supplies	34,263		1,101	211,780	58,347	17,834		16,176	
	34,263	163,388	1,101	211,780	137,161	17,834	7,043	104,791	-
Net Revenue (Expense) before Interfund Transfers	33,507	-	-	-	-	-	-	-	-
Interfund Transfers									
Tangible Capital Assets Purchased	(33,507)								
	(33,507)	-	-	-	-	-	-	-	-
Net Revenue (Expense)	-	-	-	-	-	-	-	-	-

School District No. 10 (Arrow Lakes)

Schedule of Capital Operations
Year Ended June 30, 2016

	2016 Budget (Note 13)	2016 Actual Invested in Tangible Capital Assets	2016 Actual Local Capital	2016 Actual Fund Balance	2015 Actual (Recast - Note 19)
	$	$	$	$	$
Revenues					
Provincial Grants					
Investment Income			**1,886**	**1,886**	1,847
Amortization of Deferred Capital Revenue	339,943	**341,146**		**341,146**	336,848
Total Revenue	339,943	**341,146**	**1,886**	**343,032**	338,695
Expenses					
Amortization of Tangible Capital Assets					
Operations and Maintenance	499,406	**489,103**		**489,103**	487,525
Total Expense	499,406	**489,103**	**-**	**489,103**	487,525
Capital Surplus (Deficit) for the year	(159,463)	**(147,957)**	**1,886**	**(146,071)**	(148,830)
Net Transfers (to) from other funds					
Tangible Capital Assets Purchased	207,770	**151,369**		**151,369**	69,124
Total Net Transfers	207,770	**151,369**	**-**	**151,369**	69,124
Total Capital Surplus (Deficit) for the year	48,307	**3,412**	**1,886**	**5,298**	(79,706)
Capital Surplus (Deficit), beginning of year		**3,315,384**	**79,778**	**3,395,162**	3,474,868
Capital Surplus (Deficit), end of year		**3,318,796**	**81,664**	**3,400,460**	3,395,162

School District No. 10 (Arrow Lakes)

Tangible Capital Assets
Year Ended June 30, 2016

	Sites	Buildings	Furniture and Equipment	Vehicles	Computer Software	Computer Hardware	Total
	$	$	$	$	$	$	$
Cost, beginning of year	362,514	16,361,199	311,628	1,084,838	11,337	107,473	**18,238,989**
Changes for the Year							
Increase:							
Purchases from:							
Deferred Capital Revenue - Bylaw		814,307		268,910			**1,083,217**
Operating Fund			75,865			41,997	**117,862**
Special Purpose Funds		18,507				15,000	**33,507**
	-	832,814	75,865	268,910	-	56,997	**1,234,586**
Decrease:							
Deemed Disposals			5,459	131,489	11,337		**148,285**
	-	-	5,459	131,489	11,337	-	**148,285**
Cost, end of year	362,514	17,194,013	382,034	1,222,259	-	164,470	**19,325,290**
Work in Progress, end of year							**-**
Cost and Work in Progress, end of year	362,514	17,194,013	382,034	1,222,259	-	164,470	**19,325,290**
Accumulated Amortization, beginning of year		9,545,428	116,949	611,106	9,068	41,566	**10,324,117**
Changes for the Year							
Increase: Amortization for the Year		325,692	31,163	108,484	2,269	21,495	**489,103**
Decrease:							
Deemed Disposals			5,459	131,489	11,337		**148,285**
		-	5,459	131,489	11,337	-	**148,285**
Accumulated Amortization, end of year		9,871,120	142,653	588,101	-	63,061	**10,664,935**
Tangible Capital Assets - Net	**362,514**	**7,322,893**	**239,381**	**634,158**	**-**	**101,409**	**8,660,355**

School District No. 10 (Arrow Lakes)

Deferred Capital Revenue
Year Ended June 30, 2016

	Bylaw Capital	Other Provincial	Other Capital	Total Capital
	$	$	$	$
Deferred Capital Revenue, beginning of year	4,712,840		31,605	**4,744,445**
Changes for the Year				
Increase:				
Transferred from Deferred Revenue - Capital Additions	1,083,217			**1,083,217**
	1,083,217	-	-	**1,083,217**
Decrease:				
Amortization of Deferred Capital Revenue	340,356		790	**341,146**
	340,356	-	790	**341,146**
Net Changes for the Year	742,861	-	(790)	**742,071**
Deferred Capital Revenue, end of year	5,455,701	-	30,815	**5,486,516**
Work in Progress, beginning of year				-
Changes for the Year				
Net Changes for the Year	-	-	-	-
Work in Progress, end of year	-	-	-	-
Total Deferred Capital Revenue, end of year	**5,455,701**	-	**30,815**	**5,486,516**

School District No. 10 (Arrow Lakes)

Changes in Unspent Deferred Capital Revenue
Year Ended June 30, 2016

	Bylaw Capital	MEd Restricted Capital	Other Provincial Capital	Land Capital	Other Capital	Total
	$	$	$	$	$	$
Balance, beginning of year	5,349	263,413				268,762
Changes for the Year						
Increase:						
Provincial Grants - Ministry of Education	1,154,454					1,154,454
Investment Income	958	6,228				7,186
	1,155,412	6,228	-	-	-	1,161,640
Decrease:						
Transferred to DCR - Capital Additions	1,083,217					1,083,217
	1,083,217	-	-	-	-	1,083,217
Net Changes for the Year	72,195	6,228	-	-	-	78,423
Balance, end of year	77,544	269,641	-	-	-	347,185

School District No. 10 (Arrow Lakes)

Audit Findings Report

September 13, 2016

kpmg.ca/audit

The contacts at KPMG in connection with this report are:

Dave Bond, CPA, CA, CBV
Lead Audit Engagement Partner

Tel: 250-979-7154
dpbond@kpmg.ca

Marina Warrender, CPA, CA
Engagement Manager

Tel: 250-979-7193
mwarrender@kpmg.ca

Table of Contents

Executive summary

Purpose of this report*

The purpose of this Audit Findings Report is to assist you, as a member of the Board, in your review of the results of our audit of the financial statements of School District No. 10 (Arrow Lakes) as at and for the year ended June 30, 2016.

Materiality

We determine materiality in order to plan and perform the audit and to evaluate the effects of identified misstatements on the audit and of any uncorrected misstatements on the financial statements. For the 2016 audit, we have determined materiality of $210,000.

Areas of focus and results

We identified certain **areas of audit focus**, which included future employee benefits and payroll and related costs, which were addressed in our audit.

Key audit findings are summarized on page 5.

Adjustments and differences

Adjustments and differences include corrected and uncorrected adjustments to financial statement presentation and disclosure arising during our audit and communicated to management.

Adjustments and differences are summarized on page 7.

Independence

As required by professional standards, we have considered all relationships between KPMG and the School District that may have a bearing on independence. We confirm that we are independent with respect to the District within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulation from July 1, 2015 up to the date of this report.

* This Audit Findings Report should not be used for any other purpose or by anyone other than the Board of Education. KPMG shall have no responsibility or liability for loss or damages or claims, if any, to or by any third party as this Audit Findings Report has not been prepared for, and is not intended for, and should not be used by, any third party or for any other purpose.

Executive summary

Finalizing the audit

As of September 13, 2016, we have substantially completed the audit of the financial statements, with the exception of certain remaining procedures, which include amongst others:

- completion of subsequent event review procedures
- obtaining signed management representation letter
- completing our discussions with the Board ;
- obtaining evidence of the Board's approval of the financial statements.

In addition to our audit report on the District's financial statements, we will be completing other reporting to the Office of the Auditor General for the purposes of their reliance on our audit opinion in the audit of the summary financial statements of the Province.

Significant accounting estimates

Significant accounting estimates are summarized in note 2 (l) to the financial statements and include the estimated employee future benefits, tangible capital asset amortization rates and estimates for contingent liabilities.

Overall, we are satisfied with the reasonability of significant accounting estimates.

Significant accounting policies and practices

There have been no new or changes to, significant accounting policies and practices to bring to your attention impacting the 2016 financial statements.

Areas of focus

Areas of focus	Our significant findings from the audit
Employees future benefits - Actuarial testing	The School District is involved with an employee future benefit plan, which is disclosed in Note 9 to the financial statements. The School District's liabilities are based on an independent actuarial valuation with a full valuation being required every three years. The current year required such a full valuation, meaning all input data were updated and not extrapolated. The liability relating to the employee future benefit as at June 30, 2016 is $176,612 (2015 - $165,606). We reviewed and performed audit procedures in relation to the various actuarial reports and assessed the qualification of the actuaries and the assumptions used. We also reviewed and performed audit procedures to verify the actuarial report input data for accuracy
Salaries and benefits	The School District's salaries and benefits expense for the 2016 year was impacted by the implementation of two collective agreements relating to Canadian Union of Public Employees (CUPE) and the British Columbia Teachers' Federation. In connection with our audit procedures related to payroll and related costs we reviewed the impact of the agreements on salaries and benefits expenses in the year including the current year addition of the economic stability dividend.

Critical accounting estimates

Under Public Sector Accounting Standards, management is required to disclose information in the financial statements about the assumptions it makes about the future, and other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to carrying amounts of assets and liabilities within the next financial year. Generally, these are considered to be “critical accounting estimates.”

Critical accounting estimates

Asset / liability	Balance ($’000s)	KPMG comment
Tangible capital asset amortization rates	$8,660	Amortization on tangible capital assets is based on the estimated useful lives of the underlying assets. We compared the estimated useful lives to the prior year, and assessed the amortization expense for reasonableness.
Future costs to settle employee benefit obligations	$177	The liability for employee future benefits is based on underlying actuarial assumptions. The estimate is subject to variability and measurement uncertainty including changes in actual future benefit costs realized and discount rates. We obtained the valuation report as prepared by management’s actuary, and reviewed the assumptions for reasonableness.
Asset retirement obligation	-	The School District has several facilities that may contain asbestos. However, no asset retirement obligation has been recorded as the timing of the future demolition or renovation of the facilities is unknown and therefore the current value of the future obligation cannot be reasonably estimated.

Adjustments and differences

Adjustments and differences identified during the audit have been categorized as Corrected "adjustments" or Uncorrected "differences." These include disclosure adjustments and differences.

Professional standards require that we request of management and the Board that all identified adjustments or differences be corrected. We have already made this request of management.

Summaries of corrected and uncorrected differences are included with the management representation letter in the appendices.

Corrected adjustments

We did not identify~~ified~~ any accounting adjustments that were subsequently corrected by management. During the course of our audit we did identify various financial statement disclosure recommendations that were reviewed with and adjusted by management.

We did not identify any concerns regarding the form, arrangement and content of the financial statements in accordance with the financial reporting framework.

Uncorrected differences

Similar to other school districts in BC, we identified an uncorrected difference relating to the timing of amortization of tangible capital assets and deferred capital contributions, where figures are provided by the Ministry of Education's amortization tool. The net impact of the timing difference is summarized below

As at and year ended June 30, 2016	Income effect	Financial position		
		Assets	Liabilities	Equity
Description of differences	**(Decrease) Increase**	**(Decrease) Increase**	**(Decrease) Increase**	**(Decrease) Increase**
Tangible capital assets and deferred capital revenue - Ministry of Education amortization tool	(8,317)	(148,732)	(78,673)	(61,742)
Total	(8,317)	(148,732)	(78,673)	(61,742)

Appendices

Appendix 1: Internal control over financial reporting

As your auditors, we are required to obtain an understanding of internal control over financial reporting (ICFR) relevant to the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on internal control. Accordingly, we do not express an opinion on the effectiveness of internal control.

Our understanding of ICFR was for the limited purpose described above and was not designed to identify all control deficiencies that might be significant deficiencies and therefore, there can be no assurance that all significant deficiencies and other control deficiencies have been identified. Our awareness of control deficiencies varies with each audit and is influenced by the nature, timing, and extent of audit procedures performed, as well as other factors.

Based on the results of our audit we did not identify any significant deficiencies or other performance observations related to ICFR.

Appendix 2: Current developments

Please visit the Audit Committee Institute page for recent developments in Canadian auditing and other professional standards. The following is a summary of relevant current developments:

Standard	Summary and implications
Revenue	• PSAB is proposing a single framework to categorize revenues to enhance the consistency of revenue recognition and its measurement. A Statement of Principles was issued in 2013 and comments are currently under deliberation. • An exposure draft is under development and was released in the 4th quarter of 2014. Adoption of these principles would result in a need to assess current accounting policies. • In the case of revenues arising from an exchange, a public sector entity must ensure the recognition of revenue aligns with the satisfaction of related performance obligations. • For unilateral revenues, recognition occurs when there is authority to record the revenue and an event has happened that gives the public sector entity the right to the revenue.
Asset Retirement Obligations	• A new standard is under development addressing the recognition, measurement, presentation and disclosure of legal obligations associated with retirement of tangible capital assets in productive use. Retirement costs would be recognized as an integral cost of owning and operating tangible capital assets. PSAB current contains no specific guidance in this area. • In August 2014, a Statement of Principles was issued with responses and feedback solicited by November 2014. • PSAB is currently deliberating responses and an exposure draft is under development, expected for release in the 2016.

Appendix 3: Audit trends

KPMG understands the wide range of challenges and evolving trends that you face as the Board of Education of School District No. 10 We also understand that sometimes keeping up with critical issues as they emerge can be difficult.

As your auditors, it is incumbent upon us to provide you with any information that will help you further strengthen corporate governance, enhance your oversight and add greater value within your organization.

As such, KPMG's Audit Committee Institute (ACI) provides information, resources and opportunities for you to share knowledge with your peers. First, you are welcome to attend our Audit Committee Roundtable sessions, which are held in major cities across the country. In addition, you will also benefit from our monthly article series (Audit Point of View) and quarterly videos (FrontPage Video Series) that focus on the most pressing audit committee agenda items.

More information on all of these can easily be found at www.kpmg.ca/audit.

