St. James-Assiniboia School Division

Financial Statements
June 30, 2017

October 10, 2017

Independent Auditor's Report

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

We have audited the accompanying financial statements of St. James-Assiniboia School Division, which comprise the statement of financial position as at June 30, 2017 and the statements of revenue, expenses and accumulated surplus, change in net debt and cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

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

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

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

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

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of St. James-Assiniboia School Division as at June 30, 2017 and the results of its operations, the change in its net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

PricewaterhouseCoopers LLP

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St. James-Assiniboia School Division

Statement of Financial Position

As at June 30, 2017

	2017 $	2016 $
Financial Assets		
Cash	3,565,141	2,322,719
Due from		
Provincial government	3,285,854	3,243,563
Federal government	104,476	70,313
Municipal government	24,186,146	22,234,818
Other school divisions	-	22,164
First Nations	6,434	32,960
Accounts receivable	254,825	170,712
	31,402,876	28,097,249
Liabilities		
Accounts payable	6,519,738	6,173,968
Accrued liabilities	5,785,308	5,653,892
Employee future benefits (note 4)	1,844,389	1,815,697
Accrued interest payable	376,299	335,979
Deferred revenue (note 5)	7,536,130	7,128,128
School generated funds liability (note 6)	164,586	187,395
Debenture debt (note 7)	23,374,055	21,719,277
	45,600,505	43,014,336
Net debt	(14,197,629)	(14,917,087)
Non-financial Assets		
Net tangible capital assets (note 8)	49,685,357	49,337,399
Prepaid expenses	499,917	444,734
	50,185,274	49,782,133
Accumulated surplus (note 9)	35,987,645	34,865,046

Approved by the Board of Directors

_________________________ Director _________________________ Director

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

St. James-Assiniboia School Division

Statement of Revenue, Expenses and Accumulated Surplus

For the year ended June 30, 2017

	2017 $	2016 $
Revenue		
Provincial government	61,048,812	60,570,590
Municipal government property tax	44,286,375	40,899,886
Other school divisions	609,670	704,460
First Nations	243,955	179,632
Private organizations and individuals	3,173,638	2,800,183
Other sources	941,305	819,747
School generated funds	783,754	737,122
	111,087,509	106,711,620
Expenses		
Regular instruction	59,544,915	57,575,098
Student support services	22,188,693	21,859,826
Community education and services	998,811	1,030,396
Divisional administration	3,588,924	3,645,579
Instructional and other support services	3,590,232	3,525,141
Transportation of pupils	2,560,230	2,108,214
Operations and maintenance	10,473,510	10,848,005
Fiscal		
Interest (note 10)	1,092,884	1,048,742
Other	1,768,178	1,686,587
Amortization	3,382,004	3,297,462
Other	8,256	38,083
School generated funds	724,105	802,901
	109,920,742	107,466,034
Current year surplus (deficit) before non-vested sick leave	1,166,767	(754,414)
Non-vested sick leave (cost) recovery	(44,168)	59,006
Current year surplus (deficit)	1,122,599	(695,408)
Accumulated surplus - Beginning of year	34,865,046	35,560,454
Accumulated surplus - End of year	35,987,645	34,865,046

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

St. James-Assiniboia School Division

Statement of Change in Net Debt

For the year ended June 30, 2017

	2017 $	2016 $
Current year surplus (deficit)	1,122,599	(695,408)
Amortization of tangible capital assets	3,382,004	3,297,462
Acquisition of tangible capital assets	(3,729,962)	(5,192,362)
Increase in prepaid expenses	(55,183)	(85,145)
Loss on disposal of tangible capital assets	-	34,380
	(403,141)	(1,945,665)
Decrease (increase) in net debt during the year	719,458	(2,641,073)
Net debt - Beginning of year	(14,917,087)	(12,276,014)
Net debt - End of year	(14,197,629)	(14,917,087)

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

St. James-Assiniboia School Division

Statement of Cash Flows

For the year ended June 30, 2017

	2017 $	2016 $
Cash provided by (used in)		
Operating activities		
Current year surplus (deficit)	1,122,599	(695,408)
Items not affecting cash		
Amortization of tangible capital assets	3,382,004	3,297,462
Loss on disposal of tangible capital assets	-	34,380
Employee future benefits	28,692	7,008
	4,533,295	2,643,442
Change in non-cash working capital items		
Increase in due from other organizations	(1,979,092)	(1,441,721)
Increase in accounts receivable	(84,113)	(85,192)
Increase in prepaid expenses	(55,183)	(85,145)
Increase (decrease) in accounts payable and accrued liabilities	517,506	(84,326)
Increase in deferred revenue	408,002	185,007
Increase (decrease) in school generated funds liability	(22,809)	29,600
	3,317,606	1,161,665
Capital activities		
Acquisition of tangible capital assets	(3,729,962)	(5,192,362)
Financing activities		
Increase in debenture debt	1,654,778	1,506,359
Increase (decrease) in cash during the year	1,242,422	(2,524,338)
Cash - Beginning of year	2,322,719	4,847,057
Cash - End of year	3,565,141	2,322,719

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

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

Donated tangible capital assets are recorded at fair 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.

