

School Division Tax Loss Compensation Fund



Financial Statements 2017-18

Letters of Transmittal



*Gordon S. Wyant, Q.C.
Minister of Education*

His Honour, the Honourable W. Thomas Molloy,
Lieutenant Governor of Saskatchewan

May it Please Your Honour:

I respectfully submit the Financial Statements of the School Division Tax Loss Compensation Fund for the fiscal year ending March 31, 2018.

A handwritten signature in black ink, appearing to read "Gordon S. Wyant". The signature is stylized with loops and a long horizontal stroke.

Gordon S. Wyant, Q.C.
Minister of Education



*J. Robert Currie
Deputy Minister of Education*

The Honourable Gordon S. Wyant, Q.C.
Minister of Education

I have the honour of submitting the Financial Statements of the School Division Tax Loss Compensation Fund for the fiscal year ending March 31, 2018.

As Deputy Minister of Education, I acknowledge responsibility for the financial administration and management control of the Ministry. I further take responsibility for our Ministry's public accountability and ensure that the information and content of the 2017-18 Financial Statements are meaningful, complete and accurate.

A handwritten signature in black ink, appearing to read "J. Robert Currie". The signature is written in a cursive style.

J. Robert Currie
Deputy Minister of Education

Management's Responsibility for the Financial Statements

Management of the School Division Tax Loss Compensation Fund is responsible for the accompanying financial statements. The School Division Tax Loss Compensation Fund maintains a system of accounting and administrative controls to ensure that accurate and reliable financial statements are prepared and to obtain reasonable assurance that transactions are authorized, assets are safeguarded, and financial records are maintained.

Management of the School Division Tax Loss Compensation Fund prepares these statements in accordance with Canadian public sector accounting standards, as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants (CPA) Canada.

The Provincial Auditor expresses an independent opinion on these statements. Their report provides the scope of their audit and states their opinion.

Enclosed are the financial statements of the School Division Tax Loss Compensation Fund for the year ended March 31, 2018, and the Provincial Auditor's report on these financial statements.

On behalf of the School Division Tax Loss Compensation Fund,



J. Robert Currie
Deputy Minister of Education

INDEPENDENT AUDITOR'S REPORT

To: The Members of the Legislative Assembly of Saskatchewan

I have audited the accompanying financial statements of the School Division Tax Loss Compensation Fund, which comprise the statement of financial position as at March 31, 2018, and the statement of operations and net assets for the year then ended, and 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 for Treasury Board's approval, 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the School Division Tax Loss Compensation Fund as at March 31, 2018, and the results of its operations, changes in its net assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.



Regina, Saskatchewan
June 14, 2018

Judy Ferguson, FCPA, FCA
Provincial Auditor

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School Division Tax Loss Compensation Fund
Statement of Financial Position
As at March 31

ASSETS

	2018	2017
Due from General Revenue Fund (<i>Note 4</i>)	\$ 7,802,320	\$ 7,763,916
Accounts receivable	81,271	6,514
Interest receivable	23,227	10,122
	\$ 7,906,818	\$ 7,780,552

LIABILITIES and NET ASSETS

Liabilities		
Accounts payable	\$ 61,917	\$ 32,448
Net assets (<i>Statement 2</i>)	7,844,901	7,748,104
	\$ 7,906,818	\$ 7,780,552

(See accompanying notes to the financial statements)

**School Division Tax Loss Compensation Fund
Statement of Operations and Net Assets
For the Year Ended March 31**

	2018	2017
Revenue		
Contributions	\$ 117,021	\$ 75,153
Interest income	67,541	41,404
	<u>184,562</u>	<u>116,557</u>
Expenses		
Compensation to school divisions (<i>Note 6</i>)	<u>87,765</u>	<u>56,365</u>
Surplus for the year	96,797	60,192
Net assets, beginning of year	<u>7,748,104</u>	<u>7,687,912</u>
Net assets, end of year – to Statement 1	<u>\$ 7,844,901</u>	<u>\$ 7,748,104</u>

(See accompanying notes to the financial statements)

School Division Tax Loss Compensation Fund
Notes to the Financial Statements
March 31, 2018

1. Purpose and Creation of the Fund

The School Division Tax Loss Compensation Fund (the Fund) was created by an amendment to *The Education Act, 1995*, through *The Treaty Land Entitlement Implementation Act*. The amendment came into force on June 22, 1993. Order in Council #840/94 established regulations to administer the Fund on December 14, 1994.