Our discussions with you, our audit opinion and what KPMG is seeing in the marketplace—both from an audit and industry perspective—indicate the following is specific information that will be of particular interest to the School District. We would, of course, be happy to further discuss this information with you at your convenience.

Thought Leadership	Overview	Links
	In *Better Outcomes for Public Services: Achieving social impact through outcomes-based funding*, KPMG in Canada and The Mowat Centre identify some of the key obstacles to the implementation of outcome-based funding models and make a series of recommendations for how these challenges might be overcome.	Better outcome for public services
	Technology has brought a revolution to the classroom and campus life, as well as the administration office. The challenge now is keeping up with an ever-accelerating pace of innovation. D&A is an emerging tool that is dramatically working its way into the fabric of education, again both administratively and academically. Administrators can use D&A to support budgeting, enrollment, and fundraising. Similarly, cloud technology can offer administrators benefits in terms of cost savings, while in the classroom provide students with easier access to a wider range of educational resources.	2015-2016 Higher Education Industry Outlook Survey

Appendix 4: Required communications

In accordance with professional standards, there are a number of communications that are required during the course of and upon completion of our audit. These include:

– **Auditors' report** – the conclusion of our audit is set out in our draft auditors' report attached to the draft financial statements.

– **Audit Findings report** – summarizing the key findings and results of our audit.

– **Engagement letter** – a copy of the engagement letter received is included as part of the appendix

– **Management representation letter** –In accordance with professional standards, copies of the management representation letter are provided to the Board of Education. The management representation letter is attached.

KPMG LLP
200-3200 Richter Street
Kelowna BC V1W 5K9
Canada
Tel (250) 763-5522
Fax (250) 763-0044

PRIVATE & CONFIDENTIAL

Ms. Terry Taylor
Secretary-Treasurer and Superintendent of Schools
School District No. 10 (Arrow Lakes)
98 Sixth Avenue NW
Nakusp, BC V0G 1R0

June 30, 2016

Dear Terry:

The purpose of this letter is to outline the terms of our engagement to audit the annual financial statements of School District No. 10 (Arrow Lakes) (the "Entity"), commencing for the period ending June 30, 2016.

This letter supersedes our previous letter to the Entity dated June 11, 2015.

The terms of the engagement outlined in this letter will continue in effect from period to period, unless amended or terminated in writing. The attached Terms and Conditions and any exhibits, attachments and appendices hereto and subsequent amendments form an integral part of the terms of this engagement and are incorporated herein by reference (collectively the "Engagement Letter").

FINANCIAL REPORTING FRAMEWORK FOR THE FINANCIAL STATEMENTS

The annual financial statements will be prepared and presented in accordance with a basis of accounting described in the notes to the financial statements (hereinafter referred to as the "financial reporting framework").

The annual financial statements will include an adequate description of the financial reporting framework (hereinafter referred to as the "financial statements" or "annual financial statements").

MANAGEMENT'S RESPONSIBILITIES

Management responsibilities are described in Appendix – Management's Responsibilities.

An audit does not relieve management or those charged with governance of their responsibilities.

AUDITORS' RESPONSIBILITIES

Our responsibilities are described in Appendix – Auditor's Responsibilities.

If management does not fulfill the responsibilities above, we cannot complete our audit.

AUDITORS' DELIVERABLES

The expected form and content of our report(s) is provided in Appendix - Expected Form of Report. However, there may be circumstances in which a report may differ from its expected form and content.

In addition, if we become aware of information that relates to the financial statements after we have issued our audit report , but which was not known to us at the date of our audit report, and which is of such a nature and from such a source that we would have investigated that information had it come to our attention during the course of our audit, we will, as soon as practicable: (1) communicate such an occurrence to those charged with governance; and (2) undertake an investigation to determine whether the information is reliable and whether the facts existed at the date of our audit report. Further, management agrees that in conducting that investigation, we will have the full cooperation of the Entity's personnel. If the subsequently discovered information is found to be of such a nature that: (a) our audit report would have been affected if the information had been known as of the date of our audit report; and (b) we believe that the audit report is currently being relied upon or is likely to be relied upon by someone who would attach importance to the information, appropriate steps will be taken by KPMG and expected by the Entity to prevent further reliance on our audit report.

Such steps include, but may not be limited to, appropriate disclosures by the Entity of the newly discovered facts and the impact to the financial statements.

INCOME TAX COMPLIANCE AND ADVISORY SERVICES

This letter details the general tax advisory services to be provided to the Entity for the year ended / calendar year / taxation year / and in the future ended June 30, 2016 and in the future. If there are tax services to be delivered outside the scope of those described in this letter, we will require a separate engagement letter for those services.

We will perform the following services under the terms of this engagement:

General tax advisory services

Our tax advice generally falls under one of the following situations:

1. On an ongoing basis, we will provide advisory services of a general nature relating to various income, capital, payroll and indirect tax matters as they arise. This type of service generally arises on a periodic basis as a result of preliminary inquiries made by you. In rendering these services, it is important to recognize that the advice provided is dependent on the detail of the information provided and the environment in which it is rendered. When professional judgment suggests written confirmation of the facts and advice is necessary, we will draft the appropriate correspondence to ensure the appropriate standard of care is met by all parties.

2. Periodically, you will seek detailed advice from us in connection with a specific transaction or undertaking you are contemplating. In such a situation, our advice will be based on the information provided to us. It is the responsibility of the Entity to ensure we are provided with all the information necessary in order for us to render the advice sought. Our tax advice will most likely be communicated to you, or your designate, in writing.

Our tax advisory services, both written and oral, will be based on the facts and assumptions submitted to us.

We will not independently verify this information. Inaccuracy or incompleteness of the information could have a material effect on our conclusions.

Our advice will be limited to the conclusions specifically set forth in our reporting letter and KPMG will not express an opinion with respect to any other federal, provincial or foreign tax or legal aspect of the transactions described therein. It should be noted that the Canada Revenue Agency and/or the relevant provincial tax authority and/or any other governmental tax authority (collectively a Tax or Revenue Authority) could take a different position with respect to these transactions, in which case it may be necessary for you to defend this position on appeal from an assessment or litigate the dispute before the courts, including one or more appellate courts, in order for our conclusions to prevail. If a settlement were reached with a Tax or Revenue Authority or if such appeal and litigation were not, or were not entirely, successful, the result would likely be different from the views we express in our reporting letter. Unless expressly provided for, KPMG's services do not include representing Client in the event of a challenge by a Tax or Revenue Authority or litigation before any court.

Advice delivered outside the scope described in this letter will require a separate engagement letter. In addition, after providing the advice referred to herein, we will not be responsible for updating such advice to take into account any subsequent changes in law or administrative practice unless specifically provided for under the terms of this engagement.

FEES

Appendix - Fees for Professional Services to this letter lists our fees for professional services to be performed under this Engagement Letter.

* * * * * * * * *

We are available to provide a wide range of services beyond those outlined above. Additional services are subject to separate terms and arrangements.

We are proud to serve the Entity and we appreciate your confidence in our work. We shall be pleased to discuss this letter with you at any time. If the arrangements outlined are in accordance with the Entity's requirements and if the above terms are acceptable to the Entity, please sign this letter in the space provided and return it to us.

Yours very truly,

David Bond, CPA, CA, CBV
Partner responsible for the engagement and its performance, and for the report that is issued on behalf of KPMG LLP, and who, where required, has the appropriate authority from a professional, legal or regulatory body.
(250) 979-7154

Enclosure

The terms of the engagement for School District No. 10 (Arrow Lakes) set out are as agreed:

T Taylor

Terry Taylor, Secretary-Treasurer and Superintendent of Schools

August 11/16

Date (DD/MM/YY)

Appendix - Management's Responsibilities

Management acknowledges and understands that they are responsible for:

(a) the preparation and fair presentation of the financial statements in accordance with the financial reporting framework referred to above

(b) ensuring that all transactions have been recorded and are reflected in the financial statements

(c) such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. Management also acknowledges and understands that they are responsible for the design, implementation and maintenance of internal control to prevent and detect fraud

(d) providing us with access to all information of which management is aware that is relevant to the preparation of the financial statements such as financial records, documentation and other matters, including the names of all related parties and information regarding all relationships and transactions with related parties

(e) providing us with additional information that we may request from management for the purpose of the audit

(f) providing us with unrestricted access to persons within the Entity from whom we determine it necessary to obtain audit evidence

(g) providing us with written representations required to be obtained under professional standards and written representations that we determine are necessary. Management also acknowledges and understands that, as required by professional standards, we may disclaim an audit opinion when management does not provide certain written representations required

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Appendix - Auditor's Responsibilities

Our function as auditors of the Entity is:

- to express an opinion on whether the Entity's annual financial statements, prepared by management with the oversight of those charged with governance, are, in all material respects, in accordance with the financial reporting framework referred to above
- to report on the annual financial statements

We will conduct the audit of the Entity's annual financial statements in accordance with Canadian generally accepted auditing standards and relevant ethical requirements, including those pertaining to independence (hereinafter referred to as applicable "professional standards").

We will plan and perform the audit to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error. Accordingly, we will, among other things:

- identify and assess risks of material misstatement, whether due to fraud or error, based on an understanding of the Entity and its environment, including the Entity's internal control. In making those risk assessments, we consider internal control relevant to the Entity's preparation of the annual financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control
- obtain sufficient appropriate audit evidence about whether material misstatements exist, through designing and implementing appropriate responses to the assessed risks
- form an opinion on the Entity's annual financial statements based on conclusions drawn from the audit evidence obtained
- communicate matters required by professional standards, to the extent that such matters come to our attention, to the appropriate level of management, those charged with governance and/or the board of directors. The form (oral or in writing) and the timing will depend on the importance of the matter and the requirements under professional standards

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Appendix - Expected Form of Report

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of School District No. 10 (Arrow Lakes) and To the Minister of Education, Province of British Columbia

We have audited the accompanying financial statements of School District No. 10 (Arrow Lakes), which comprise the statement of financial position as at June 30, 2016, the statements of operations, changes in net financial assets (debt) and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of Section 23.1 of the Budget Transparency and Accountability Act (British Columbia), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements of School District No. 10 (Arrow Lakes) as at June 30, 2016 are prepared, in all material respects, in accordance with the financial reporting provisions of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia. In accordance with the basis of accounting and restriction on use and, without modifying our opinion, we draw attention to note 1 to the financial statements, which describes the basis and accouting and the significant differences between both basis of accounting and Canadian Public sector accounting standards.

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Appendix - Fees for Professional Services

Fees for professional services rendered will be billed based on fees outlined below:

Service	
Audit of the annual financial statements, including related reporting to the Office of the Auditor General of British Columbia	$ 16,000
Total fees	**$ 16,000**

Routine administration expenses, such as long distance telephone calls, photocopies, fax charges, printing, postage, delivery, and secretarial time will be charged on the basis of a percentage of our professional costs. Out-of-pocket costs such as travel will be charged as incurred.

The Entity agrees, by accepting the terms of this engagement, to pay all invoices to KPMG upon receipt.

These Terms and Conditions are an integral part of the accompanying engagement letter or proposal from KPMG that identifies the engagement to which they relate (and collectively form the "Engagement Letter"). This Engagement Letter supersedes all written or oral representations on this matter. The term "Entity" used herein has the meaning set out in the accompanying engagement letter or proposal. The term "Management" used herein means the management of the Entity.

1. SEVERABILITY.

The provisions of these Terms and Conditions and the accompanying proposal or engagement letter shall only apply to the extent that they are not prohibited by a mandatory provision of applicable law, regulation or professional standards. If any of the provisions of these Terms and Conditions or the accompanying proposal or engagement letter are determined to be invalid, void or unenforceable, the remaining provisions of these Terms and Conditions or the accompanying proposal or engagement letter, as the case may be, shall not be affected, impaired or invalidated, and each such provision shall remain valid and in effect and be enforceable and binding on the parties to the fullest extent permitted by law.

2. GOVERNING LAW.

This Engagement Letter shall be subject to and governed by the laws of the province where KPMG's principal office performing this engagement is located (without regard to such province's rules on conflicts of law).

3. LLP STATUS.

KPMG LLP is a registered limited liability Partnership ("LLP") established under the laws of the and, where applicable, has been registered extra-provincially under provincial legislation. KPMG is a partnership, but its partners have a degree of limited liability. A partner is not personally liable for any debts, obligations or liabilities of the LLP that arise from a negligent act or omission by another partner or by any other person under that other partner's direct supervision or control. The legislation relating to limited liability partnerships does not, however, reduce or limit the liability of the firm. The firm's insurance exceeds the mandatory professional indemnity insurance requirements established by the relevant professional bodies. Subject to the other provisions hereof, all partners of the LLP remain personally liable for their own actions and/or actions of those they directly supervise or control.

4. DOCUMENTS AND INFORMATION.

Management's cooperation in providing us with documents and related information and agreed-upon assistance on a timely basis is an important factor in being able to issue our report. Entity agrees that all management functions/responsibilities will be performed and all management decisions will be made by Entity, and not KPMG. KPMG shall be entitled to share all information provided by the Entity with all other member firms of KPMG International Cooperative ("KPMG International"). All work papers, files and other internal materials created or produced by KPMG during the engagement and all copyright and intellectual property rights in our work papers are the property of KPMG. Except as required by applicable law or regulation, the Entity shall keep confidential the existence and terms of this Engagement Letter, and such confidential information shall not be distributed, published or made available to any other person without KPMG's express written permission. Further, for purposes of the services described in this Engagement Letter only, the Entity hereby grants to KPMG a limited, revocable, non-exclusive, non-transferable, paid up and royalty-free license, without right of sublicense, to use all logos, trademarks and service marks of Entity solely for presentations or reports to the Entity or for internal KPMG presentations and intranet sites.

