



St. James-Assiniboia School Division

Great Schools for Growing and Learning

M. R. Wake
Superintendent

M. J. Friesen
Secretary-Treasurer / Chief Financial Officer

#1530416

October 6, 2020

PricewaterhouseCoopers LLP
Richardson Building
One Lombard Place, Suite 2300
Winnipeg, Manitoba R3B 0X6

We are providing this letter in connection with your audit of the financial statements of St. James-Assiniboia School Division (the School Division) as at June 30, 2020 and for the year then ended for the purpose of expressing an opinion as to whether such financial statements present fairly, in all material respects, the financial position of the School Division, results of its operations, its remeasurement gains and losses and its cash flows in accordance with Canadian public sector accounting standards (the financial statements).

We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated May 13, 2020.

We confirm the following representations:

The preparation and fair presentation of the financial statements are in accordance with Canadian public sector accounting standards including disclosures;

We designed, implemented and maintained an effective system of internal control over financial reporting to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error;

We designed, implemented and maintained an effective system of internal control to prevent and detect fraud;

We provided you with all relevant information and access, as agreed in the terms of the audit engagement; and

We ensured all transactions have been recorded in the accounting records and are reflected in the financial statements.

Preparation of financial statements

The financial statements are fairly presented in accordance with Canadian public sector accounting standards, and include all disclosures necessary for such fair presentation and disclosures otherwise required to be included therein by the laws and regulations to which the School Division is subject. We have prepared the School Division's financial statements on the basis that the School Division is able to continue as a going concern.

We have appropriately reconciled our books and records (e.g. general ledger accounts) underlying the financial statements to their related supporting information (e.g. subledger or third party data). All related reconciling items considered to be material were identified and included on the reconciliations and were appropriately adjusted in the financial statements. There were no material unreconciled differences or material general ledger suspense account items that should have been adjusted or reclassified to another

account balance. There were no material general ledger suspense account items written off to a balance sheet account, which should have been written off to a profit and loss account and vice versa. All intra-entity accounts have been eliminated or appropriately measured and considered for disclosure in the financial statements.

Other information

We confirm to you that we are not required by law, regulation or custom and do not intend to issue a document (which would include or accompany the financial statements and our auditor's report thereon) with information on the School Division's operations and the School Division's financial results and financial position as set out in the financial statements.

Accounting policies

We confirm that we have reviewed the School Division's accounting policies and, having regard to the possible alternative policies, our selection and application of accounting policies and estimation techniques used for the preparation and presentation of the financial statements is appropriate in the School Division's particular circumstances.

We are eligible to and have selected to apply the standards for government not-for-profit organizations in CPA Canada Public Sector Accounting Handbook Sections PS 4200 to PS 4270.

Internal control over financial reporting

We have disclosed to you all deficiencies in the design or operation of disclosure controls and procedures and internal control over financial reporting that we are aware of.

Minutes

All matters requiring disclosure to or approval of the Board of Trustees or the shareholders have been brought before them at appropriate meetings and are reflected in the minutes.

Completeness of transactions

All contractual arrangements entered into by the School Division with third parties have been properly reflected in the accounting records or/and, where material (or potentially material) to the financial statements, have been disclosed to you. The School Division has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There are no side agreements or other arrangements (either written or oral) undisclosed to you.

Fraud

We have disclosed to you:

- The results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- All information in relation to fraud or suspected fraud of which we are aware affecting the School Division involving management, employees who have significant roles in internal control or others where the fraud could have a material effect on the financial statements; and
- All information in relation to any allegations of fraud, or suspected fraud, affecting the School Division's financial statements communicated by employees, former employees, analysts, regulators, investors or others.

Disclosure of information

We have provided you with:

- Access to all information of which we are aware that is relevant to the preparation of the financial statements, such as records, documentation and other matters including:
 - Contracts and related data;
 - Information regarding significant transactions and arrangements that are outside the normal course of business;
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the School Division from whom you determined it necessary to obtain audit evidence.

Compliance with laws and regulations

We have disclosed to you all aspects of laws, regulations and contractual agreements that may affect the financial statements, including any known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.

There have been no communications from regulatory agencies concerning non-compliance with or deficiencies in financial reporting practices.