The Fund is administered by the Ministry of Education on behalf of school boards. The purpose of the Fund is to provide tax loss compensation to school divisions that lose tax revenue as a result of lands within that school division being set apart as an Indian reserve. The Fund receives money from the provincial (Ministry of Government Relations) and federal (Department of Indigenous and Northern Affairs) governments as part of the Treaty Land Entitlement Framework Agreement. Payments are made to affected school divisions according to the formula stated in the regulations.

2. Significant Accounting Policies

These financial statements are prepared in accordance with Canadian public sector accounting standards, as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants (CPA) Canada. These financial statements do not present a Statement of Change in Net Assets or a Statement of Cash Flows because this information is readily apparent from the Statement of Operations and Net Assets.

Revenue

Contributions and Interest Income are recorded when earned, provided the amount to be received can be reasonably estimated and collection is reasonably assured.

Expenses

Compensation to school divisions is recorded when the Minister's Order or Order in Council is issued.

Use of Estimates

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses for the reporting period. Due to the inherent uncertainty involved in such assessments, actual results may differ from those estimates.

3. Related Party Transactions

The Fund has not been charged with any administrative costs and no provision for such costs is reflected in these statements. These costs are borne by the Ministry of Education. Included in revenue is \$35,106 (2017-\$22,546) from the Ministry of Government Relations, of which \$23,484 (2017-\$1,955) was receivable at March 31, 2018. Accounts payable to school divisions at March 31, 2018, is \$61,917 (2017-\$32,448). Other related party transactions are disclosed separately in these financial statements.

The Fund is related to all Saskatchewan Crown agencies such as ministries, corporations, boards and commissions under the common control of the Government of Saskatchewan. Also, the Fund is related to non-Crown enterprises which the Government jointly controls. Related parties also include key management personnel, close family members of its key management personnel, and entities controlled by, or under shared control of any of these individuals.

4. Due from the General Revenue Fund

The monies of the Fund are deposited in the General Revenue Fund. The Fund's interest is calculated and paid from the General Revenue Fund on a quarterly basis using the Government's thirty-day borrowing rate and the Fund's average daily account balance. The Government's average thirty-day borrowing rate for the year ended March 31, 2018, is 0.87% (2017 – 0.54%). Interest receivable from the General Revenue Fund at March 31, 2018, is \$23,227 (2017 - \$10,122).

5. Financial Instruments

The Fund's financial instruments include due from General Revenue Fund, accounts receivable, interest receivable and accounts payable. Due to the immediate or short-term nature, the fair value of these financial instruments approximates their carrying values. Given the financial instruments are from the federal and provincial governments, credit risk is very low. Liquidity risk is also low, as the federal and provincial governments pay the Fund for the compensation to school divisions, and the interest receivable is from the General Revenue Fund.

Interest Rate Risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Interest receivable is subject to interest rate risk.

Interest income is a small portion of the Fund's total revenue and increases or decreases in interest rates would not be expected to impact the Fund's operations.

6. Compensation to School Divisions

The following lists the distributions made to school divisions:

	2018	2017
Chinook SD #211	\$ 7,133	\$ -
Good Spirit SD #204	2,810	2,556
Horizon SD #205	8,312	6,712
Living Sky SD #202	4,042	9,498
Northwest SD #203	8,710	1,835
Prairie Valley SD #208	12,284	25,552
Saskatchewan Rivers SD #119	36,615	-
South East Cornerstone SD #209	7,859	10,212
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Total	\$ 87,765	\$ 56,365

7. New Accounting Standards

A number of new Canadian public sector accounting standards and amendments to standards are in effect for the Fund and have been reviewed in preparing these financial statements. The following standards were analyzed:

(a) PS 2200 Related Party Disclosures (effective April 1, 2017), a new standard defining related parties and establishing guidance on disclosure requirements for related party transactions.

(b) PS 3210 Assets (effective April 1, 2017), a new standard providing guidance for applying the definition of assets and establishing disclosure requirements for assets.

(c) PS 3320 Contingent Assets (effective April 1, 2017), a new standard defining and establishing guidance on disclosure requirements for contingent assets.

(d) PS 3380 Contractual Rights (effective April 1, 2017), a new standard defining and establishing guidance on disclosure requirements for contractual rights.

(e) PS 3420 Inter-Entity Transactions (effective April 1, 2017), a new standard establishing guidance on accounting for, and reporting on, transactions between organizations in the government reporting entity.

The standards above were analyzed and determined to have no impact on the financial statements of the Fund, other than disclosures made in Note 3.

In addition, PS3430 Restructuring Transactions, which is a new standard on how to account for and report restructuring transactions by transferors and recipients of assets and/or liabilities, has not been applied in preparing these financial statements. It will become effective April 1, 2018.

The Fund plans to adopt the new standard on the effective date and is currently analyzing the impact this will have on these financial statements.