5. USE OF MEMBER FIRMS AND THIRD PARTY SERVICE PROVIDERS.

Personal and/or confidential information collected by KPMG during the course of this engagement may be used, processed and stored outside of Canada by KPMG, KPMG International member firms performing services hereunder or third party service providers to provide professional services and administrative, analytical and clerical support and to comply with applicable law, regulations and professional standards. Entity also understands and agrees that KPMG aggregates Entity's information with information from other sources for the purpose of improving quality and service, and for use in presentations to clients and non-clients, in a form where such information is sufficiently de-identified so as not to be attributable to Entity. KPMG represents to the Entity that each KPMG International member firm and third party service provider providing services hereunder has agreed or shall agree to conditions of confidentiality with respect to the Entity's information. Further, KPMG is responsible to the Entity for causing such third party service providers to comply with such conditions of confidentiality, and KPMG shall be responsible to the Entity for their failure to comply and failure of each KPMG International member firm providing services hereunder to comply with its obligations of confidentiality owed to KPMG. Any services performed by third party service providers shall be performed in accordance with the terms of this Engagement Letter, but KPMG shall remain responsible to the Entity for the performance of such services and services performed by each KPMG International member firm providing services hereunder. Such personal and/or confidential information may be subject to disclosure in accordance with the laws applicable in the jurisdiction in which the information is processed or stored, which laws may not provide the same level of protection for such information as will Canadian laws.

6. PERSONAL INFORMATION CONSENTS AND NOTICES.

Any collection, use or disclosure of personal information is subject to KPMG's Privacy Policy available at . KPMG may be required to collect, use and disclose personal information about individuals during the course of this engagement.
The Entity represents and warrants that (i) it will obtain any consents reasonably required to allow KPMG to collect, use and disclose personal information in the course of the engagement, and (ii) it has provided notice of the potential processing of such personal information outside of Canada (as described in Section 5 above). KPMG's Privacy Officer noted in KPMG's Privacy Policy is able to answer any individual's questions about the collection of personal information required for KPMG to deliver services hereunder.

7. OFFERS OF EMPLOYMENT.

In order to allow issues of independence to be addressed, Management agrees that prior to extending an offer of employment to any KPMG partner, employee or contractor, the matter is communicated to the engagement partner or associate partner.

8. OFFERING DOCUMENTS.

If the Entity wishes to include or incorporate by reference the financial statements and our report thereon in an offering document, we will consider consenting to the use of our report and the terms thereof at that time. Nothing in this Engagement Letter shall be construed as consent and KPMG expressly does not consent to the use of our audit report(s) in offering documents. If the Entity wishes to obtain KPMG's written consent to the use of our audit report(s) in an offering document, or wishes us to provide a comfort or advice letter, we will be required to perform procedures as required by professional standards; any agreement to perform such procedures will be documented in a separate engagement letter. Management agrees to provide us with adequate notice of the preparation of such documents.

9. FEE AND OTHER ARRANGEMENTS.

KPMG's estimated fee is based on the quality of the Entity's accounting records, the agreed-upon level of preparation and assistance from the Entity's personnel, and adherence to the agreed-upon timetable. KPMG's estimated fee also assumes that the Entity's financial statements are in accordance with the applicable financial reporting framework and that there are no significant new or changed accounting policies or issues, or financial reporting, internal control over financial reporting or other reporting issues. KPMG will inform the Entity on a timely basis if these factors are not in place.

Additional time may be incurred for such matters as significant issues, significant unusual and/or complex transactions, informing management about new professional standards, and any related accounting advice. Where these matters arise and require research, consultation and work beyond that included in the estimated fee, the Entity and KPMG agree to revise the estimated fee. No significant additional work will proceed without Management's concurrence, and, if applicable, without the concurrence of those charged with governance. Upon completion of these services KPMG will review with the Entity any fees and expenses incurred in excess of KPMG's estimate, following which KPMG will render the final billing. Our professional fees are also subject to a technology and support charge to cover information technology infrastructure costs and administrative support of our client service personnel, which are not included in our client service personnel fee. The technology and support fee covers costs such as our client service personnel computer hardware and customized KPMG software, telecommunications equipment, printing of financial statements and reports, client service professional administrative support, IT programming professional services and other client support services. Other disbursements for items such as travel, accommodation and meals will be charged based on KPMG's actual disbursements.

KPMG's invoices are due and payable upon receipt. Amounts overdue are subject to interest. In order to avoid the possible implication that unpaid fees might be viewed as creating a threat to KPMG's independence, it is important that KPMG's bills be paid promptly when rendered. If a situation arises in which it may appear that KPMG's independence is threatened because of significant unpaid bills, KPMG may be prohibited from signing the report and, if applicable, any consent.

Fees for any other services will be billed separately from the services described in this Engagement Letter and may be subject to written terms and conditions supplemental to those in this letter.

Canadian Public Accountability Board (CPAB) participation fees, when applicable, are charged to the Entity based on the annual fees levied by CPAB.

To the extent that KPMG partners and employees are on the Entity's premises, the Entity will take all reasonable precautions for the safety of KPMG partners and employees at the Entity's premises.

10. LEGAL PROCESSES.

a. The Entity on its own behalf hereby acknowledges and agrees to cause its subsidiaries and affiliates to hereby acknowledge that KPMG may from time to time receive requests or orders from the Canadian Public Accountability Board or from professional, securities or other regulatory, judicial or governmental authorities (both in Canada and abroad) to provide them with information and copies of documents in KPMG's files including (without limitation) working papers and other work-product relating to the affairs of the Entity, its subsidiaries and affiliates, which information and documents may contain confidential information of Entity. Except where prohibited by law, if a request or order is directly related to an inspection or investigation of KPMG's audit of the Entity, KPMG will advise the Entity of the request or order. The Entity hereby acknowledges that KPMG will provide these documents and information without further reference to, or authority from, the Entity, its subsidiaries and affiliates. The Entity must mark any document over which it asserts privilege as "privileged". When such an authority requests access to KPMG's working papers and other work-product relating to the Entity's affairs, KPMG will, on a reasonable efforts basis, refuse access to any document over which the Entity has expressly informed KPMG at the time of delivery that the Entity asserts privilege (by the Entity marking such document as "privileged" as contemplated in the foregoing sentence). Notwithstanding the foregoing, where disclosure of such privileged documents is required by law, KPMG will disclose such privileged documents. If and only if the authority requires such access to such privileged documents pursuant to the laws of a jurisdiction in which express consent of the Entity is required for such disclosure, then the Entity hereby provides its consent.

Where privileged Entity documents are disclosed by KPMG as contemplated above, KPMG is directed to advise the authority that the Entity is permitting disclosure only to the extent required by law and for the limited purpose of the authority's exercise of statutory authority. KPMG is directed to advise the authority that the Entity does not intend to waive privilege for any other purpose and that the Entity expects its documents to be held by the authority as privileged and confidential material. For greater certainty, the Entity and KPMG hereby agree that this acknowledgement (and, if required, consent) does not negate or constitute a waiver of privilege for any purpose and the Entity expressly relies upon the privilege protections afforded under statute and otherwise under law.

The Entity agrees to reimburse KPMG, upon request, at standard billing rates for KPMG's professional time and expenses, including reasonable legal fees, expenses and taxes, incurred in dealing with the matters described above.

b. The Entity agrees to notify KPMG promptly of any request received by Entity from any court or applicable regulatory authority with respect to the services hereunder, KPMG's confidential information, KPMG's advice or report or any related document. If KPMG is required by law, pursuant to government regulation, subpoena or other legal process to produce documents or personnel as witnesses arising out of the engagement and KPMG is not a party to such proceedings, Entity shall reimburse KPMG at standard billing rates for professional time and expenses, including, without limitation, reasonable legal fees, expenses and taxes incurred in responding to such compelled assistance.

c. If the Entity requests that KPMG produce documents or personnel as witnesses in any proceedings in any way related to the engagement or services provided by KPMG hereunder and KPMG is not a party to such proceedings, KPMG may agree to produce documents or personnel as witnesses on such terms and conditions as KPMG may, in its sole discretion, determine. Without limiting the generality of the foregoing, the Entity shall reimburse KPMG at standard billing rates for professional time and expenses, including, without limitation, reasonable legal fees, expenses and taxes incurred in responding to such Entity requests.

11. KPMG INTERNATIONAL MEMBER FIRMS.

The Entity agrees that any claims that may arise out of this engagement will be brought solely against KPMG, the contracting party, and not against any other KPMG International member firms participating in this engagement or such third party service providers referred to in Section 5 above.

12. CONNECTING TO THE ENTITY'S IT NETWORK.

KPMG personnel are authorized to connect their computers to the Entity's IT Network, subject to any restrictions communicated to KPMG from time to time. Connection to the Entity's IT Network or the Internet via the Network, while at the Entity's premises, will be for the express purpose of conducting normal business activities, primarily relating to facilitating the completion of work referred to in this letter.

13. DELIVERABLES OR COMMUNICATIONS.

KPMG may issue other deliverables or communications as part of the services described in this Engagement Letter. Such other deliverables or communications may not to be included in, summarized in, quoted from or otherwise used or referred to, in whole or in part, in any public documents or public oral statement.

KPMG expressly does not consent to the use of any communication, report, statement or conclusion prepared by us on the interim financial statements. Further any such communication, report, statement or conclusion on the interim financial statements may not be included in, summarized in, quoted from or otherwise used in any public document or public oral statement except when the interim review conclusion contains a modified conclusion as explained below.

If the interim review conclusion is modified relating to a departure from the applicable financial reporting framework, which is not as a result of an exemption permitted by securities legislation, you agree that our interim review report will accompany the interim financial statement.

14. LIMITATION ON WARRANTIES.

THIS IS A SERVICES ENGAGEMENT. KPMG WARRANTS THAT IT WILL PERFORM SERVICES HEREUNDER IN GOOD FAITH WITH QUALIFIED PERSONNEL IN A COMPETENT AND WORKMANLIKE MANNER IN ACCORDANCE WITH APPLICABLE INDUSTRY STANDARDS. SUBJECT TO SECTION 1, KPMG DISCLAIMS ALL OTHER WARRANTIES, REPRESENTATIONS OR CONDITIONS, EITHER EXPRESS OR IMPLIED, INCLUDING, WITHOUT LIMITATION, WARRANTIES, REPRESENTATIONS OR CONDITIONS OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.

15. LIMITATION ON LIABILITY AND INDEMNIFICATION

a. Subject to Section 1: (i) Entity agrees that KPMG shall not be liable to Entity for any actions, damages, claims, fines, penalties, complaints, demands, suits, proceedings, liabilities, costs, expenses, or losses (collectively, "Claims") in any way arising out of or relating to the services performed hereunder for an aggregate amount in excess of the fees paid by Entity to KPMG under the engagement; and (ii) on a multi-phase engagement, KPMG's liability shall be based on the amount actually paid to KPMG for the particular phase that gives rise to the liability.

b. Subject to Section 1, in the event of a Claim by any third party against KPMG that arises out of or relates to the services performed hereunder, Entity will indemnify and hold harmless KPMG from all such Claims, including, without limitation, reasonable legal fees, except to the extent finally determined to have resulted from the intentional, deliberate or fraudulent misconduct of KPMG.

c. Subject to Section 1: (i) in no event shall KPMG be liable for consequential, special, indirect, incidental, punitive or exemplary damages, liabilities, costs, expenses, or losses (including, without limitation, lost profits and opportunity costs); (ii) in any Claim arising out of the engagement, Entity agrees that KPMG's liability will be several and not joint and several; and (iii) Entity may only claim payment from KPMG of KPMG's proportionate share of the total liability based on degree of fault.

d. For purposes of this Section 15, the term KPMG shall include its subsidiaries, its associated and affiliated entities and their respective current and former partners, directors, officers, employees, agents and representatives. The provisions of this Section 15 shall apply regardless of the form of Claim, whether in contract, statute, tort (including, without limitation, negligence) or otherwise.

16. ALTERNATIVE DISPUTE RESOLUTION.

The parties shall, and shall cause both their and their respective subsidiaries', affiliates' and associated entities' current and former officers, partners, directors, employees, agents and representatives, to first attempt to settle any dispute arising out of or relating to this Engagement Letter or the services provided hereunder (the "Dispute") through good faith negotiations in the spirit of mutual cooperation between representatives of each of the parties with authority to resolve the Dispute. In the event that the parties are unable to settle or resolve a Dispute through negotiation within 30 days of when one of the parties has notified the other party of the Dispute by delivering a notice of dispute, or such longer period as the parties may mutually agree upon, such Dispute shall, as promptly as is reasonably practicable, be subject to mediation pursuant to the National Mediation Rules of the ADR Institute of Canada, Inc. that are in force at the time the notice of dispute is delivered. Any Dispute remaining unresolved for more than 60 days following the parties first meeting with a mediator or such longer period as the parties may mutually agree upon shall, as promptly as is reasonably practicable, be resolved by arbitration pursuant to the Arbitration Rules of the ADR Institute of Canada, Inc. (the "Arbitration Rules") that are in force at the time the Dispute is subject to arbitration. For certainty, the parties hereby waive any right they may otherwise have to bring a court action in connection with a Dispute. The parties also waive any right they may otherwise have to bring or participate in a class, collective, or representative proceeding in connection with a Dispute, whether in court or before an arbitrator. The arbitrator's decision shall be final, conclusive and binding upon the parties, and the parties shall have no right to appeal or seek judicial review of the arbitrator's decision. For certainty, the parties hereby waive any right of appeal which may otherwise be available under applicable legislation or under the Arbitration Rules. The place of mediation and arbitration shall be the city in Canada in which the principal KPMG office that performed the engagement is located. The language of the mediation and arbitration shall be English.

17. LIMITATION PERIOD.

Subject to Section 1, no proceeding arising under or relating to the engagement may be brought by either party more than one year after the cause of action has accrued or in any event not more than five years after completion of the engagement, except that a proceeding for non-payment may be brought by KPMG at any time following the date of the last payment due to KPMG hereunder. For purposes of this Section 17, the term "KPMG" shall include its subsidiaries and associated and affiliated entities and their respective current and former partners, directors, officers, employees, agents and representatives.