Accounting estimates and fair value measurements

Significant assumptions used by the School Division in making accounting estimates, including fair value accounting estimates, are reasonable.

For recorded or disclosed amounts in the financial statements that incorporate fair value measurements, we confirm that:

- The measurement methods are appropriate and consistently applied;
- The significant assumptions used in determining fair value measurements represent our best estimates, are reasonable and have been consistently applied;
- No subsequent event requires adjustment to the accounting estimates and disclosures included in the financial statements; and
- The significant assumptions used in determining fair value measurements are consistent with the School Division's planned courses of action. We have no plans or intentions that have not been disclosed to you, which may materially affect the recorded or disclosed fair values of assets or liabilities.

Significant estimates and measurement uncertainties known to management that are required to be disclosed in accordance with CPA Canada Public Sector Accounting Handbook Section 2130, *Measurement Uncertainty*, have been appropriately disclosed.

Related parties

We confirm that we have disclosed to you the identity of the School Division's related parties as defined by CPA Canada Public Sector Accounting Handbook Section PS 2200, *Related Party Disclosures*.

We have not identified any related party transactions, as defined by CPA Canada Public Sector Accounting Handbook Section PS 2200, *Related Party Disclosures*.

The list of related parties attached to this letter as Appendix A accurately and completely describes the School Division's related parties and the relationships with such parties.

Going concern

There are no events or conditions that, individually or collectively, may cast significant doubt on the School Division's ability to continue as a going concern.

We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements (e.g. to dispose of the business or to cease operations).

Assets and liabilities

We have satisfactory title or control over all assets. All liens or encumbrances on the School Division's assets and assets pledged as collateral, to the extent material, have been disclosed in notes to the financial statements.

We have recorded or disclosed, as appropriate, all liabilities, in accordance with Canadian public sector accounting standards. All liabilities and contingencies, including those associated with guarantees, whether written or oral, under which the School Division is contingently liable in accordance with CPA Canada Public Sector Accounting Handbook Section PS 3300, *Contingent Liabilities*, have been disclosed to you and are appropriately reflected in the financial statements.

Litigation and claims

All known actual or possible litigation and claims, which existed as at June 30, 2020 or exist now, have been disclosed to you and accounted for and disclosed in accordance with Canadian public sector accounting standards, whether or not they have been discussed with legal counsel.

Misstatements

Certain representations in this letter are described as being limited to those matters that are material. Items are also considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement.

We confirm that the financial statements are free of material misstatements, including omissions.

The effects of the uncorrected misstatements in the financial statements, as summarized in Appendix B, are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. We confirm that we are not aware of any uncorrected misstatements other than those included in Appendix B.

Events after balance sheet date

We have identified all events that occurred between June 30, 2020 and the date of this letter that may require adjustment of, or disclosure in, the financial statements, and have effected such adjustment or disclosure.

For the following specific representations, the terms “year end” and “year” are defined as each year end and each year respectively, covered by the audit of the financial statements as stated above.

Retirement benefits, post-employment benefits, compensated absences and termination benefits

All arrangements to provide retirement benefits, post-employment benefits, compensated absences and termination benefits have been identified to you and have been included in the actuarial valuation as required.

The details of all pension plan amendments since December 31, 2018, the date of the last actuarial valuation, have been identified to you and have been included in the actuarial valuation as required.

The actuarial valuation dated December 31, 2018 incorporates management's best estimates, detailed as follows:

The actuarial assumptions and methods used to measure liabilities and costs for financial accounting purposes for pension and other post-retirement benefits are appropriate in the circumstances.

All changes to the plan and the employee group and the plan's performance since the last actuarial valuation have been reviewed and considered in determining the plan expense and the estimated actuarial present value of accrued pension benefits and value of plan assets.

The School Division's actuaries have been provided with all information required to complete their valuation as at December 31, 2018 and their extrapolation to June 30, 2020.

We confirm that the extrapolations are accurate and include the proper reflection of the effects of changes and events occurring subsequent to the most recent valuation that had a material effect on the extrapolations.

