St. James-Assiniboia School Division

Great Schools for Growing and Learning

B.J. Lough
Chief Superintendent

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

No. 1379713

October 3, 2019

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, 2019 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 and results of its operations 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 July 30, 2019 and in particular with respect to the following responsibilities:

- the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards including disclosures;
- designing, implementing and maintaining 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;
- designing, implementing and maintaining an effective system of internal control to prevent and detect fraud;
- providing you with all relevant information and access, as agreed in the terms of the audit engagement; and
- ensuring all transactions have been recorded in the accounting records and are reflected in the financial statements.

We confirm the following representations:

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 another 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.

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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.

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;
    - Minutes of the meetings of management, trustees and committees of trustees;
- 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 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. A listing of related parties is included in Appendix A.

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

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.

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, 2017, the date of the last actuarial valuation, have been identified to you and have been included in the actuarial valuation report as required..

The actuarial valuation dated December 31, 2017 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, 2017 and their extrapolation to June 30, 2019.

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.

Litigation and claims
All known actual or possible litigation and claims, which existed as at June 30, 2019 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 aggregate, to the financial statements taken as a whole. We confirm that we are not aware of any uncorrected misstatements other than included in Appendix B.

Events after balance sheet date

We have identified all events that occurred between June 30, 2019 and the date of this letter that may require adjustment of, or disclosure in, the financial statements, and have effected such adjustment or disclosure.

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, 2019 and the results of its operations 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, 2019;
- the statement of revenue, expenses and accumulated surplus for the year then ended;
- the statement of change in net debt for the year then ended;
- the statement of cash flows 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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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 3, 2019

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2019	2018
	Financial Assets		
	Cash and Bank	424,046	2,262,208
	Due from - Provincial Government	2,678,752	3,277,926
	- Federal Government	110,498	144,057
	- Municipal Government	27,400,779	26,010,967
	- Other School Divisions	117,650	3,900
	- First Nations	15,600	-
	Accounts Receivable	121,100	100,762
	Accrued Investment Income	-	-
	Portfolio Investments	-	-
		30,868,425	31,799,820
	Liabilities		
	Overdraft	-	-
	Accounts Payable	6,805,438	6,947,006
	Accrued Liabilities	6,476,331	6,087,856
*	Employee Future Benefits	2,183,373	2,196,507
	Accrued Interest Payable	381,920	386,862
	Due to - Provincial Government	-	-
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
*	Deferred Revenue	7,380,836	7,313,854
*	Borrowings from the Provincial Government	24,487,882	24,848,977
	Other Borrowings	-	-
	School Generated Funds Liability	207,031	187,175
		47,922,811	47,968,237
	Net Assets (Debt)	(17,054,386)	(16,168,417)
	Non-Financial Assets		
*	Net Tangible Capital Assets (TCA Schedule)	54,191,748	52,504,184
	Inventories	-	-
	Prepaid Expenses	529,238	476,024
		54,720,986	52,980,208
*	**Accumulated Surplus**	37,666,600	36,811,791

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes			2019	2018
	Revenue			
	Provincial Government		59,152,305	60,401,633
	Federal Government		4,018	9,680
	Municipal Government	- Property Tax	49,789,832	47,850,609
		- Other	-	-
	Other School Divisions		494,435	562,424
	First Nations		267,600	144,527
	Private Organizations and Individuals		2,242,003	2,145,228
	Other Sources		876,477	864,579
	School Generated Funds		797,559	787,737
	Other Special Purpose Funds		-	-
			113,624,229	112,766,417
	Expenses			
	Regular Instruction		59,637,493	59,199,187
	Student Support Services		23,746,971	23,622,856
	Adult Learning Centres		-	-
	Community Education and Services		953,731	922,135
	Divisional Administration		3,472,171	3,621,419
	Instructional and Other Support Services		3,863,671	3,415,257
	Transportation of Pupils		3,019,769	2,813,955
	Operations and Maintenance		10,531,626	10,956,767
*	Fiscal	- Interest	1,126,581	1,093,841
		- Other	1,783,263	1,783,722
	Amortization		3,818,505	3,540,135
	Other Capital Items		-	-
	School Generated Funds		732,930	729,486
	Other Special Purpose Funds		-	-
			112,686,711	111,698,760
	Current Year Surplus (Deficit) before Non-vested Sick Leave		937,518	1,067,657
	Less: Non-vested Sick Leave Expense (Recovery)		82,709	243,511
	Net Current Year Surplus (Deficit)		854,809	824,146
	Opening Accumulated Surplus		36,811,791	35,987,645
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	-
		Other than Tangible Cap. Assets	-	-
		Non-vested sick leave - prior years	-	-
	Opening Accumulated Surplus, as adjusted		36,811,791	35,987,645
	Closing Accumulated Surplus		37,666,600	36,811,791