18. COMMENT LETTERS OR EQUIVALENT.

Management agrees to promptly provide us with a copy of any comment letter or request for information issued by a relevant securities regulatory authority on the Entity's continuous disclosure filings or equivalent. If any of the comments pertain to the Entity's financial statements and, when applicable, management's assessment of the effectiveness of internal control over financial reporting, management and those charged with governance agree to engage our assistance, subject to any pre-approval process, in the process of responding to such comments.

19. PUBLIC DOCUMENTS OR EQUIVALENT.

Except as otherwise specifically agreed in this Engagement Letter, nothing in this Engagement Letter shall be construed as consent and KPMG expressly does not consent to the use of our audit report(s) in any "document" or "public oral statement" (as those terms are defined in section 138.1 of the Securities Act (Ontario)), including but not limited to when:
(i) the Entity files with securities regulatory authorities its annual financial statements and KPMG's audit report thereon;
(ii) the Entity files with securities regulatory authorities its Management's Discussion and Analysis in connection with the material in (i) above;
(iii) the Entity files with securities regulatory authorities any other continuous disclosure document containing, or incorporating by reference, the annual financial statements and KPMG's audit report thereon (e.g., Annual Reports on Form 40-F or 20-F or 10-K filed on SEDAR).
If the Entity wishes to obtain KPMG's written consent to the use of our audit report(s), we will be required to perform procedures as required by professional standards. Except as otherwise specifically agreed in this Engagement Letter, any agreement to perform procedures necessary to provide KPMG's written consent or any agreement to read any other document issued by the Entity will be a separate engagement.

20. POTENTIAL CONFLICTS OF INTEREST.

a. KPMG is engaged by a wide variety of entities and individuals, some of whom may be creditors, investors, borrowers, shareholders, competitors, suppliers or customers of Entity, or other parties with conflicting legal and business interests to Entity, including, without limitation, in relation to the audit, tax or advisory services provided to Entity by KPMG. KPMG's engagements with such companies and individuals may result in a conflict with Entity's interests.
b. As a condition of KPMG's engagement by Entity, Entity agrees that: (i) without further notice or disclosure, KPMG may accept or continue engagements on unrelated matters to KPMG's engagement for Entity in which KPMG may act contrary to Entity's interests even if those unrelated matters are materially and directly adverse to Entity; and (ii) without further notice or disclosure, KPMG may provide advice or services to any other person or entity making a competing bid or proposal to that of Entity whether or not KPMG is providing advice or services to Entity in respect of Entity's competing bid or proposal.
c. In accordance with professional standards, and except as set out below, KPMG will not use any confidential information regarding Entity in connection with its engagements with other clients, and will establish confidentiality and other safeguards to manage conflicts, which may include, in KPMG's sole discretion, the use of separate engagement teams and data access controls. In no event shall KPMG be liable to Entity or shall Entity be entitled to a return of fees and disbursements incurred on behalf of Entity or any other compensation whatsoever as a result of KPMG accepting or continuing a conflicting engagement.
d. Entity further agrees that KPMG may, in its sole discretion, disclose the fact or general nature of its engagement for Entity to (i) KPMG International and other KPMG International member firms in order to check against potential conflicts of interest, and (ii) to the extent reasonably required in order to obtain the consent of another entity or individual in order to permit KPMG to act for such entity or individual, or for Entity, in connection with the engagement or any future engagement.
e. Where another party has engaged KPMG to deliver services before Entity has done so, and subsequently circumstances change such that there is a conflict, which in KPMG's sole opinion cannot be adequately managed through the use of confidentiality and other safeguards, KPMG shall be entitled to terminate the engagement for Entity, without liability, immediately upon notice.
f. Other KPMG International member firms are engaged by many entities and individuals, including, without limitation, entities and individuals that may enter into transactions or may have disputes with Entity or Entity's related or affiliated entities. Entity agrees that (i) it will not assert that other KPMG International member firms are precluded from being engaged by those other entities or individuals, and (ii) those engagements of other KPMG International member firms do not conflict with KPMG's engagement for Entity.
g. Subject to Section 1, Entity will indemnify and hold harmless KPMG, its subsidiaries and associated and affiliated entities, and their respective current and former partners, directors, officers, employees, agents and representatives from any claims, actions, damages, complaints, demands, suits, proceedings, liabilities, fines, penalties, costs, expenses or losses by any third party (including, without limitation, reasonable legal fees) that alleges that KPMG was in a conflict of interest by providing services hereunder. The provisions of this subsection 20(g) shall apply regardless of the form of Claim, whether in contract, statute, tort (including, without limitation, negligence) or otherwise.
h. KPMG encourages Entity to obtain legal advice with respect to Entity's rights in connection with potential future conflicts prior to entering into the engagement.

21. LOBBYING.

Unless expressly stated in this Engagement Letter, KPMG will not undertake any lobbying activity, as that term is defined in all applicable federal, provincial and municipal lobbyist registration statutes and regulations, in connection with the engagement. In the event that KPMG and Entity agree that KPMG will undertake lobbying activity in connection with the engagement, such agreement shall be set out in an amendment to this Engagement Letter.

22. SURVIVAL.

All sections hereof other than Section 12 shall survive the expiration or termination of the engagement.

1. TERMS AND CONDITIONS.

References to the word "Client" in the attached Terms and Conditions for Advisory and Tax Services are to be read as "Entity".

a. These Terms and Conditions are an integral part of the accompanying Proposal or Engagement Letter from KPMG that identifies the engagement to which they relate.

b. In the event of conflict between the Proposal or Engagement Letter and these Terms and Conditions, these Terms and Conditions shall prevail unless specific reference to a provision of the Terms and Conditions being varied is made in the Proposal or Engagement Letter. Other capitalized words in these Terms and Conditions shall have the meanings given to them in the Proposal or Engagement Letter.

2. SERVICES.

KPMG will use reasonable efforts to complete the performance of the services within any agreed-upon time-frame. It is understood and agreed that KPMG's services may include advice and recommendations, but all decisions in connection with the implementation of such advice and recommendations, shall be the responsibility of, and made by, Client. KPMG will not perform management functions or make management decisions for Client. Nothing in these Terms and Conditions or Engagement letter (or Proposal) shall be construed as precluding or limiting in any way the right of KPMG to provide services of any kind or nature whatsoever to any person or entity as KPMG in its sole discretion deems appropriate.

3. CLIENT RESPONSIBILITIES.

a. Client agrees to cooperate with KPMG in the performance of the services under the Engagement Letter and shall provide or arrange to provide KPMG with timely access to and use of the personnel, facilities, equipment, data and information necessary for KPMG to perform the services under the Engagement Letter. To the extent that KPMG personnel are on Client premises, Client will take all reasonable precautions for the safety of KPMG partners and employees at Client premises. Client shall be responsible for the performance of its employees and agents and for the accuracy and completeness of all data and information provided to KPMG for purposes of the performance by KPMG of its services hereunder. The Proposal or Engagement Letter may set forth additional responsibilities of Client in connection with the engagement. Client acknowledges that Client's failure to perform these obligations could adversely impact KPMG's ability to perform its services.

b. Client agrees that Client, and not KPMG, shall perform the following functions: (i) make all management decisions and perform all management functions; (ii) designate an individual who possesses suitable skill, knowledge and experience, preferably within senior management, to oversee the performance of the services under the Engagement Letter, and to evaluate the adequacy and results of such services; (iii) accept responsibility for the results of such services; and (iv) establish and maintain internal controls over the processes with which such services are concerned, including, without limitation, monitoring ongoing activities.

c. Client acknowledges and agrees that KPMG will, in performing the services, base its conclusions on the facts and assumptions that Client furnishes and that KPMG may use data, material, and other information furnished by or at the request or direction of Client without any independent investigation or verification and that KPMG shall be entitled to rely upon the accuracy and completeness of such data, material and other information. Inaccuracy or incompleteness of such data, material and other information furnished to KPMG could have a material effect on KPMG's conclusions.

d. Client acknowledges that information made available by it, or by others on Client's behalf, or otherwise known to partners or staff of KPMG who are not engaged in the provision of the services hereunder shall not be deemed to have been made available to the individuals within KPMG who are engaged in the provision of the services hereunder. Client undertakes that, if anything occurs after information is provided by Client to KPMG to render such information untrue, unfair or misleading, Client shall promptly notify KPMG.

4. REPORTING.

a. All oral and written communications by KPMG to Client with respect to the engagement, including, without limitation, drafts and those communications occurring prior to the execution of the Engagement Letter will be subject to the terms and conditions of the Engagement Letter and these Terms and Conditions. During the performance of the services, KPMG may supply oral, draft or interim advice, reports or presentations but in such circumstances KPMG's written advice or final written report shall take precedence. No reliance should be placed by Client on any oral, draft or interim advice, reports or presentations. Where Client wishes to rely on oral advice or oral presentation, Client shall inform KPMG and KPMG will provide documentary confirmation of the advice concerned.

b. Subsequent to the completion of the engagement, KPMG will not update its advice, recommendations or work product for changes or modification to the law and regulations, or to the judicial and administrative interpretations thereof, or for subsequent events or transactions, unless Client separately engages KPMG to do so in writing after such changes or modifications, interpretations, events or transactions occur.

5. WORKING PAPERS AND USE OF REPORTS; USE OF NAME AND LOGO

a. KPMG retains all rights in all methodologies, know-how, knowledge, applications and software developed by KPMG either prior to or during the engagement. KPMG also retains all rights (including, without limitation, copyright) in all reports, written advice and other working papers and materials developed by KPMG during the engagement. Unless contemplated by the Engagement Letter, all reports and written advice are confidential and intended solely for Client's internal use (or the use of Client's management, as applicable) to assist with this specific matter or transaction, and, where applicable, government taxation authorities, and are not for general use, circulation or publication. Such reports and written advice shall not be edited, referred to, circulated, reproduced, distributed, published, made available, used for any other purpose or relied upon by any other person without KPMG's express written permission and on such terms and conditions as KPMG may require in its sole discretion. If such permission is given, Client shall not publish any extract or excerpt of KPMG's written advice or report or refer to KPMG without providing the entire advice or report at the same time. Notwithstanding the foregoing, Client may disclose in whole any report or written advice given to Client by KPMG hereunder solely to Client's legal and professional advisors for the purposes of Client seeking advice in respect of the transaction or matter to which the engagement relates, provided that when doing so Client informs such advisors that: (i) disclosure by them (except as permitted herein) is not permitted without KPMG's prior written consent; and (ii) KPMG accepts no responsibility or liability to such advisors in connection with such reports or written advice. Subject to the restrictions of Section 6, KPMG is entitled to use or develop the knowledge, experience and skills of general application gained through performing the engagement.

b. Client shall not refer to KPMG or use KPMG's name or logo in any manner or medium without the prior written permission of

KPMG in each instance, which permission may be unreasonably withheld by KPMG.

c. The contents of this Section 5 may be reproduced in any report or written advice of KPMG, in whole or in part, at KPMG's sole discretion. Any failure of KPMG to include any such language shall not derogate from the obligations set out in this Section 5.

6. CONFIDENTIALITY.

a. Except as described in Section 5 above, Client will treat in confidence any information provided by KPMG to Client including but not limited to KPMG methodologies, know-how, knowledge, application or software and will not use or disclose any such confidential information of KPMG to others.

b. Except as expressly set forth herein, KPMG will treat as confidential all proprietary information and personal information obtained from Client in the course of the engagement.

c. The restrictions in subsections 6 (a) and (b) above shall not apply to any information that: (i) is required by law or professional standards applicable to KPMG to be disclosed; (ii) that is in or hereafter enters the public domain; (iii) that is or hereafter becomes known to Client or KPMG, as the case may be, without breach of any confidentiality obligation; or (iv) that is independently developed by KPMG..

d. KPMG shall be entitled to include a description of the services rendered in the course of the engagement in marketing and research materials and disclose such information to third parties, provided that all such information will be rendered anonymous and not subject to association with Client.

e. KPMG shall be entitled to share all information with all other member firms of KPMG International Cooperative ("KPMG International"). KPMG may also use such information to offer services that may be of interest to Client. KPMG may retain and may disclose to other KPMG International member firms, subject to terms of this Section 6, such information required for compliance with applicable professional standards or internal policies or for quality reviews or to share best practices.

f. Professional standards require KPMG personnel performing any audit or assurance services for clients to discuss or have available to them all information and materials that may affect the audit or assurance engagement. Client authorizes, if Client is or becomes an assurance Client, KPMG personnel performing services under the engagement to make available to the KPMG assurance engagement team and other KPMG personnel, the findings, observations and recommendations from the engagement and agrees that KPMG may use all such findings, observations and recommendations in KPMG's assurance engagement.

g. Except as required by applicable law or regulation, Client shall keep confidential the existence and terms of the Proposal or the Engagement Letter (as applicable) and these Terms and Conditions. Such confidential information shall not be distributed, published or made available to any other person without KPMG's express written permission. Further, for purposes of the services described in the Engagement Letter only, the Client hereby grants to KPMG a limited, revocable, non-exclusive, non-transferable, paid up and royalty-free license, without right of sublicense, to use all logos, trademarks and service marks of Client solely for presentations or reports to the Client or for internal KPMG presentations and intranet sites.

7. PERSONAL INFORMATION CONSENTS AND NOTICES.

Any collection, use or disclosure of personal information is subject to KPMG's Privacy Policy available at www.kpmg.ca. KPMG may be required to collect, use and disclose personal information about individuals during the course of the engagement. Client represents and warrants that: (i) it will obtain from individuals all consents required by law to permit KPMG to collect, use and disclose all personal information reasonably required in the course of the engagement, and (ii) it has provided notice of KPMG's potential processing of information outside of Canada (as described in Section 8 below) to all individuals whose personal information is disclosed to KPMG.