The employee future benefit costs, assets and obligations have been determined, accounted for and disclosed in accordance with CPA Canada Public Sector Accounting Handbook Section PS 3250, *Retirement Benefits* and CPA Canada Public Sector Accounting Handbook Section PS 3255, *Post-employment Benefits, Compensated Absences and Termination Benefits*. In particular:

- The significant accounting policies that the School Division has adopted in applying CPA Canada Public Sector Accounting Handbook Section PS 3250, *Retirement Benefits*, and CPA Canada Public Sector Accounting Handbook Section PS 3255, *Post-employment Benefits, Compensated Absences and Termination Benefits*, are accurately and completely disclosed in the notes to the financial statements. Each of the best estimate assumptions used reflects management's judgment of the most likely outcomes of future events.
- The best estimate assumptions used are, as a whole, internally consistent, and consistent with the asset valuation method adopted.
- The discount rate used to determine the accrued benefit obligation was determined by reference to [the School Division's plan asset earnings using assumptions that are internally consistent with other actuarial assumptions used in the calculation of the accrued benefit obligation and plan assets.
- The assumptions included in the actuarial valuation are those that management instructed Ellement to use in computing amounts to be used by management in determining pension costs and obligations and in making required disclosures in the above-named financial statements, in accordance with CPA Canada Public Sector Accounting Handbook Section PS 3250, *Retirement Benefits*.

In arriving at these assumptions, management has obtained the advice of Ellement, but has retained the final responsibility for the assumptions.

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

Yours truly,

St. James-Assiniboia School Division

Original Document Signed

Mike Friesen, Secretary-Treasurer/Chief Financial Officer



Independent auditor's report

To the Board of Trustees of St. James-Assiniboia School Division

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of St. James-Assiniboia School Division (the School Division) as at June 30, 2020 and the results of its operations, its remeasurement gains and losses and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

What we have audited

The School Division's financial statements comprise:

- the statement of financial position as at June 30, 2020;
 - the statement of revenue, expenses and accumulated surplus for the year then ended;
 - the statement of changes in net debt for the year then ended;
 - the statement of cash flow for the year then ended; and
 - the notes to the financial statements, which include a summary of significant accounting policies.
-

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

Independence

We are independent of the School Division in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Other matter – unaudited information

We have not audited the information in the schedules titled "Student Enrolments (FRAME) and Transportation Statistics" and "Full Time Equivalent Personnel" and accordingly, do not express an opinion on that information.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



Responsibilities of management and those charged with governance for the financial statements

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

In preparing the financial statements, management is responsible for assessing the School Division's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the School Division or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the School Division's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 School Division's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the School Division's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the School Division to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

Winnipeg, Manitoba
October 6, 2020

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes	2020	2019	
	Financial Assets		
	Cash and Bank	2,250,701	424,046
	Due from - Provincial Government	2,416,588	2,678,752
	- Federal Government	126,670	110,498
	- Municipal Government	28,561,607	27,400,779
	- Other School Divisions	7,875	117,650
	- First Nations	91,200	15,600
	Accounts Receivable	113,254	121,100
	Accrued Investment Income	-	-
	Portfolio Investments	-	-
		<u>33,567,895</u>	<u>30,868,425</u>
	Liabilities		
	Overdraft	-	-
	Accounts Payable	6,894,599	6,805,438
	Accrued Liabilities	8,698,535	6,476,331
*	Employee Future Benefits	2,223,617	2,183,373
	Accrued Interest Payable	406,742	381,920
	Due to - Provincial Government	-	-
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
*	Deferred Revenue	6,539,295	7,380,836
*	Borrowings from the Provincial Government	26,624,427	24,487,882
	Other Borrowings	-	-
	School Generated Funds Liability	308,424	207,031
		<u>51,695,639</u>	<u>47,922,811</u>
	Net Assets (Debt)	<u>(18,127,744)</u>	<u>(17,054,386)</u>
	Non-Financial Assets		
*	Net Tangible Capital Assets (TCA Schedule)	58,127,000	54,191,748
	Inventories	-	-
	Prepaid Expenses	485,028	529,238
		<u>58,612,028</u>	<u>54,720,986</u>
*	Accumulated Surplus	<u>40,484,284</u>	<u>37,666,600</u>