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. Actuarial gains and losses are amortized to earnings on a straight-line basis over the expected average remaining service lives (12 years) of active plan members.

ii) Other future benefits

For those benefit obligations that are event driven (vacation pay and parental leave), the benefit costs are recognized and recorded 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 Public Sector Accounting Board 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 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.

	2017 $	2016 $
Employee future benefit liabilities		
Defined benefit pension plan - accrued benefit asset	-	-
Maternity leave earned	428,905	455,970
Vacation payable	736,019	724,430
Non-vested accumulated sick leave (note 9)	679,465	635,297
Total employee future benefit liability	1,844,389	1,815,697

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, 2015. The expected average remaining service life of the related employee groups is 12 years. Pension plan assets are valued at market related values and the expected rate of return is 5.50%.

As at June 30, 2017, there were 506 active members, 187 deferred benefit members and 284 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 2017 is $44,168 (2016 - a recovery of $59,006).

	2017 $	2016 $
Change in accrued benefit obligation		
Balance - beginning of year	52,718,001	49,727,523
Current service cost		
Division	1,037,654	815,695
Employees	1,668,385	1,427,622
Interest cost	2,905,564	2,727,445
Benefits paid	(2,376,888)	(2,414,028)
Non-investment expenses paid	(108,295)	(104,531)
Actual experience loss	646,407	538,275
Balance - end of year	56,490,828	52,718,001
Change in plan assets		
Market related value - beginning of year	52,915,219	48,689,015
Contributions		
Division	1,648,275	1,398,929
Employees	1,668,385	1,427,622
Expected return on plan assets	2,933,203	2,686,366
Experience gain	1,962,806	1,231,846
Benefits paid	(2,376,888)	(2,414,028)
Non-investment expenses paid	(108,295)	(104,531)
Market related value - end of year	58,642,705	52,915,219
Funded status		
Benefit obligation less than plan assets	2,151,878	197,218
Unamortized net actuarial gain	(1,316,399)	(693,571)
Valuation allowance	(835,479)	496,353
Accrued benefit asset	-	-
Net benefit plan cost		
Current service cost - Division	1,037,654	815,695
Interest cost	2,905,564	2,727,445
Expected return on plan assets	(2,933,203)	(2,686,366)
Amortization of actuarial gains	622,828	270,491
Valuation allowance	15,432	271,664
Net benefit plan expense for the year	1,648,275	1,398,929

As at June 30, 2017, total additional contributions to the plan are $1,827,885 (2016 - $1,827,855) 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.

	2017 %	2016 %
Plan assets in equities (includes real estate)	66.73	54.40
Plan assets in fixed income	33.27	45.60

	2017 %	2016 %
Significant assumptions		
Accrued benefit obligation as at June 30		
Discount rate	5.50	5.50
Rate of compensation increase	3.00	3.00
Net benefit plan cost for the year ended June 30		
Discount rate	5.50	5.50
Expected return on plan assets	5.50	5.50
Rate of compensation increase	3.00	3.00
Expected Average Remaining Service Life (EARSL)	12 years	12 years

Maternity leave earned and vacation payable are defined benefits that are recognized and recorded when earned.

5 Deferred revenue

The following is a breakdown of deferred revenue:

	Balance as at June 30, 2016 $	Additions in the year $	Revenue recognized in the year $	Balance as at June 30, 2017 $
Donated capital assets	246,688	46,685	40,637	252,736
International student program fees	972,679	1,396,195	972,679	1,396,195
Province of MB Green Team Grant	7,177	6,394	7,177	6,394
Property tax	5,899,584	5,880,805	5,899,584	5,880,805
Grant - Stevenson Britannia	2,000	-	2,000	-
	7,128,128	7,330,079	6,922,077	7,536,130

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 $164,586.

	2017 $	2016 $
Parent council funds	620	529
Student funds (including travel)	135,420	167,487
Other	28,546	19,379
	164,586	187,395

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 2017 to 2037 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 3.00% to 8.38%.