8. USE OF MEMBER FIRMS AND THIRD PARTY SERVICE PROVIDERS.

Personal and/or confidential information collected by KPMG during the course of the engagement may be used, processed and stored outside of Canada by KPMG, KPMG International member firms providing services hereunder, KPMG subsidiaries, affiliates and related parties or third party service providers to provide professional services and administrative, analytical and clerical support and to comply with applicable law, regulations and professional standards. Client also understands and agrees that KPMG aggregates Client's information with information from other sources for the purpose of improving quality and service, and for use in presentations to clients and non-clients, in a form where such information is sufficiently de-identified so as not to be attributable to Client. KPMG represents to Client that each KPMG International member firm, KPMG subsidiary, affiliate and related party and third party service provider providing services hereunder has agreed or shall agree to conditions of confidentiality with respect to Client's information to the same or similar extent as KPMG has agreed pursuant to Section 6. Further, KPMG is responsible to Client for causing such KPMG subsidiaries, affiliates, related parties and third party service providers to comply with such conditions of confidentiality, and KPMG shall be responsible to Client for their failure to comply and failure of each KPMG International member firm providing services hereunder to comply with its obligations of confidentiality owed to KPMG. Any services performed by KPMG subsidiaries, affiliates, related parties and third party service providers shall be performed in accordance with the terms of the Engagement Letter, including Section 6, but KPMG shall remain responsible to Client for the performance of such services and services performed by each KPMG International member firm providing services hereunder. Such personal and/or confidential information may be subject to disclosure in accordance with the laws applicable in the jurisdiction in which the information is processed or stored, which laws may not provide the same level of protection for such information as will Canadian laws. KPMG's Privacy Officer noted in KPMG's Privacy Policy is able to answer any individual's questions about the collection of personal information required for KPMG to deliver services hereunder.

9. TAXES/BILLING/EXPENSES/FEES.

a. All fees and other charges do not include any applicable federal, provincial, or other goods and services or sales taxes, or any other taxes or duties whether presently in force or imposed in the future. Any such taxes or duties shall be assumed and paid by Client without deduction from the fees and charges hereunder.

b. Bills will be rendered on a regular basis as the engagement progresses. Our professional fees are also subject to a technology and support charge to cover information technology infrastructure costs and administrative support of our client service personnel which are not included in our client service personnel fee. The technology and support fee covers costs such as our client service personnel computer hardware and customized KPMG software, telecommunications equipment, client service professional administrative support, IT programming, professional services and other client support services. Other direct out-of-pocket costs, such as travel, will be charged separately based on our actual costs. For certainty, Client acknowledges that to the extent a subsidiary, affiliate or relegated party of KPMG is engaged by KPMG to assist KPMG in providing the services hereunder, Client may receive bills from such subsidiary affiliate or related party of KPMG for such services. Accounts are due when rendered. Interest on overdue accounts is calculated at the rate noted on the invoice commencing 30 days following the date of the invoice.

c. Without limiting its rights or remedies, KPMG shall have the right to halt or terminate entirely its services until payment is received on past due invoices.

d. In the event that the engagement is terminated and Client proceeds to complete the transaction or financing within 18 months from the termination date, then the full amount of any Completion Fee shall be payable on closing of the transaction or the completion of financing, regardless of whether KPMG provided further service.

10. LIMITATION ON WARRANTIES.

THIS IS A SERVICES ENGAGEMENT. KPMG WARRANTS THAT IT WILL PERFORM SERVICES HEREUNDER IN GOOD FAITH WITH QUALIFIED PERSONNEL IN A COMPETENT AND WORKMANLIKE MANNER IN ACCORDANCE WITH APPLICABLE INDUSTRY STANDARDS. KPMG DISCLAIMS ALL OTHER WARRANTIES, REPRESENTATIONS OR CONDITIONS, EITHER EXPRESS OR IMPLIED, INCLUDING, WITHOUT LIMITATION, WARRANTIES, REPRESENTATIONS OR CONDITIONS OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.

11. LIMITATION ON LIABILITY.

a. Client agrees that KPMG shall not be liable to Client for any actions, damages, claims, fines, penalties, complaints, demands, suits, proceedings, liabilities, costs, expenses, or losses (collectively "Claims") in any way arising out of or relating to the services performed hereunder for an aggregate amount in excess of the fees paid by Client to KPMG under the engagement. On a multi-phase engagement, KPMG's liability shall be based on the amount actually paid to KPMG for the particular phase that gives rise to the liability.

b. In the event of a Claim by any third party against KPMG that arises out of or relates to the services performed hereunder, Client will indemnify and hold harmless KPMG from all such Claims, including, without limitation, reasonable legal fees, except to the extent finally determined to have resulted from the intentional, deliberate or fraudulent misconduct of KPMG.

c. In no event shall KPMG be liable for consequential, special, indirect, incidental, punitive or exemplary damages, liabilities, costs, expenses, or losses (including, without limitation, lost profits and opportunity costs). In any Claim arising out of the engagement, Client agrees that KPMG's liability will be several and not joint and several. Client may only claim payment from KPMG of KPMG's proportionate share of the total liability based on degree of fault.

d. For purposes of this Section11, the term KPMG shall include its subsidiaries, its associated and affiliated entities and their respective current and former partners, directors, officers and employees, agents and representatives. The provisions of this Section 11 shall apply regardless of the form of Claim, whether in contract, statute, tort (including, without limitation, negligence) or otherwise.

12. LEGAL PROCEEDINGS.

a. Client agrees to notify KPMG promptly of any request received by Client from any court or applicable regulatory authority with respect to the services hereunder, KPMG's confidential information, KPMG's advice or report or any related document.

b. If KPMG is required by law, pursuant to government regulation, subpoena or other legal process to produce documents or personnel as witnesses arising out of the engagement and KPMG is not a party to such proceedings, Client shall reimburse KPMG at standard billing rates for professional time and expenses, including, without limitation, reasonable legal fees, expenses and taxes incurred in responding to such compelled assistance.

c. If Client requests that KPMG produce documents or personnel as witnesses in any proceedings in any way related to the engagement or services provided by KPMG hereunder and KPMG is not a party to such proceedings, KPMG may agree to produce documents or personnel as witnesses on such terms and conditions as KPMG may, in its sole discretion, determine. Without limiting the generality of the foregoing, Client shall reimburse KPMG at standard billing rates for professional time and expenses, including, without limitation, reasonable legal fees, expenses and taxes, incurred in responding to such Client requests.

d. Client acknowledges that KPMG may from time to time receive requests or orders from professional, securities or other regulatory, judicial or governmental authorities (both in Canada and abroad) to provide them with information and copies of documents in KPMG's files including, without limitation working papers and other work-product relating to Client which information and documents may contain confidential information of Client. Except where prohibited by law, KPMG will advise Client of the request or order. Client hereby acknowledges that KPMG will provide these documents and information without further reference to, or authority from Client.

Client must mark any document over which it asserts privilege as "privileged". When such an authority requests access to KPMG's working papers and other work-product relating to Client's affairs, KPMG will, on a reasonable efforts basis, refuse access to any document over which Client has expressly informed KPMG at the time of delivery that the Client asserts privilege (by the Client marking such document as "privileged" as contemplated in the foregoing sentence). Notwithstanding the foregoing, where disclosure of documents is required by law. KPMG will disclose such privileged documents. If and only if the authority requires such access to such privileged documents pursuant to the laws of a jurisdiction in which express consent of the Client is required for such disclosure, then Client hereby provides its consent.

Where privileged Client documents are disclosed, by KPMG as contemplated above, KPMG is directed to advise the authority that Client is permitting disclosure only to the extent required by law and for the limited purpose of the authority exercise of statutory authority. KPMG is directed to advise the authority that Client does not intend to waive privilege for any other purpose and that Client expects its documents to be held by the authority as privileged and confidential material. For greater certainty, Client and KPMG hereby agree that this acknowledgement (and, if required, consent) does not negate or constitute a waiver of privilege for any purpose and Client expressly relies upon the privilege protections afforded under statute and otherwise under law.

13. LIMITATION PERIOD.

No proceeding arising under or relating to the engagement, may be brought by either party more than one year after the cause of action has accrued or in any event not more than five years after completion of the engagement in the case of an advisory services engagement and not more than eight years after completion of the engagement in the case of a tax services engagement, except that a proceeding for non-payment may be brought by KPMG at any time following the date of the last payment due to KPMG hereunder. For purposes of this Section13, the term KPMG shall include subsidiaries and associated and affiliated entities and their respective current and former partners, directors, officers, employees agents and representatives.

14. TERMINATION.

Unless terminated sooner in accordance with its terms, the engagement shall terminate on the completion of KPMG's services hereunder, which completion shall be evidenced by the delivery by KPMG to Client of the final invoice in respect of the services performed hereunder. Should Client not fulfill its obligations set out herein or in the Engagement Letter and in the absence of rectification by Client within 10 days, KPMG may, upon written notice, terminate its performance and will not be responsible for any loss, cost or expense resulting therefrom. If at any time during the engagement it is determined by KPMG, in its sole discretion, that there may be an actual or potential breach by KPMG of applicable professional standards, KPMG may terminate the engagement without liability, immediately on notice to Client. The engagement may be terminated by either party at any time by giving written notice to the other party not less than 30 calendar days before the effective date of termination. Upon early termination of the engagement, Client shall be responsible for the payment to KPMG for KPMG's time and expenses incurred up to the termination date, as well as reasonable time and expenses to bring the engagement to a close in a prompt and orderly manner.

15. E-MAIL COMMUNICATION.

Client recognizes and accepts the risks associated with communicating by Internet e-mail, including (but without limitation) the lack of security, unreliability of delivery and possible loss of confidentiality and privilege. Unless Client requests in writing that KPMG does not communicate by Internet e-mail, Client assumes all responsibility or liability in respect of the risk associated with its use.

16. POTENTIAL CONFLICTS OF INTEREST.

a. For purposes of this Section 16 "KPMG" means KPMG LLP and KPMG subsidiaries, affiliates and related parities providing services hereunder, if applicable. KPMG is engaged by a wide variety of entities and individuals, some of whom may be creditors, investors, borrowers, shareholders, competitors, suppliers or customers of Client, or other parties with conflicting legal and business interests to Client including, without limitation, in relation to the audit, tax or advisory services provided to Client by KPMG. KPMG's engagements with such companies and individuals may result in a conflict with Client's interests.

b. As a condition of KPMG's engagement by Client, Client agrees that: (i) without further notice or disclosure, KPMG may accept or continue engagements or unrelated matters to KPMG's engagement for Client in which KPMG may act contrary to Client's interests even if those unrelated matters are materially and directly adverse to Client; and (ii) without further notice or disclosure, KPMG may provide advice or services to any other person or entity making a competing bid or proposal to that of Client whether or not KPMG is providing advice or services to Client in respect or Client's competing bid or proposal.

c. In accordance with professional standards, and except as set out below, KPMG will not use any confidential information regarding Client in connection with its engagements with other clients, and will establish confidentiality and other safeguards to manage conflicts, which may include, in KPMG's sole discretion, the use of separate engagement teams and data access controls. In no event shall KPMG be liable to Client or shall Client be entitled to a return of fees and disbursements incurred on behalf of Client or any other compensation whatsoever as a result of KPMG accepting or continuing a conflicting engagement.

d. Client further agrees that KPMG may, in its sole discretion, disclose the fact or general nature of its engagement for Client to (i) KPMG International and other KPMG International member firms in order to check against potential conflicts of interest, and (ii) to the extent reasonably required in order to obtain the consent of another entity or individual in order to permit KPMG to act for such entity or individual,or for Client, in connection with the engagement or any future engagement.

e. Where another party has engaged KPMG to deliver services before Client has done so, and subsequently circumstances change such that there is a conflict, which in KPMG's sole opinion cannot be adequately managed through the use of confidentiality and other safeguards, KPMG shall be entitled to terminate the engagement for Client, without liability,immediately upon notice.

f. Other KPMG International member firms are engaged by many entities and individuals, including, without limitation, entities and individuals that may enter into transactions or may have disputes with Client or Client's related or affiliated entities. Client agrees that (i) it will not assert that other KPMG International member firms are precluded from being engaged by those other entities or individuals, and (ii) those engagements of other KPMG International member firms do not conflict with KPMG's engagement for Client.

g. Client will indemnify and hold harmless KPMG, its subsidiaries and associated and affiliated entities, and their respective current and former partners, directors, officers, employees, agents and representatives from any Claim by any third party (including, without limitation, reasonable legal fees) that alleges that KPMG was in a conflict of interest by providing services hereunder. The provisions of this subsection 16(g) shall apply regardless of the form of Claim, whether in contract, statute, tort (including, without limitation, negligence) or otherwise.

h. KPMG encourages Client to obtain legal advice with respect to Client's rights in connection with potential future conflicts prior to entering into the engagement.

17. FORCE MAJEURE.

Neither Client nor KPMG shall be liable for any delays resulting from circumstances or causes beyond its reasonable control, including, without limitation, fire or other casualty, act of God, strike or labour dispute, war or other violence, or any law, order or requirement of any governmental agency or authority.

18. INDEPENDENT CONTRACTOR.

It is understood and agreed that each of the parties hereto is an independent contractor and that neither party is, nor shall be considered to be, an agent, distributor or representative of the other. Neither party shall act or represent itself, directly or by implication, as an agent of the other or in any manner assume or create any obligation on behalf of, or in the name of, the other.

19. SURVIVAL.

Sections 1, 4(b), 5-16 and 18-29, 30(a) and (c)-(g) and 32-33 hereof shall survive the expiration or termination of the engagement.