See accompanying notes to the Financial Statements

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

For the Year Ended June 30

Notes	2020	2019
Revenue		
Provincial Government	58,946,917	59,152,305
Federal Government	21,123	4,018
Municipal Government	52,127,365	49,789,832
- Property Tax		
- Other	-	-
Other School Divisions	363,350	494,435
First Nations	268,800	267,600
Private Organizations and Individuals	2,220,175	2,242,003
Other Sources	863,228	876,477
School Generated Funds	851,872	797,559
Other Special Purpose Funds	-	-
	115,662,830	113,624,229
Expenses		
Regular Instruction	61,079,447	59,637,493
Student Support Services	23,375,349	23,746,971
Adult Learning Centres	-	-
Community Education and Services	914,971	953,731
Divisional Administration	3,173,711	3,472,171
Instructional and Other Support Services	3,701,720	3,863,671
Transportation of Pupils	1,947,188	3,019,769
Operations and Maintenance	10,733,472	10,531,626
* Fiscal		
- Interest	1,131,997	1,126,581
- Other	1,878,542	1,783,263
Amortization	4,107,056	3,818,505
Other Capital Items	127,988	-
School Generated Funds	705,359	732,930
Other Special Purpose Funds	-	-
	112,876,800	112,686,711
Current Year Surplus (Deficit) before Non-vested Sick Leave	2,786,030	937,518
Less: Non-vested Sick Leave Expense (Recovery)	(31,654)	82,709
Net Current Year Surplus (Deficit)	2,817,684	854,809
Opening Accumulated Surplus	37,666,600	36,811,791
Adjustments:		
Tangible Cap. Assets and Accum. Amort.	-	-
Other than Tangible Cap. Assets	-	-
Non-vested sick leave - prior years	-	-
Opening Accumulated Surplus, as adjusted	37,666,600	36,811,791
Closing Accumulated Surplus	40,484,284	37,666,600

See accompanying notes to the Financial Statements

* NOTE REQUIRED

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2020

	2020	2019
Net Current Year Surplus (Deficit)	2,817,684	854,809
Amortization of Tangible Capital Assets	4,107,056	3,818,505
Acquisition of Tangible Capital Assets	(8,042,308)	(5,641,854)
(Gain) / Loss on Disposal of Tangible Capital Assets	(16,661)	133,404
Proceeds on Disposal of Tangible Capital Assets	16,661	2,381
	(3,935,252)	(1,687,564)
Inventories (Increase)/Decrease	-	-
Prepaid Expenses (Increase)/Decrease	44,210	(53,214)
	44,210	(53,214)
(Increase)/Decrease in Net Debt	(1,073,358)	(885,969)
Net Debt at Beginning of Year	(17,054,386)	(16,168,417)
Adjustments Other than Tangible Cap. Assets	-	-
	(17,054,386)	(16,168,417)
Net Assets (Debt) at End of Year	(18,127,744)	(17,054,386)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2020

	2020	2019
Operating Transactions		
Net Current Year Surplus (Deficit)	2,817,684	854,809
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	4,107,056	3,818,505
(Gain)/Loss on Disposal of Tangible Capital Assets	(16,661)	133,404
Employee Future Benefits Increase/(Decrease)	40,244	(13,134)
Due from Other Organizations (Increase)/Decrease	(880,661)	(886,429)
Accounts Receivable & Accrued Income (Increase)/Decrease	7,846	(20,338)
Inventories and Prepaid Expenses - (Increase)/Decrease	44,210	(53,214)
Due to Other Organizations Increase/(Decrease)	-	-
Accounts Payable & Accrued Liabilities Increase/(Decrease)	2,336,187	241,965
Deferred Revenue Increase/(Decrease)	(841,541)	66,982
School Generated Funds Liability Increase/(Decrease)	101,393	19,856
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by (Applied to) Operating Transactions	<u>7,715,757</u>	<u>4,162,406</u>
Capital Transactions		
Acquisition of Tangible Capital Assets	(8,042,308)	(5,641,854)
Proceeds on Disposal of Tangible Capital Assets	16,661	2,381
Cash Provided by (Applied to) Capital Transactions	<u>(8,025,647)</u>	<u>(5,639,473)</u>
Investing Transactions		
Portfolio Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
Financing Transactions		
Borrowings from the Provincial Government Increase/(Decrease)	2,136,545	(361,095)
Other Borrowings Increase/(Decrease)	-	-
Cash Provided by (Applied to) Financing Transactions	<u>2,136,545</u>	<u>(361,095)</u>
Cash and Bank / Overdraft (Increase)/Decrease	1,826,655	(1,838,162)
Cash and Bank (Overdraft) at Beginning of Year	<u>424,046</u>	<u>2,262,208</u>
Cash and Bank (Overdraft) at End of Year	<u><u>2,250,701</u></u>	<u><u>424,046</u></u>