See accompanying notes to the Financial Statements

* NOTE REQUIRED

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2019

	2019	2018
Net Current Year Surplus (Deficit)	854,809	824,146
Amortization of Tangible Capital Assets	3,818,505	3,540,135
Acquisition of Tangible Capital Assets	(5,641,854)	(6,387,300)
(Gain) / Loss on Disposal of Tangible Capital Assets	133,404	3,130
Proceeds on Disposal of Tangible Capital Assets	2,381	25,208
	(1,687,564)	(2,818,827)
Inventories (Increase)/Decrease	-	-
Prepaid Expenses (Increase)/Decrease	(53,214)	23,893
	(53,214)	23,893
(Increase)/Decrease in Net Debt	(885,969)	(1,970,788)
Net Debt at Beginning of Year	(16,168,417)	(14,197,629)
Adjustments Other than Tangible Cap. Assets	-	-
	(16,168,417)	(14,197,629)
Net Assets (Debt) at End of Year	(17,054,386)	(16,168,417)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2019

	2019	2018
Operating Transactions		
Net Current Year Surplus (Deficit)	854,809	824,146
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	3,818,505	3,540,135
(Gain)/Loss on Disposal of Tangible Capital Assets	133,404	3,130
Employee Future Benefits Increase/(Decrease)	(13,134)	352,118
Due from Other Organizations (Increase)/Decrease	(886,429)	(1,853,940)
Accounts Receivable & Accrued Income (Increase)/Decrease	(20,338)	154,063
Inventories and Prepaid Expenses - (Increase)/Decrease	(53,214)	23,893
Due to Other Organizations Increase/(Decrease)	-	-
Accounts Payable & Accrued Liabilities Increase/(Decrease)	241,965	740,379
Deferred Revenue Increase/(Decrease)	66,982	(222,276)
School Generated Funds Liability Increase/(Decrease)	19,856	22,589
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by (Applied to) Operating Transactions	4,162,406	3,584,237
Capital Transactions		
Acquisition of Tangible Capital Assets	(5,641,854)	(6,387,300)
Proceeds on Disposal of Tangible Capital Assets	2,381	25,208
Cash Provided by (Applied to) Capital Transactions	(5,639,473)	(6,362,092)
Investing Transactions		
Portfolio Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
Financing Transactions		
Borrowings from the Provincial Government Increase/(Decrease)	(361,095)	1,474,922
Other Borrowings Increase/(Decrease)	-	-
Cash Provided by (Applied to) Financing Transactions	(361,095)	1,474,922
Cash and Bank / Overdraft (Increase)/Decrease	(1,838,162)	(1,302,933)
Cash and Bank (Overdraft) at Beginning of Year	2,262,208	3,565,141
Cash and Bank (Overdraft) at End of Year	424,046	2,262,208

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2019

	Buildings and Leasehold Improvements		School	Other	Furniture / Fixtures &	Computer Hardware &		Land	Assets Under	2019	2018
	School	Non-School	Buses	Vehicles	Equipment	Software *	Land	Improvements	Construction	TOTALS	TOTALS
Tangible Capital Asset Cost											
Opening Cost, as previously reported	82,408,585	4,488,509	1,073,825	807,301	3,792,263	3,593,254	7,025,776	8,172,987	2,894,883	114,257,383	108,293,209
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	82,408,585	4,488,509	1,073,825	807,301	3,792,263	3,593,254	7,025,776	8,172,987	2,894,883	114,257,383	108,293,209
Add:											
Additions during the year	5,617,603	-	110,070	-	148,932	86,069	-	680,402	(1,001,222)	5,641,854	6,387,300
Less:											
Disposals and write downs	157,890	-	73,183	-	58,122	81,855	-	-	-	371,050	423,126
Closing Cost	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
Accumulated Amortization											
Opening, as previously reported	47,122,939	3,154,068	735,058	656,538	3,125,431	2,644,373		4,314,792		61,753,199	58,607,852
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	47,122,939	3,154,068	735,058	656,538	3,125,431	2,644,373		4,314,792		61,753,199	58,607,852
Add:											
Current period Amortization	2,403,142	104,523	78,183	46,927	215,112	303,724		666,894		3,818,505	3,540,135
Less:											
Accumulated Amortization on Disposals and Writedowns	22,105	-	73,183	-	58,122	81,855		-		235,265	394,788
Closing Accumulated Amortization	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
Net Tangible Capital Asset	38,364,322	1,229,918	370,654	103,836	600,652	731,226	7,025,776	3,871,703	1,893,661	54,191,748	52,504,184
Proceeds from Disposal of Capital Assets	-	-	2,381	-	-	-				2,381	25,208

* Includes network infrastructure.