20. SUCCESSORS AND ASSIGNS.

These Terms and Conditions and the accompanying Proposal or Engagement Letter shall be binding upon the parties hereto and their respective subsidiaries and associated and affiliated entities and their respective partners, directors, officers and employees and successors and permitted assigns. Except as provided below, neither party may assign, transfer or delegate any of the rights or obligations hereunder without the prior written consent of the other party. KPMG may assign its rights and obligations hereunder to any affiliate or successor in interest to all or substantially all of the assets or business of the relevant KPMG practice, without the consent of Client. In addition, KPMG may arrange for or engage (as applicable) KPMG affiliates, subsidiaries, related parties, independent contractors and KPMG International member firms to assist KPMG in performing the services hereunder.

21. SEVERABILITY.

The provisions of these Terms and Conditions and the accompanying Proposal or Engagement Letter shall only apply to the extent that they are not prohibited by a mandatory provision of applicable law regulation or professional standards. If any of these provisions shall be held to be invalid, void or unenforceable, then the remainder of these Terms and Conditions and the attached Proposal or Engagement Letter, as the case may be, shall not be affected, impaired or invalidated, and each such provision shall be valid and enforceable to the fullest extent permitted by law.

22. ENTIRE AGREEMENT.

These Terms and Conditions and the accompanying Proposal or Engagement Letter including, without limitation, Exhibits, constitute the entire agreement between KPMG and Client with respect to the engagement and supersede all other oral and written representation, understandings or agreements relating to the engagement.

23. GOVERNING LAW.

These Terms and Conditions and the accompanying Proposal or Engagement Letter shall be subject to and governed by the laws of the province in which KPMG's principal Canadian office performing the engagement is located (without regard to such province's rules on conflicts of law).

24. PUBLICITY.

Upon the closing of a transaction, KPMG will have the right (but shall not be obliged), at its expense, to publicize its association with the transaction by way of public announcement in "tombstone" or similar format, subject to prior review of the wording for any such announcement with Client.

25. KPMG INTERNATIONAL MEMBER FIRMS.

In the case of multi-firm engagements, all KPMG International member firms performing services hereunder shall be entitled to the benefits of these Terms and Conditions. Client agrees that any Claims that may arise out of the engagement will be brought solely against KPMG, the contracting party, and not against any other KPMG International member firms or such third party service providers referred to in Section 8 above.

26. NATIONAL INSTRUMENT 52-109.

Except as set forth in the Engagement Letter, Client acknowledges that completion of the engagement or acceptance of KPMG's reports, advice, recommendations and other deliverables resulting from the engagement will not constitute a basis for Client's evaluation of disclosure controls and procedures and internal control over financial reporting, or its compliance with its CEO/CFO certification requirements under National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings, including those related to the design disclosure controls and procedures and internal control over financial reporting.

27. SPECIFIC ACCOUNTING AND OTHER ADVICE.

Except as set forth in the Engagement Letter, the engagement does not contemplate the provision of specific accounting advice or opinions or the issuance of a written report on the application of accounting standards to specific transactions and facts and circumstances of Client. Such services, if requested, would be provided pursuant to a separate engagement.

Client should consult with and/or engage legal counsel for the purpose of advising on legal aspects of matters on which KPMG provides its advice and drafting any legal documents and/or agreements that may be required. To the extent legal counsel or other professional service providers are required, Client is exclusively responsible for engaging and paying such service providers.

28. TAX SERVICES.

a. If tax work is specifically requested by Client, KPMG will perform the procedures in accordance with this Section 28. KPMG will base its findings exclusively on the facts and assumptions provided to KPMG by Client and Client's personnel and advisors. KPMG will consider the applicable provisions of the relevant taxing statutes, the regulations thereunder, applicable tax treaties and judicial and administrative interpretations thereof. In the case of Canadian tax services only. KPMG will also take into account all specific proposals to amend such statutes, regulations and treaties publicly announced prior to the date of KPMG's reports, based on the assumption that these amendments will be enacted substantially as proposed. For certainty, in the case of US tax services, KPMG shall not take into account any specific proposals to amend such statutes, regulations and treaties. The authorities referred to in this subsection 28(a) are subject to change, retroactively and/or prospectively, and any such changes could affect the validity of KPMG's findings and may result in incremental taxes, interest or penalties. KPMG's findings will not otherwise take into account or anticipate any changes in law or practice, by way of judicial, governmental or legislative action or interpretation. Unless Client specifically requests otherwise, KPMG will not update tax work to take any such changes into account.

b. KPMG will use professional judgment in providing advice, and will, unless Client instructs otherwise, take the position most favourable to Client whenever reasonable. All returns are subject to examination by tax authorities, and KPMG's advice may be audited and challenged by a tax authority. Client understands that KPMG's conclusions are not binding on tax authorities or the courts and should not be construed as a representation, warranty or guarantee that the tax authorities or courts will agree with KPMG's conclusion.

c. Client is also responsible for ensuring that KPMG's advice is implemented strictly in accordance with KPMG's recommendations. KPMG is not responsible for any penalties or interest assessed against Client as a result of a failure by Client to provide KPMG with accurate and complete information.

d. Unless expressly provided for, KPMG's services do not include representing Client in the event of a challenge by the Canada Revenue Agency or other tax or revenue authorities

29. TAX SERVICES FOR SEC REGISTERED AUDIT CLIENTS AND/OR US TAX SERVICE.

a. In circumstances where the services provided by KPMG hereunder:(i) involve the delivery of any tax services, Client is or is an affiliate of (whether at the time of the engagement or at any point thereafter) an entity that is registered with the United States securities and Exchange Commission ("SEC"), and Client or such affiliate is audited by KPMG; or (ii) involve the delivery of US tax services, then the prohibition regarding the distribution of KPMG's reports and written advice set out in Section 5 of these Terms and Conditions shall not apply and no provision of the Engagement Letter is or is intended to be construed as a condition of confidentiality in relation to the tax services to which (i) and/or (ii) above are applicable. Further, in respect of the services to which (i) and/or (ii)above are applicable, no provision in the Engagement Letter or these Terms and Conditions is or is intended to be construed as a condition of confidentiality within the meaning of Internal Revenue Code ("IRC") sections 6011, 6111, 6112 or the regulations thereunder, or under any similar or analogous provisions of the laws of a state or other jurisdiction. In particular, Client (and each employee, representative, or other agent of Client) may disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of any transaction within the scope of the engagement and all materials of any kind (including opinions and other tax analyses) that are provided to Client relating to such tax treatment and tax structure. Client also agrees to use commercially reasonable efforts to inform KPMG of any conditions of confidentiality imposed by third party advisors with respect to any transaction on which KPMG's advice is requested. Such notification must occur prior to KPMG providing any advice with respect to the transaction.

b. For certainty, Section 5 of these Terms and Conditions shall continue to apply in its entirety, and this Section 29 shall not apply, to any tax services to which subsection 29(a)(i) and/or (ii) above are not applicable. In this Section 29, the term "affiliate" is interpreted as that term is used by the SEC with reference to auditor independence rules.

c. In respect of any tax services to which subsection 29(a)(i) or (ii) above are applicable, any reports or advice ("Tax Deliverable") released to Client in any form or medium shall be supplied by KPMG on the basis that it is for Client's benefit and use only. If Client refers to or discloses in whole or in part any Tax Deliverable to any third party, Client shall notify such third party in writing as follows: that (i) the tax services performed by KPMG for Client were designed to meet Client's agreed requirements only, as determined by Client's needs at the time; (ii) any product of the tax services should not be regarded as suitable to be used or relied upon by any party wishing to acquire any rights against KPMG other than Client; (iii) KPMG does not assume any responsibility in respect of the tax services performed for Client, any product of the tax services, or any judgments, conclusions, opinions, findings or recommendations that KPMG may have formed or made, to any party except Client; (iv) to the fullest extent permitted by law, KPMG accepts no liability in respect of any such matters to any other person; and (v) should any person or entity except Client choose to rely on the tax services or any product thereof, that person or entity will do so at their own risk. Notwithstanding the foregoing, (A) in the event of a disclosure made by Client that is required by law, that is made to a regulatory authority having jurisdiction over Client, or that is made pursuant to subsection 29(a) above, no such notification shall be required and (B) no such notification shall be required with respect to disclosures expressly authorized by the Engagement Letter.

d. If Client refers or discloses in whole or in part any Tax Deliverable to any third party but does not notify such third party in writing as required in subsection 29(c) above, Client shall compensate KPMG and reimburse KPMG for and protect, indemnify and hold harmless KPMG against any Claim incurred by KPMG (including, without limitation, reasonable legal fees) as a result of, arising from or in connection with any such reference or disclosure, unless KPMG has agreed in writing with such third party to accept responsibility and liability to to that third party in respect of the tax services and the Tax Deliverable. If any payment is made by Client under this subsection 29(d), Client shall not seek recovery of that payment from KPMG at any time. In this subsection 29(d), "KPMG" shall include KPMG and its subsidiaries, its associated and affiliated entities and their respective current and former partners, directors, officers, employees, agents and representatives, and "Client" shall include Client, Client's affiliates and any other beneficiaries of KPMG's tax services. The foregoing indemnification obligations shall apply regardless of the form of Claim, whether in contract, statute, tort (including, without limitation, negligence) or otherwise.

e. Treasury regulations under IRC section 6011 require taxpayers to disclose to the IRS their participation in reportable transactions and IRC section 6707A imposes strict penalties for noncompliance. Client agrees to use commercially reasonable efforts to inform KPMG if Client is required to disclose any transaction covered by the Engagement Letter as a reportable transaction to the IRS or to any state or other jurisdiction adopting similar or analogous provisions. IRC section 6111 requires a material advisor with respect to a reportable transaction to disclose information on the transaction to the IRS by a prescribed date, and IRC section 6112 requires the material advisor to maintain, and make available to the IRS upon request, a list of persons and other information with respect to the transaction. KPMG will use commercially reasonable efforts to inform Client if KPMG provides Client's identifying information to the IRS under IRC section 6111 or 6112, or to any state or other jurisdiction adopting similar or analogous provisions.

f. For engagements where services will be provided by a KPMG International member firm with offices located in California, Client acknowledges that certain of KPMG's personnel who may be considered "owners" under the California Accountancy Act and implementing regulations (California Business and Professions Code section 5079(a);16 Cal. Code Regs. sections 51 and 51.1) and who may provide services in connection with the engagement, may not be licensed as certified public accountants under the laws of any of the various states.

30. DUE DILIGENCE SERVICES (TAX AND TRANSACTION SERVICES)

a. The procedures KPMG will perform are limited to those referred to in the Engagement Letter and its appendices. The procedures KPMG will perform are limited in nature and extent to those determined by Client to meet its needs and, as such, will not necessarily disclose all significant matters about Target or reveal errors in the underlying information, instances of fraud, or illegal acts, if any. KPMG provides no assurance and makes no representation regarding the sufficiency of the procedures either for the purpose of the proposed transaction in the context of which KPMG has been engaged or for any other purpose. KPMG's findings will not constitute recommendations to Client as to whether or not Client should proceed with any proposed transactions. In performing the procedures and reporting its findings, KPMG will rely exclusively upon information provided to KPMG by Target, its personnel and advisors, Client's advisors, and Client, and any publicly available information KPMG obtains, and will not independently verify the accuracy or completeness of such information. KPMG's procedures with respect to Target's financial information will be substantially less in scope than any audit or other attestation standards, including without limitation those established by the Auditing and Assurance Standards Board and the Chartered Professional Accountants of Canada. Consequently, KPMG expresses no opinion and will provide no other form of assurance on Target's prospective financial information, financial statements or Target's internal control over financial reporting.

b. Client agrees to review reports promptly and to advise KPMG on a timely basis of any additional procedures Client would like KPMG to perform or areas to address.

c. In the event KPMG performs procedures related to future-oriented financial information, KPMG will not compile, examine, or apply other assurance procedures to such information and, accordingly, will express no opinion or any other form of assurance or representations concerning its accuracy, completeness or presentation format. Future-oriented financial information is based on assumptions regarding future events, actual results will vary from the information presented and the variations may be material.

d. Unless specifically requested by Client, KPMG is not obligated to provide a copy of the report to Target for the purpose of confirming Target's representations concerning the accuracy of the factual information presented in the report. If Client would like Target to review the report, KPMG will require Client and Target to indemnify KPMG for any Claims arising out of or relating to such review on such terms and conditions specified by KPMG in its sole discretion. In certain instances,Client may request that KPMG's report be distributed to a third party for informational purposes. KPMG will consider consenting to distribution based on such factors as the identity of the third party and the third party's intended use of the report. If KPMG agrees to the distribution of the report to a third party, Client agrees to execute and agrees to require the third party to execute an agreement in the form provided by KPMG regarding the release of information.

e. Client expressly acknowledges and agrees that if Client and Target (as such terms are defined in the Engagement Letter) are the same entity, that all references herein to "Target" shall be deemed to be references to "Client".

f. The provisions of subsections 3(c)-(d) and Section 6 shall apply to information about Target provided to KPMG in the course of performing the services under the Engagement Letter. Client agrees to use all reasonable efforts to arrange for KPMG's access to Target's personnel and advisors, business offices and financial information as required for KPMG to perform the services contemplated by the Engagement Letter.

g. If KPMG serves as independent auditors of Target or another party disclosed to Client, or provides any other audit or attestation services to Target or such other party (such as the target of a contract compliance review or a party having a connection to an investigation or proceeding), Client hereby acknowledges and agrees that KPMG may be in possession of confidential information concerning Target or such other party that may be relevant to Client's due diligence procedures or other services KPMG is providing to Client under the Engagement Letter and that such information will not be disclosed to Client unless Target or such other party provides prior written consent to such disclosure or provides such information directly to Client or to the KPMG engagement team serving Client for purposes of the services under the Engagement Letter.

31. LOBBYING

Unless expressly stated in the Engagement Letter, KPMG will not undertake any lobbying activity, as that term is defined in all applicable federal, provincial and municipal lobbyist registration statutes and regulations, in connection with the engagement. In the event that KPMG and Client agree that KPMG will undertake lobbying activity in connection with the engagement, such agreement shall be set out in an amendment to the Engagement Letter.