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2020

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	2020 TOTALS	2019 TOTALS
	School	Non-School									
Tangible Capital Asset Cost											
Opening Cost, as previously reported	87,868,298	4,488,509	1,110,712	807,301	3,883,073	3,597,468	7,025,776	8,853,389	1,893,661	119,528,187	114,257,383
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	87,868,298	4,488,509	1,110,712	807,301	3,883,073	3,597,468	7,025,776	8,853,389	1,893,661	119,528,187	114,257,383
Add:											
Additions during the year	4,246,412	1,995,337	274,850	175,827	285,755	14,543	-	326,064	723,520	8,042,308	5,641,854
Less:											
Disposals and write downs	-	-	273,848	80,536	251,881	-	-	-	-	606,265	371,050
Closing Cost	92,114,710	6,483,846	1,111,714	902,592	3,916,947	3,612,011	7,025,776	9,179,453	2,617,181	126,964,230	119,528,187
Accumulated Amortization											
Opening, as previously reported	49,503,976	3,258,591	740,058	703,465	3,282,421	2,866,242		4,981,686		65,336,439	61,753,199
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	49,503,976	3,258,591	740,058	703,465	3,282,421	2,866,242		4,981,686		65,336,439	61,753,199
Add:											
Current period Amortization	2,617,198	145,010	86,549	52,231	204,380	304,741		696,947		4,107,056	3,818,505
Less:											
Accumulated Amortization on Disposals and Writedowns	-	-	273,848	80,536	251,881	-		-		606,265	235,265
Closing Accumulated Amortization	52,121,174	3,403,601	552,759	675,160	3,234,920	3,170,983		5,678,633		68,837,230	65,336,439
Net Tangible Capital Asset	39,993,536	3,080,245	558,955	227,432	682,027	441,028	7,025,776	3,500,820	2,617,181	58,127,000	54,191,748
Proceeds from Disposal of Capital Assets	-	-	2,216	6,300	8,145	-				16,661	2,381

* Includes network infrastructure.

St. James-Assiniboia School Division

Notes to Financial Statements

June 30, 2020

1 Nature of organization and economic dependence

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

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

2 Summary of significant accounting policies

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

Reporting entity

The financial statements reflect the assets, liabilities, revenues and expenses of the Operating Fund, Capital Fund and Special Purpose Fund of the Division. The Division reporting entity includes school generated funds controlled by the Division.

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

All inter-fund accounts and transactions are eliminated in the Division's financial statements.

Basis of accounting

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

Revenue

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

St. James-Assiniboia School Division

Notes to Financial Statements

June 30, 2020

School generated funds

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

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

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

Tangible capital assets

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

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

Asset description	Capitalization threshold \$	Estimated useful life (years)
Land improvements	50,000	10
Buildings (school and non-school)		
Bricks, mortar and steel	50,000	15 – 40
Wood frame	50,000	15 – 25
School buses	50,000	10
Other vehicles	10,000	5
Equipment	10,000	5
Network infrastructure	25,000	10
Computer hardware	10,000	4
Computer software	10,000	4
Furniture and fixtures	10,000	10

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

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

St. James-Assiniboia School Division

Notes to Financial Statements

June 30, 2020

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

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

Land is recorded at historical cost when known. For land acquired prior to June 30, 2006, where historical cost was not known, land has been recorded based on values determined by the Crown Lands and Property Agency.