1 Nature of organization and economic dependence

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

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

2 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 Chartered Professional Accountants of Canada (CPA Canada).

a) Reporting entity

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

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

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

b) Basis of accounting

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

c) 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.

d) School generated funds

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

Only revenue and expenses of school generated funds controlled by the Division are included in the 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. Revenue and expenses of uncontrolled school generated funds are not included in the financial statements.

e) Tangible capital assets

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

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

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

Buildings and land are recorded at historical cost. Donated tangible capital assets are recorded at fair 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.

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

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

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

f) Employee future benefits

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

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

i) Defined benefit pension plan

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

A market discount rate is used to measure the benefit obligations. The expected return on pension plan assets is calculated on the market related value of the assets. The cost of the plan is actuarially determined using the projected benefit method pro-rated 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.

g) Capital reserve

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

h) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles established by the PSAB of CPA Canada 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 revenue and expenses during the reporting period.

3 Overdraft

The Division has an authorized line of credit with The Royal Bank of Canada of $15,000,000 by way of overdrafts and is repayable on demand at the prime rate 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.

	2019 $	2018 $
Employee future benefit liabilities		
Defined benefit pension plan – accrued benefit asset	-	-
Maternity leave earned	410,548	476,565
Vacation payable	767,140	796,966
Non-vested accumulated sick leave (note 9)	1,005,685	922,976
Total employee future benefit liability	2,183,373	2,196,507

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, 2017. 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, 2019, there were 508 active members, 21 inactive members, 198 deferred benefit members and 305 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 2019 is $82,709 (2018 – $243,511).

	2019 $	2018 $
Change in accrued benefit obligation		
Balance – Beginning of year	60,698,733	56,490,828
Current service cost		
Division	1,265,732	1,161,687
Employees	1,637,066	1,582,364
Interest cost	3,192,652	3,105,708
Benefits paid	(2,675,424)	(2,790,881)
Actual experience loss (gain)	913,564	(825,466)
Actuarial assumption loss CPM	-	1,974,495
Balance – End of year	65,032,323	60,698,735
Change in plan assets		
Market related value – Beginning of year	63,712,027	58,642,706
Contributions		
Division	1,617,471	1,573,754
Employees	1,637,066	1,582,364
Expected return on plan assets	3,360,083	3,235,393
Experience gain	547,980	1,468,692
Benefits paid	(2,675,424)	(2,790,881)
Market related value – End of year	68,199,203	63,712,028
Funded status		
Plan asset greater than benefit obligation	3,166,879	3,013,293
Unamortized net actuarial loss (gain)	365,584	(319,663)
Valuation allowance	(3,532,463)	(2,693,630)
Accrued benefit asset	-	-

	2019 $	2018 $
Net benefit plan cost		
Current service cost – Division	1,265,732	1,161,687
Interest cost	3,192,652	3,105,708
Expected return on plan assets	(3,360,083)	(3,235,393)
Amortization of actuarial gain	(685,248)	(996,735)
Valuation allowance	1,204,418	1,538,487
Net benefit plan expense for the year	1,098,301	1,032,002

As at June 30, 2019, total additional contributions to the plan are $1,827,885 (2018 – $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's assets are in a surplus position as determined by the actuary of the plan.

	2019 %	2018 %
Plan assets in equities (includes real estate)	64.46	62.28
Plan assets in fixed income	35.54	37.72

	2019 %	2018 %
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	5.50
Expected return on plan assets	5.25	5.50
Rate of compensation increase	3.00	3.00
Expected average remaining service life	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 in which the related expenses are incurred or services are performed. The following is a breakdown of deferred revenue:

	Balance as at June 30, 2018 $	Revenue recognized in the year $	Additions in the year $	Balance as at June 30, 2019 $
Donated capital assets	403,956	62,806	47,795	388,945
Continuing education	12,590	12,590	60,635	60,635
International student program fees	952,771	952,771	1,068,267	1,068,267
Province of MB Green Team Grant	5,684	5,684	5,730	5,730
Property tax	5,938,853	5,938,853	5,857,259	5,857,259
	7,313,854	6,972,704	7,039,686	7,380,836

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 $207,031.