32. LLP.

KPMG LLP is a registered limited liability partnership ("LLP") established under the laws of the Province of Ontario and, where applicable, has been registered extra-provincially under provincial LLP legislation. KPMG is a partnership, but its partners have a degree of limited liability. A partner is not personally liable for any debts, obligations or liabilities of the LLP that arise from a negligent act or omission by another partner or any person under that other partner's direct supervision or control. The legislation relating to limited liability partnerships does not, however, reduce or limit the liability of the firm. The firm's insurance exceeds the mandatory professional indemnity insurance requirements established by the relevant professional bodies. Subject to the other provisions hereof, all partners of the LLP remain personally liable for their own actions and/or actions of those they directly supervise or control.

33. ALTERNATIVE DISPUTE RESOLUTION.

The parties shall, and shall cause both their and their respective subsidiaries', affiliates' and associated entities' current and former officers, partners, directors, employees, agents and representatives, to first attempt to settle any dispute arising out of or relating to the Engagement Letter or the services provided hereunder (the "Dispute") through good faith negotiations in the spirit of mutual cooperation between representatives of each of the parties with authority to resolve the Dispute. In the event that the parties are unable to settle or resolve a Dispute through negotiation within 30 days of when one of the parties has notified the other party of the Dispute by delivering a notice of dispute, or such longer period as the parties may mutually agree upon, such Dispute shall, as promptly as is reasonably practicable, be subject to mediation pursuant to the National Mediation Rules of the ADR Institute of Canada, Inc. that are in force at the time the notice of dispute is delivered. Any Dispute remaining unresolved for more than 60 days following the parties first meeting with a mediator or such longer period as the parties may mutually agree upon shall, as promptly as is reasonably practicable, be resolved by arbitration pursuant to the Arbitration Rules of the ADR Institute of Canada, Inc. (the "Arbitration Rules") that are in force at the time the Dispute is subject to arbitration. For certainty, the parties hereby waive any right they may otherwise have to bring a court action in connection with a Dispute. The parties also waive any right they may otherwise have to bring or participate in a class, collective or representative proceeding in connection with a Dispute, whether in court or before an arbitrator. The arbitrator's decision shall be final, conclusive and binding upon the parties, and the parties shall have no right to appeal or seek judicial review of the arbitrator's decision. For certainty, the parties hereby waive any right of appeal which may otherwise be available under applicable legislation or under the Arbitration Rules. The place of mediation and arbitration shall be the city in Canada in which the principal KPMG office that performed the engagement is located. The language of the mediation and arbitration shall be English.

SCHOOL DISTRICT NO. 10 (ARROW LAKES)
98 SIXTH AVENUE NW
NAKUSP, BC V0G 1R0

KPMG LLP
200-3200 Richter Street
Kelowna, BC V1W 5K9
Canada

September 13, 2016

Ladies and Gentlemen:

We are writing at your request to confirm our understanding that your audit was for the purpose of expressing an opinion on the financial statements (hereinafter referred to as "financial statements") of School District No. 10 (Arrow Lakes) ("the Entity") as at and for the period ended June 30, 2016.

We confirm that the representations we make in this letter are in accordance with the definitions as set out in **Attachment I** to this letter.

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

GENERAL:

1) We have fulfilled our responsibilities, as set out in the terms of the engagement letter dated June 30, 2016, for:

   a) the preparation and fair presentation of the financial statements and believe that these financial statements have been prepared and present fairly in accordance with the relevant financial reporting framework

   b) providing you with all relevant information, such as all financial records and related data and complete minutes of meetings, or summaries of actions of recent meetings for which minutes have not yet been prepared, of shareholders, board of directors and committees of the board of directors that may affect the financial statements, and access to such relevant information

   c) such internal control as management determined is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error

   d) ensuring that all transactions have been recorded in the accounting records and are reflected in the financial statements

INTERNAL CONTROL OVER FINANCIAL REPORTING:

2) We have communicated to you all deficiencies in the design and implementation or maintenance of internal control over financial reporting of which management is aware.

FRAUD & NON-COMPLIANCE WITH LAWS AND REGULATIONS:

3) We have disclosed to you:

   a) the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud

b) all information in relation to fraud or suspected fraud that we are aware of and that affects the Entity and involves: management, employees who have significant roles in internal control, or others, where the fraud could have a material effect on the financial statements

c) all information in relation to allegations of fraud, or suspected fraud, affecting the Entity's financial statements, communicated by employees, former employees, regulators, or others

d) all known instances of non-compliance or suspected non-compliance with laws and regulations, including all aspects of contractual agreements, whose effects should be considered when preparing financial statements

e) all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements

COMMITMENTS & CONTINGENCIES:

4) There are no:

a) other liabilities that are required to be recognized and no other contingent assets or contingent liabilities that are required to be disclosed in the financial statements in accordance with the relevant financial reporting framework, including liabilities or contingent liabilities arising from illegal acts or possible illegal acts, or possible violations of human rights legislation

b) guarantees, whether written or oral, under which the Entity is contingently liable

SUBSEQUENT EVENTS:

5) All events subsequent to the date of the financial statements and for which the relevant financial reporting framework requires adjustment or disclosure in the financial statements have been adjusted or disclosed.

RELATED PARTIES:

6) We have disclosed to you the identity of the Entity's related parties.

7) We have disclosed to you all the related party relationships and transactions/balances of which we are aware.

8) All related party relationships and transactions/balances have been appropriately accounted for and disclosed in accordance with the relevant financial reporting framework.

EMPLOYEE FUTURE BENEFITS:

9) The employee future benefits costs and obligations have been determined, accounted for, and disclosed in accordance with the financial reporting framework.

10) All arrangements (contractual and otherwise) by which programs have been established to provide employee benefits have been disclosed to you and included in the determination of employee future benefits costs and obligations.

11) The discount rate used to determine the accrued employee future benefit obligation was determined by reference to market interest rates at the measured date on high-quality debt instruments with cash flows that match the timing and amount of expected benefit payments; or inherent in the amount at which the accrued benefit obligation could be settled.

12) The source data and plan provisions provided to the actuary for preparation of the actuarial valuation are accurate and complete.

ESTIMATES:

13) Measurement methods and significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

NON-SEC REGISTRANTS OR NON-REPORTING ISSUERS:

14) We confirm that the Entity is not a Canadian reporting issuer (as defined under any applicable Canadian securities act) and is not a United States Securities and Exchange Commission ("SEC") Issuer (as defined by the Sarbanes-Oxley Act of 2002). We also confirm that the financial statements of the Entity will not be included in the consolidated financial statements of a Canadian reporting issuer audited by KPMG or an SEC Issuer audited by any member of the KPMG organization.

MISSTATEMENTS:

15) The effects of the uncorrected misstatements described in Attachment II are immaterial, both individually and in the aggregate, to the financial statements as a whole.

Yours very truly,

I have the recognized authority to take, and assert that I have taken, responsibility for the financial statements

____

By: Ms. Terry Taylor, Superintendent/Secretary-Treasurer

Attachment I – Definitions

MATERIALITY

Certain representations in this letter are described as being limited to matters that are material. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both.

FRAUD & ERROR

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an entity's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorization.

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.

RELATED PARTIES

In accordance with Canadian accounting standards for the public sector (PSAB) *related party* is defined as:

- A related party exists when one party has the ability to exercise control or shared control over the other. Two or more parties are related when they are subject to common control or shared control. Related parties also include key management personnel and close family members.

In accordance with Canadian accounting standards for the public sector (PSAB) a *related party transaction* is defined as:

- A related party transaction is a transfer of economic resources or obligations between related parties, or the provision of services by one party to a related party. These transfers are related party transactions whether or not there is an exchange of considerations or transactions have been given accounting recognition. The parties to the transaction are related prior to the transaction. When the relationship arises as a result of the transaction, the transaction is not one between related parties.

Appendix 5: Audit Quality and Risk Management

KPMG maintains a system of quality control designed to reflect our drive and determination to deliver independent, unbiased advice and opinions, and also meet the requirements of Canadian professional standards.

Quality control is fundamental to our business and is the responsibility of every partner and employee. The following diagram summarises the six key elements of our quality control systems.

Visit our [Audit Quality Resources page] for more information including access to our audit quality report, [Audit quality: Our hands-on process.]

- Other controls include:
  - Before the firm issues its audit report, the Engagement Quality Control Reviewer reviews the appropriateness of key elements of publicly listed client audits.
  - Technical department and specialist resources provide real-time support to audit teams in the field.
- We conduct regular reviews of engagements and partners. Review teams are independent and the work of every audit partner is reviewed at least once every three years.
- We have policies and guidance to ensure that work performed by engagement personnel meets applicable professional standards, regulatory requirements and the firm's standards of quality.
- All KPMG partners and staff are required to act with integrity and objectivity and comply with applicable laws, regulations and professional standards at all times.

- We do not offer services that would impair our independence.
- The processes we employ to help retain and develop people include:
  - Assignment based on skills and experience;
  - Rotation of partners;
  - Performance evaluation;
  - Development and training; and
  - Appropriate supervision and coaching.
- We have policies and procedures for deciding whether to accept or continue a client relationship or to perform a specific engagement for that client.
- Existing audit relationships are reviewed annually and evaluated to identify instances where we should discontinue our professional association with the client.

kpmg.ca/audit

Chairperson's Report to September 13th, 2016
(Presented by Vice-Chair, Quinn de Courcy)

Welcome back! Sorry to be missing our first meeting.

The Board held a successful strategic planning weekend in August.

1. Board Strategic Planning Retreat was held – August 22 and 23rd

- Review of Board Successes
  - Successes innovative practices, quality teaching, caring community, inquiry-based learning, partnerships, diversity, project-based learning, collaboration, professional learning, student success, transition to the workplace and post-secondary, budget process, solid financial management, opportunities for all students, ability to take risks and innovate were all identified as successes.
  - Success in accomplishing in all 4 goal areas identified in the 2013-2016 Strategic Plan was reviewed with evidence of each goal area:
    - 1) Enhance Communication,
    - 2) Transform and Enhance Information Technologies,
    - 3) Improve Student Achievement and
    - 4) Enhance Community Involvement
- District Mission Statement and Values and Beliefs
- Trustee Roles and Responsibilities. 8 Characteristics of Effective Boards, Team Leadership, Governance Models
- Superintendent/ST Role and Job Description was ratified and agreed upon
- Superintendent's Performance Review process
  - In addition to the quarterly performance review reports with evidence of performance that are presented by the S/ST to the Board, the Board has agreed to hire an external consultant to conduct interviews with individuals and groups this school year and to periodically conduct an external review
  - A protocol for an external review process will be developed
- Board Goals and Priorities for the year
  - Policy Review
  - Budget Consultation Process
  - Strategic Planning Process – planning completed by June 2017 and plan by 2018
  - New Curriculum, Assessment and Reporting
  - New Enhancing Student Learning Framework (SG Plans and District Plan for Learning)
  - Review of International Education and Burton Academy School programs
  - External S/ST Performance Review
- 2016-17 Board Calendar
- Planning for 3-5 year Strategic Plan

2. **Ministry Teleconferences**

There were 2 Board Chair teleconferences with the Minister of Education over the summer

- one regarded the transportation announcement, which will give our district $42,675.
- The second call was regarding anti-bullying policies – each district must have in place by Dec 31 of this year with special reference to sexual orientation and gender identity aligned with the new Human Rights legislation in BC

3. **KBB Branch -** The Board will attend the Annual General Meeting of the Kootenay Boundary Branch of BC School Trustees at St Eugene's in SD 5.

4. **Valhalla Fine Arts Society** has approached the Board Chair re: a partnership agreement. The Society uses Lucerne School each summer for the Valhalla Summer School of Music, Valhalla Intensive Theatre School, Peak Dance, Music Explorers and Suzuki Valhalla Institute and covers all costs for additional custodians. Steps to follow up regarding this potential partnership inquiry were shared with the VFS representative.

5. Board Chair will attend **BCSTA Elections Committee** and report to KBB

NES StrongStart
Early Learning Centre
Monthly Report

- As the end of September I will have 49 students enrolled, 2012 – 9 students, 2013 – 12 students, 2014 – 13 students, 2015 – 10 students and 2016 – 5 students.
- StrongStart opened up on Wednesday September 7th from 9:00 am to 12:00 pm. We had a busy morning with 25 children and 19 families.
- NES StrongStart hours are: Monday/Wednesday/Friday from 8:45 – 11:45 am and Tuesday/Thursday from 12:30 to 3:30 pm.
- Last year mornings were very busy with an average of 20 children plus parents, and afternoons were 3 to 7 children. On Thursday September 8th we had 12 families and 17 children, so it looks like our afternoons may be busy too.
- Our daily schedule consists of free play, arts and craft, clean up, snack, gym, circle time, play and good byes.
- Monday and Friday we have gym time from 10:10 to 10:40 am.
- Wednesday's we have library time at 11:00 am.
- Friday's at 11:00 am we will be participating in Music time in the gym with the primary classes.
- On Thursday's from 9:00 am to 11:45 the StrongStart Centre is used by the CAPC program that runs a program called Pitter Patter. This program is for families with children from ages 0 to 2 ½ years of age.
- Once a month we usually get a visit from the Childcare Resource and Referral from Nelson who will come and bring supplies, toys to borrow, and who will lend toys to families, and will help with childcare and subsidy.

- On Thursday September 15th, we will be visited by Sherry Tolman, (Supported Childcare Development & Infant Development)
- On September 22nd, Mara Sands from Nelson (Interior Health) will be at StrongStart to do her lift the lip program.
- I have a Nakusp Early Years face book page. On this page I put any info regarding programs in our community, and any upcoming events. We have over 65 members.

Respectfully written by Nancy Bone
September 9th, 2016.