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

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

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

Employee future benefits

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

However, the Division provides retirement and other future benefits to its employees. These benefits include a defined benefit pension plan for non-teacher employees, vacation pay and parental leave benefits. The Division adopted the following policies with respect to accounting for these employee future benefits:

i) Defined benefit pension plan

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

St. James-Assiniboia School Division

Notes to Financial Statements

June 30, 2020

A market discount rate is used to measure the benefit obligations. The expected return on pension plan assets is calculated on the market related value of the assets. The cost of the plan is actuarially determined using the projected benefit method prorated on years of employee service, final average salary levels during specified years of employment, retirement ages of employees and other actuarial factors, together with the expected rate of return on pension plan assets. Current service costs and interest costs on the benefit obligation are charged to income as they accrue. Past service costs, plan amendments, changes in assumptions, the cumulative unrecognized net actuarial gains and losses are amortized to earnings on a straight-line basis over the expected average remaining service lives (14 years) of active plan members, and are adjusted for changes in the valuation allowance.

ii) Other future benefits

For those benefit obligations that are event driven (vacation pay and parental leave), the benefit costs are recognized and recorded when earned.

The employee future benefits expense includes the Division's contribution for the period.

iii) Non-vested sick leave

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

Capital reserve

Certain amounts, as approved by the Board of Trustees and the Public Schools Finance Board (PSFB), have been set aside in reserve accounts for future capital purposes. These capital reserve accounts are internally restricted funds that form part of the accumulated surplus presented in the Statement of Financial Position (note 9).

Use of estimates

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

The outbreak of the novel strain of Coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures have caused significant disruption to business operations globally, resulting in an economic slowdown. Global equity and capital markets have also experienced significant volatility and weakness. The governments have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. These developments are constantly evolving and the duration and impact of the COVID-19 pandemic is highly uncertain and cannot be predicted at this time but could have a material impact on the future performance of the market.

St. James-Assiniboia School Division

Notes to Financial Statements

June 30, 2020

3 Overdraft

The Division has an authorized line of credit in the amount of \$15,000,000 by way of overdrafts and is repayable on demand at prime less 0.25%; interest is paid monthly.

4 Employee future benefits

Employee future benefits are benefits earned by employees but will not be paid out until future years.

	2020 \$	2019 \$
Employee future benefit liabilities		
Maternity leave earned	535,883	410,548
Vacation payable	713,702	767,140
Non-vested accumulated sick leave (note 9)	974,032	1,005,685
	<hr/>	<hr/>
Total employee future benefit liability	2,223,617	2,183,373

The Division sponsors a defined benefit plan for non-teaching employees that is actuarially valued every three years using a number of assumptions about future events, including inflation rate (2%), wage and salary increases (3%), and employee turnover and mortality to determine the accrued benefit obligation. The most recent actuarial report was prepared as at December 31, 2018. The expected average remaining service life of the related employee groups is 14 years. Pension plan assets are valued at market related values and the expected rate of return is 5.25%.

As at June 30, 2020, there were 525 active members, 204 deferred benefit members and 317 pensioners receiving payments.

Non-vested accumulated sick leave benefits are measured using net present value techniques on the expected future utilization of excess of sick benefits used over earned per year, to maximum entitlement. The impact of the estimated non-vested sick leave benefit cost for 2020 is a recovery of \$31,654 (2019 – expense of \$82,709).

St. James-Assiniboia School Division

Notes to Financial Statements

June 30, 2020

	2020 \$	2019 \$
Change in accrued benefit obligation		
Balance – beginning of year	65,032,323	60,698,733
Current service cost		
Division	1,304,195	1,265,732
Employees	1,686,814	1,637,066
Interest cost	3,412,718	3,192,652
Benefits paid	(2,856,332)	(2,675,424)
Non-investment expenses paid	(191,030)	-
Actual experience loss (gain)	(128,502)	913,564
Actuarial assumption loss CPM	-	-
	<hr/>	<hr/>
Balance – end of year	68,260,186	65,032,323
Change in plan assets		
Market related value – beginning of year	68,199,203	63,712,027
Contributions		
Division	1,668,589	1,617,471
Employees	1,686,814	1,637,066
Expected return on plan assets	3,588,543	3,360,083
Experience gain (loss)	(1,260,151)	547,980
Benefits paid	(2,856,332)	(2,675,424)
Non-investment expenses paid	(191,030)	-
	<hr/>	<hr/>
Market related value – end of year	70,835,636	68,199,203
Funded status		
Plan assets greater than benefit obligation	2,575,450	3,166,879
Unamortized net actuarial loss	1,131,649	365,584
Valuation allowance	(3,707,099)	(3,532,463)
	<hr/>	<hr/>
Accrued benefit asset	-	-