	2019 $	2018 $
Parent council funds	509	591
Student funds (including travel)	183,946	164,191
Other	22,576	22,393
	207,031	187,175

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 2019 to 2039 and is owing to the 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 3.00% to 7.25%.

Debenture interest expense payable as at June 30, 2019 is accrued and recorded in accrued interest payable, and a grant in an amount equal to the interest accrued on provincially funded debentures is recorded in due from the provincial government. The debenture principal and interest repayments in the next five years and thereafter are as follows:

	Principal $	Interest $	Total $
2019 – 2020	1,716,654	1,033,280	2,749,934
2020 – 2021	1,683,262	948,303	2,631,565
2021 – 2022	1,705,630	867,415	2,573,045
2022 – 2023	1,603,111	786,300	2,389,411
2023 – 2024	1,608,867	713,672	2,322,539
Thereafter	16,170,358	3,846,350	20,016,707
	24,487,882	8,195,320	32,683,201

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:

			2019	2018
	Cost $	Accumulated amortization $	Net $	Net $
Tangible capital assets	119,528,191	65,336,443	54,191,748	52,504,184

9 Accumulated surplus

The accumulated surplus comprises the following:

	2019 $	2018 $
Operating Fund		
Designated surplus	533,741	2,232,164
Undesignated surplus	4,282,082	2,939,641
Non-vested sick leave	(1,005,685)	(922,976)
	3,810,138	4,248,829
Capital Fund		
Reserve accounts	5,900,740	6,015,834
Equity in tangible capital assets	27,450,617	26,106,652
	33,351,357	32,122,486

	2019 $	2018 $
Special Purpose Fund		
School generated funds	505,105	440,476
Total accumulated surplus	37,161,495	36,371,315

The designated surplus under the Operating Fund represents internally restricted amounts appropriated by the Board or, in the case of school budget carry-overs, by Board policy.

	2019 $	2018 $
Air conditioning projects	405,943	671,786
St. James bus loop	-	446,409
Bruce woodshop	-	388,608
Dust collectors and windows	-	645,220
School budget carry-overs by board policy	127,798	80,141
Designated surplus	533,741	2,232,164

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

	2019 $	2018 $
Undesignated	-	115,094
Information technology	1,200,000	1,200,000
Equipment/vehicle	500,000	500,000
School building reserve	2,873,740	2,873,740
School bus reserve	827,000	827,000
Lease reserve	500,000	500,000
Capital reserve	5,900,740	6,015,834

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 $254,450 (2018 – $173,319); interest paid during the year was $1,126,581 (2018 – $1,093,841).

Interest expense is included in fiscal on the statement of revenue, expenses and accumulated surplus and comprises the following:

	2019 $	2018 $
Operating Fund		
Fiscal short-term loan, interest and bank charges	63,425	47,686
Capital Fund		
Debenture debt interest	1,063,156	1,046,155
	1,126,581	1,093,841

The accrued portion of debenture debt interest expense of $381,920 (2018 – $386,862) is offset by an accrual of the debt servicing grant from the Province.

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:

	2019 $	2018 $
Salaries	83,128,109	82,134,295
Employees' benefits and allowances	6,412,175	6,327,082
Services	10,299,568	10,524,042
Supplies, materials and minor equipment	4,952,806	5,114,384
Interest and bank charges	63,425	47,686
Interest – debenture	1,063,156	1,046,155
Payroll tax	1,783,263	1,783,722
Transfers	433,314	451,773
Amortization	3,818,505	3,540,135
School generated funds	732,390	729,486
	112,686,711	111,698,760

12 Contractual obligations

Agreements with respect to student transportation were entered into for terms ranging from one to five years. The specific costs for these services are approximately $1,477,545 for 2019 – 2020. As costs are based on student enrolment and transportation requirements, the service agreements do not contain predetermined costs for subsequent years.

13 Lease revenue

The Division recorded lease revenue of $402,074 from other sources relating to various unoccupied building space. Minimum payments under the lease terms over the next three years are as follows:

	$
2019 – 2020	107,558
2020 – 2021	-
2021 – 2022	-

14 Special levy raised for la Division Scolaire Franco-Manitobaine

In accordance with Section 190.1 of The Public Schools Act, the Division is required to collect a special levy on behalf of la Division Scolaire Franco-Manitobaine. For the year ended June 30, 2019, the amount of this special levy was $677,023 (2018 – $609,917). These amounts are not included in the Division's financial statements.