SD10 SCHOOL DISTRICT 10 ARROW LAKES
World Class Learning in a Rural Environment

September 13th, 2016
Superintendent/Secretary Treasurer Report
Presented at the Education Partnership Committee, and Regular Meeting of the Board of Education

My Education BC: Student Enrollment Numbers
As of: Sept 13-2016

Grade:	Gr.K	Gr.1	Gr.2	Gr.3	Gr.4	Gr.5	Gr.6	Gr.7	Gr.8	Gr.9	Gr.10	Gr.11	Gr.12	TOTALS
BAS														0
DL	3	2	3	2	1	2	2	2	3	4	1	2	12	39
EES	1	1		1	6	2	4	4						19
LESS	5	4	8	5	10	10	5	7	5	8	6	1	6	80
NES	14	21	16	18	25	22	18	32						166
NSS									27	32	23	26	36	144
TOTAL Per Grade	23	28	27	26	42	36	29	45	35	44	30	29	54	
District Total														448

2016-17 *Enrollment Notes:*

- *June 2016 – 466 students included 47 DL students; DL enrollment grows over the course of the school year as more Grade 10-12 students complete courses. 24 K-9 home-based learners is an increase from all previous years.*
- *Burton Academy has 10 students registered in the Outdoor Education/Entrepreneurship Academy; MyEd BC doesn't show enrollment at two brick and mortar schools so NSS is chosen as the "home school"*
- *Lucerne School – 5 Somalian refugee children will be arriving shortly in Grades 1-4*
- *Trend at NSS, NES and Lucerne is larger classes exiting in Grade 7 (NES) and Grade 12 (NSS/Lucerne) than children entering Kindergarten which means decline in enrollment, yet, numbers are actually pretty stable compared to projections; more elementary children overall*
- *Strong Start (0-4 year olds with parents) currently shows 39 at Nakusp, 20 in New Denver and 25 in Southern Zone*
- *District is closely monitoring Public Health, Strong Start and pre-school enrollment to better forecast*

Welcome to our New Staff, Students and Parents; Welcome Back to those Returning

- It's been a great start to the new school year at all SD 10 schools!
  Here are our new staff, and our returning staff in new positons:
  NSS:
  New to the district
  - Peter Gajda – Principal
  - Sheena Delong – Art and Aboriginal Education Support
  - Shanny McIvor - PE and Social Studies

  BAS:
  New Assignment
  - Michael Myhal - .2 Hands-On Learning and Technology Education

  NES:
  New Assignments

- Joseph Baron – Principal
- Biz Tupper – Grade 7
- Anita Vibe (.6) and Sally McLean (.4) – Grade 5/6

New CUPE Regular Positions

- Carol Fox – Education Assistant
- Paula Burns – Education Assistant
- Nancy Bone – Strong Start Coordinator

<u>LESS:</u>

New to the district (and Returning)

- Trish Hawkins – Principal
- Chelsea Lada – Grade K/1

New Assignments

- Kristin Kipkie – Learning Resource Teacher and Aboriginal Education Support
- Patrick MacGibbon – Music and Band
- Chaez Johnsin - Education Assistant
- Eva Shandro - Program Assistant

<u>EES:</u>

New to the district

- Michael Hibberson – Principal
- Sheena Delong – .2 Fine Arts and .05 Aboriginal Education

New Assignment

- Michael Myhal .2

New CUPE Regular Position

- Nora Currie – Custodian

Welcome Back to EES

- JoAnne Alaric – Secretary and Library Clerk

New District Staff:

- Lorna Newman, Director of Learning

2. Revised K-9 Curriculum and Interim Reporting Order

- Teachers in SD 10 continue to embark on implementing the new K-9 curriculum in their indoor and outdoor classrooms across the district. There is lots of support planned:
  - a Curriculum Support Day is planned for Monday, November 14th with Faye Brownlie focused on Literacy, Collaboration and Assessment for Learning along with assessment workshop choices designed by teachers on the Educational Transformation Committee
  - a Professional Development Day on September 26th in Inquiry with Drs. Judy Halbert and Linda Kaser along with teacher-designed options for professional learning
  - Professional Learning teams offered throughout the year focus on the revised curriculum and assessment practices in Math, Literacy, Coding and Technology, and Engaging all Learners
  - Conversations with staff, students and parents about classroom assessment and communication and reporting on student learning will happen throughout the year

3. Somalian Refugee Children to Join Lucerne

- In mid-July this year, the district was informed that the Slocan Valley Refugee Coalition had been matched with a Somalian family who have lived for the past ten years in a refugee camp in Kenya

- The family brings with them, their five children aged 3- 9 and another 9 year old, the sister of the mother; we anticipate that the family will arrive in September
- Lucerne School staff and students are busy preparing to welcome the 5 new children to the school, and the 3 year old boy and parents to the New Denver Strong Start Centre
- Thanks to the Refugee Coalition for their efforts in planning for and raising funds to keep this refugee family housed, clothed and cared for in our community
- English language learning skills will be assessed once the children arrive at school, and if required, an ELL teacher will be hired to assist in learning English

4. Transportation Funding

- The Superintendent and Manager of Operations and Transportation are applying for SD 10's share of the new transportation funding announced two weeks ago; applications are due September 30th, 2017
- This funding is intended to assist districts with the higher costs of transportation incurred over the past years; in many districts, transportation services to students have been cut
- In SD 10, we have preserved equity and access to transportation for children and families, ensuring that walk limits are lower than the provincial minimums, bus routes have been maintained for over 7 years, with no fees charged and no reductions of bus drivers. Instead, we have made administration reductions in other areas of our budget.
- As a result, our Transportation Funding application will highlight coverage of some bussing costs for curricular field trips in support of the revised K-9 curriculum and some of the costs incurred by our strong district support of extra-curricular travel. Transportation assistance to families living more than 4.5 km from their school not served by a school bus will continue, and subsidies for Kindergarten children attending part days as they transition to Kindergarten will also be covered.

5. Electrical Apprentice

- A former NSS graduate, Taylor Aeichele, has applied to the school district to become a 2nd year electrical apprentice
- The district has applied for CBT SchoolWorks Apprenticeship funding and also to the ITA to support Ms. Aeichele's apprenticeship wages, EI and CPP costs
- In addition, a local business person will subsidize and top up Ms. Aeichele's wage if the proposal is accepted
- Many thanks to Ashely Emery, district Journeyman Electrician and to CUPE 2450 for their support of this program designed to help build apprenticeship opportunities locally

6. Attendance and Wellness Consultant

- Shari Featherstone, a highly experienced disability management consultant who has worked with PEBT's JEIS program (Joint Early Intervention Services) has been hired to assist the district with attendance and wellness support

- Shari is hired through the district's shared service agreement with the Okanagan Labour Relations Council and has a one year contract to assist districts in the OLRC with an audit of current practices and processes, support enhancing these supports to employees, and recommendations for attendance wellness initiatives

7. UBC West Kootenay Teacher Education Program

- 37 WKTEP teacher candidates join the UBC teacher ed program based in Nelson this year
- Interest in SD 10 practicum placements from pre-service teachers is strong this year: a secondary Science student, secondary Social Studies student and likely two intermediate student teachers are seeking SD 10 teacher mentors
- All 37 WKTEPers will be in classrooms throughout SD 10 in three consecutive weeks as the new "in situ" model launches this fall – September 20th, 29th and October 3rd are the dates
- WKTEP pre-service teachers will work with SD 10 staff on community building, class reviews, and fall literacy assessments to inform teaching and learning; they will also teach their first short lesson in the class to which they are assigned
- A giant thank you to the twelve SD 10 teachers who have volunteered to open the doors of their classrooms to the teacher candidates in this first round of "in situ" learning sessions!!!

8. $10,000 Design Thinking Grant Approved

- SD 10's application for a Large Scale ArtStarts grant has been approved
- Starting in September, with artistic residencies happening in schools across the district, the Design Thinking: Making a Difference in the World project celebrates 13 local artists who will work with children and youth in artistic genres from pottery to timber frame building
- Dr. Susan Crichton, from UBC-Okanagan will help launch the initiative with a Maker design challenge tournament involving students, staff and artists and also frame the notion of empathic design and design thinking
- Design thinking involves consideration of the end user with an empathic focus – making and designing products which solve authentic problems. Prototypes and iterative designs

are created before any making takes place.

- 13 artist, maker and builder residencies will be scheduled from November to May with culminating showings of final prototypes and design processes held in the communities of Edgewood, Nakusp and New Denver on May 18th

9. New SD 10 films launched

- Four new films celebrating teaching and learning in small-is-amazing SD 10 have now been completed and are available on our SD 10 Arrow Lakes YouTube channel and also on the district website at http://sd10.bc.ca/video
  1. *Garden, Greenhouse and Sustainability* focuses on the pre-school, Strong Start and K-12 programs at Lucerne School connected to the school garden, greenhouse and sustainability initiatives. https://www.youtube.com/watch?v=TB3m1ec26fc
  2. *Taking Care of Community: Collaborative Environmental Stewardship* features two Nakusp Elementary teachers share their work co-teaching Grade 5/6 students in inquiry projects focused on taking action in community. https://www.youtube.com/watch?v=fJKDFy8GKh0
  3. *Solar Energy Project* showcases the hands-on and technology learning experiences involved in the installation of NES and Lucerne's solar panels last fall. https://www.youtube.com/watch?v=O3MaTds1LAQ
  4. *Technology in the Wild: Primary Students Explore their Place* shares Edgewood Elementary School's outdoor classroom. K-3 students inquire about animal habitat and animal needs in the forest using game cameras to record animals' presence.

10. SEP (School Enhancement Program) Funding

- The Ministry of Education announced an additional $20,000,000 of funding for school improvement capital projects with a deadline for applications of September 15th
- SD 10's application includes requests for

  1) emergency lighting and sprinkler upgrades
  2) flooring at Nakusp Secondary (gym) and Nakusp Elementary and
  3) heating and ventilation upgrades at Nakusp Elementary
  4) solar panels at Nakusp Elementary

11. Five Year Capital Plan Draft

- Susan Brenna-Smith, Director of Finance, Art Olson, Manager of Operations and Transportation and Superintendent/ST Taylor have been working on our five year capital plan submission due to the Ministry September 30th
- The Capital Plan report is now much more extensive with many areas of capital plan funding requests rolled into a single submission
- SD 10 Capital Plan priorities include School Enhancement Program (SEP) requests: 1) roofing at NSS, 2) heating and ventilation at NES and BAS, Carbon Neutral Capital Program (CNCP) requests: 1) Solar panels at NES, NSS and EES; Bus Replacement Program request: replacement of Bus 6100 due to corrosion and maintenance issues

12. New School Bus for Eastern Zone Route

- Our new 60 passenger school bus has just arrived in the district and will serve the Hills-New Denver-Silverton route
- This bus is a replacement for the propane bus which had ongoing engine problems ever since its purchase
- The Ministry authorized replacement of the propane vehicle with a new diesel bus
- In addition, $15,000 from the sale of the propane bus has been approved by the Ministry to go into SD 10's restricted capital surplus fund
- In all, we now have three new busses in the district – one on the Edgewood route, one in Nakusp, and the new New Denver bus!

13. Strong Start Review at Lucerne – October 6th and 7th

- A team of 4 researchers is coming from the University of Toronto to conduct research interviews and a focus group with Strong Start Coordinator, Charlene "Bean" Alexander and parents
- Director of the Office of the Early Years, Tessa Graham, and Superintendent of Early Learning, Maureen Dockendorf, will also attend the review
- New Denver Strong Start is one of ten sites chosen for this research across BC as a result of its innovative community partnerships and flexible evening/after school hours amongst other practices

14. Part-time District Healthy Schools Coordinator

- New IHA (Interior Health Authority) funding for a part-time one day per week Healthy Schools Coordinator has allowed us to hire Ms. Heather French as our new HSC

- Heather has begun working with Lorna Newman, Director of Learning on a draft plan to address three district health needs identified: nutrition, substance misuse and mental health
- Ms. French will visit schools and talk to staff shortly as she launches this new health program which will augment our existing healthy schools initiatives

SCHOOL DISTRICT NO.10 (ARROW LAKES)
POLICY MANUAL

412 – Evaluation of the Superintendent of Schools / Secretary-Treasurer

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1.0 General

1.1 The Board of Education shall supervise and evaluate their one employee, the Superintendent/Secretary-Treasurer, in accordance with the provisions of the employment contract of the Superintendent/Secretary-Treasurer.

1.2 Evaluation and performance review of the Superintendent/Secretary-Treasurer shall be based on a growth and learning mindset.

2.0 Performance Review Format

2.1 Regular ongoing review of the Superintendent/Secretary-Treasurer's performance shall be conducted by the Board of Education using a format and criteria developed in consultation with the Superintendent/Secretary-Treasurer.

2.2 Review of the Superintendent/Secretary-Treasurer's performance shall be based on evidence of her work and performance in the role

370 – Field Trips

1.0 General

1.1 The Board of School Trustees affirms the educational value of well-planned and supervised curricular and extra-curricular field trips.

1.2 The primary purpose of these trips should be to enhance the educational experiences of the participants. These experiences enrich the curriculum and provide opportunities for young people to develop their intellectual, social and physical capabilities.

1.3 A field trip hand booked, developed to assist teachers and school administrators in the proper preparation and facilitation of field trips will be made available to district staff and to the general public.

2.0 Related Policy

2.1 Field trips are an extension of school, therefore school rules and district policy will be adhered to for all extra-curricular and curricular field trips. The following are district policies that apply.
2.1.1 Policy 310: Student Conduct and Discipline
2.1.2 Policy 311: Student Conduct While Riding a School Bus
2.1.3 Policy 340: Fees for Students

3.0 Educational Criteria

3.1 The field trip relates to and enhances the school program.

3.2 Educational value is demonstrated in the planning and field trip.

3.3 The field trip is appropriate to the physical, social, emotional and mental development of the students.

3.4 The field trip encourages curriculum integration and articulation.

3.5 The field trip demonstrates clearly stated objectives.

3.6 The educational benefit is such that it warrants the travel, time and money required to make the excursion a quality experience.

3.7 Health and safety factors are considered.