Debenture interest expense payable as at June 30, 2017, 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 $
2017 - 2018	1,479,978	1,035,592	2,515,570
2018 - 2019	1,521,604	960,250	2,481,854
2019 - 2020	1,566,065	882,938	2,449,003
2020 - 2021	1,527,172	803,462	2,330,634
2021 - 2022	1,543,838	728,276	2,272,114

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:

	2017			2016
	Gross amount $	Accumulated amortization $	Net book value $	Net book value $
Tangible capital assets	108,293,209	58,607,852	49,685,357	49,337,399

9 Accumulated surplus

The accumulated surplus is comprised of the following:

	2017 $	2016 $
Operating Fund		
Designated surplus	489,721	843,290
Undesignated surplus	4,229,583	2,900,807
Non-vested sick leave	(679,465)	(635,297)
	4,039,839	3,108,800
Capital Fund		
Reserve accounts	6,537,809	6,537,809
Equity in tangible capital assets	25,027,772	24,895,861
	31,565,581	31,433,670
Special Purpose Fund		
School generated funds	382,225	322,576
Total accumulated surplus	35,987,645	34,865,046

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

	2017 $	2016 $
Middle years reorganization	379,000	764,000
School budget carryovers by board policy	110,721	79,290
Designated surplus	489,721	843,290

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

	2017 $	2016 $
Undesignated	115,094	115,094
Information technology	1,200,000	1,200,000
Equipment/vehicle	500,000	500,000
School building reserve	3,376,130	3,376,130
School bus reserve	827,000	827,000
Other reserves - Sturgeon Heights Reserve	19,585	19,585
Lease reserve	500,000	500,000
Capital reserve	6,537,809	6,537,809

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 $102,559 (2016 - $89,501); interest paid during the year was $1,092,884 (2016 - $1,048,742).

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

	2017 $	2016 $
Operating Fund		
Fiscal short-term loan, interest and bank charges	52,100	47,098
Capital Fund		
Debenture debt interest	1,040,784	1,001,644
	1,092,884	1,048,742

The accrued portion of debenture debt interest expense of $376,299 (2016 - $335,979) 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:

	2017 $	2016 $
Salaries	79,891,433	77,469,189
Employees' benefits and allowances	6,115,430	6,286,665
Services	11,020,342	10,623,990
Supplies, materials and minor equipment	5,496,432	5,734,775
Interest and bank charges	52,100	47,098
Interest - debenture	1,040,784	1,001,644
Payroll tax	1,768,178	1,686,587
Transfers	421,678	477,640
Amortization	3,382,004	3,297,462
School generated funds	724,105	802,901
Other capital items	8,256	38,083
	109,920,742	107,466,034

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 $1,705,787 for 2017 - 2018. 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 $391,549 from other sources relating to various unoccupied building space. Minimum payments under the lease terms over the next three years are as follows:

	$
2017 - 2018	103,580
2018 - 2019	105,545
2019 - 2020	107,558

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, 2017, the amount of this special levy was $815,994 (2016 - $563,965). These amounts are not included in the Division's financial statements.

St. James-Assiniboia School Division

Schedule of Tangible Capital Assets

For the year ended June 30, 2017

										2017	**2016**
	Buildings and leasehold improvements										
	School $	**Non-school** $	**School buses** $	**Other vehicles** $	**Furniture, fixtures and equipment** $	**Computer hardware and software*** $	**Land** $	**Land improvements** $	**Assets under construction** $	**Total** $	**Total** $
Tangible capital asset cost											
Opening cost	76,296,745	4,324,198	948,680	721,711	3,666,843	3,436,689	7,025,772	6,749,601	1,578,487	104,748,726	100,403,098
Add: Additions during the year	3,236,704	128,475	-	-	205,380	96,381	-	604,800	(541,778)	3,729,962	5,192,362
Less: Disposals and writedowns	-	-	-	-	(148,725)	(36,754)	-	-	-	(185,479)	(846,734)
Closing cost	79,533,449	4,452,673	948,680	721,711	3,723,498	3,496,316	7,025,772	7,354,401	1,036,709	108,293,209	104,748,726
Accumulated amortization											
Opening balance	42,850,522	2,955,438	608,471	639,542	3,158,374	2,111,832	-	3,087,148	-	55,411,327	52,926,219
Add: Current period amortization	2,061,294	94,703	60,165	31,385	207,790	325,566	-	601,101	-	3,382,004	3,297,462
Less: Accumulated amortization on disposals and writedowns	-	-	-	-	(148,725)	(36,754)	-	-	-	(185,479)	(812,354)
Closing accumulated amortization	44,911,816	3,050,141	668,636	670,927	3,217,439	2,400,644	-	3,688,249	-	58,607,852	55,411,327
Net tangible capital assets	34,621,633	1,402,532	280,044	50,784	506,059	1,095,672	7,025,772	3,666,152	1,036,709	49,685,357	49,337,399
Proceeds from disposal of capital assets	-	-	-	-	-	-	-	-	-	-	-

* Includes network infrastructure.