As at June 30, 2020, total additional contributions to the plan are \$1,827,885 (2019 – \$1,827,885) and these contributions may, at the Division's discretion, be used to reduce or eliminate future contribution requirements if and when the plan assets are in a surplus position as determined by the actuary of the plan.

Net benefit plan expense for the year was \$1,668,589 (2019 – \$1,617,471).

	2020 %	2019 %
Plan assets in equities (includes real estate)	62.06	64.46
Plan assets in fixed income (includes infrastructure partnership)	37.94	35.54

St. James-Assiniboia School Division

Notes to Financial Statements

June 30, 2020

	2020 %	2019 %
Significant assumptions		
Accrued benefit obligation as at June 30		
Discount rate	5.25	5.25
Rate of compensation increase	3.00	3.00
Net benefit plan cost for the year ended June 30		
Discount rate	5.25	5.25
Expected return on plan assets	5.25	5.25
Rate of compensation increase	3.00	3.00
Expected Average Remaining Service Life (EARSL)	14 years	14 years

Maternity leave earned and vacation payable are defined benefits that are recognized and recorded when earned (e.g. maternity top up).

5 Deferred revenue

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

	Balance as at June 30, 2019 \$	Revenue recognized in the year \$	Additions in the year \$	Balance as at June 30, 2020 \$
Donated capital assets	388,945	57,351	-	331,594
Continuing Education	60,635	60,635	27,615	27,615
International Student Program fees	1,068,267	1,068,267	440,736	440,736
Province of MB Green Team grant	5,730	5,730	7,614	7,614
Property Tax	5,857,259	5,857,259	5,731,736	5,731,736
	<u>7,380,836</u>	<u>7,049,242</u>	<u>6,207,701</u>	<u>6,539,295</u>

St. James-Assiniboia School Division

Notes to Financial Statements

June 30, 2020

6 School generated funds liability

School generated funds liability includes the non-controlling portion of school generated funds consolidated in the cash balance in the amount of \$308,424.

	2020 \$	2019 \$
Parent council funds	1,072	509
Student funds (including travel)	266,737	183,946
Other	40,615	22,576
	<hr/>	<hr/>
	308,424	207,031
	<hr/>	<hr/>

7 Debenture debt

The debenture debt of the Division is in the form of twenty-year debentures payable, principal and interest, in twenty equal yearly instalments and maturing at various dates from 2020 to 2040 and is owing to the public schools finance board (PSFB). Payment of principal and interest is funded entirely by grants from the Province, except for the debenture debt on self-funded capital projects. There were no self-funded capital projects outstanding during the year. The debentures carry interest rates that range from 2.75% to 7.25%.

Debenture interest expense payable as at June 30, 2020 is accrued and recorded in accrued interest payable, and a grant in an amount equal to the interest accrued on provincially funded debentures is recorded in due from the Provincial Government. The debenture principal and interest repayments in the next five years are as follows:

	Principal \$	Interest \$	Total \$
2020 – 2021	1,829,573	1,056,341	2,885,914
2021 – 2022	1,856,036	971,358	2,827,394
2022 – 2023	1,757,729	886,031	2,643,760
2023 – 2024	1,767,813	809,073	2,576,886
2024 – 2025	1,722,586	732,733	2,455,319
Thereafter	17,690,690	3,940,274	21,630,964
	<hr/>	<hr/>	<hr/>
	26,624,427	8,395,810	35,020,237
	<hr/>	<hr/>	<hr/>

St. James-Assiniboia School Division

Notes to Financial Statements

June 30, 2020

8 Tangible capital assets

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

A summary is as follows:

			2020	2019
	Cost	Accumulated	Net	Net
	\$	amortization	\$	\$
	\$	\$	\$	\$
Tangible capital assets	126,964,230	68,837,230	58,127,000	54,191,748

9 Accumulated surplus

The accumulated surplus is comprised of the following:

	2020	2019
	\$	\$
Operating Fund		
Designated surplus	1,423,183	533,741
Undesignated surplus	5,138,828	4,282,082
Non-vested sick leave	(974,031)	(1,005,685)
	<u>5,587,980</u>	<u>3,810,138</u>
Capital Fund		
Reserve accounts	5,625,890	5,900,740
Equity in tangible capital assets	28,618,796	27,450,617
	<u>34,244,686</u>	<u>33,351,357</u>
Special Purpose Fund		
School generated funds	651,618	505,105
	<u>651,618</u>	<u>505,105</u>
Total accumulated surplus	<u>40,484,284</u>	<u>37,666,600</u>

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

	2020	2019
	\$	\$
Air conditioning projects	502,015	405,943
Early Years Reorganization	721,157	-
School budget carryover by board policy	200,011	127,798
	<u>1,423,183</u>	<u>533,741</u>
Designated Surplus	<u>1,423,183</u>	<u>533,741</u>

St. James-Assiniboia School Division

Notes to Financial Statements

June 30, 2020

Reserve accounts under the Capital Fund represent internally restricted reserves for specific projects approved by the Board of Trustees and PSFB.

	2020	2019
	\$	\$
Information technology	1,200,000	1,200,000
Equipment/vehicles	500,000	500,000
School Building reserve	2,873,740	2,873,740
School Bus reserve	552,150	827,000
Lease reserve	500,000	500,000
	<hr/>	<hr/>
Capital reserve	5,625,890	5,900,740

School generated funds and other special purpose funds are externally restricted monies for school use.

10 Interest received and paid

The Division received interest during the year of \$256,712 (2019 – \$254,450); interest paid during the year was \$1,131,997 (2019 – \$1,126,581).

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

	2020	2019
	\$	\$
Operating Fund		
Fiscal short-term loan, interest and bank charges	73,895	63,425
Capital Fund		
Debenture debt interest	1,058,102	1,063,156
	<hr/>	<hr/>
	1,131,997	1,126,581

The accrual portion of debenture debt interest expense of \$406,742 (2019 – \$381,920) is offset by an accrual of the debt servicing grant from the Province.

St. James-Assiniboia School Division

Notes to Financial Statements

June 30, 2020

11 Expenses by object

Expenses in the Statement of Revenue, Expenses and Accumulated Surplus are reported by function. Below is the detail of expenses by object:

	2020 \$	2019 \$
Salaries	84,634,420	83,128,109
Employees' benefits and allowances	6,338,811	6,412,175
Services	8,789,048	10,299,568
Supplies, material and minor equipment	4,716,809	4,952,806
Interest and bank charges	73,895	63,425
Interest – debenture	1,058,102	1,063,156
Payroll tax	1,878,542	1,783,263
Transfers	446,770	433,314
Amortization	4,107,056	3,818,505
School generated funds	705,359	732,390
Other capital items	127,988	-
	<hr/> 112,876,800	<hr/> 112,686,711

12 Contractual obligations

Agreements respecting student transportation were entered into for terms ranging from one to five years. The specific costs for these services are approximately \$1,537,086 for 2020 – 2021. As costs are based on student enrolment and transportation requirements, the service agreements do not contain predetermined costs for subsequent years.

The School Division has entered into four 3-year Information Technology lease agreements with varying expiry dates.

The cost for the Information Technology leases is \$280,034 in 2020 – 2021.

St. James-Assiniboia School Division

Notes to Financial Statements

June 30, 2020

13 Lease revenue

The Division recorded lease revenue of \$322,750 from other sources relating to various unoccupied building space.

14 Special levy raised for la Division scolaire franco-manitobaine

In accordance with Section 190.1 of the Public Schools Act, the Division is required to collect a special levy on behalf of la Division. As at June 30, 2020, the amount of this special levy was \$781,504 (2019 – \$677,023). These amounts are not included in the Division's financial statements.