

MARGARET WARD
Superintendent/CEO

TYLER MORAN
Assistant Superintendent



AL LEIMAN
Secretary-Treasurer

"Preparing Today's Learner for Tomorrow"

MANAGEMENT REPORT

Management's Responsibility for the Financial Statements

The accompanying consolidated financial statements of Interlake School Division ("Division") are the responsibility of the Division's management and have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board of the Chartered Professional Accountants Canada. A summary of the significant accounting policies are described in Note 2 to the consolidated financial statements.

The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. School Division management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The Board of Trustees of the Division met with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by BDO Canada LLP, independent external auditors, appointed by the Board of Trustees. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Division's consolidated financial statements.

Original Document Signed

Chairperson

Original Document Signed

Secretary-Treasurer

October 26, 2020



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Independent Auditor's Report

To the Chairperson and Board of Trustees of Interlake School Division

Opinion

We have audited the consolidated financial statements of Interlake School Division, and its group reporting entities (the "Division") which comprise the consolidated statement of financial position as at June 30, 2020, and the consolidated statement of revenue, expenses, and accumulated surplus, statement of change in net debt, and statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Division as at June 30, 2020, and its consolidated results of operations, its consolidated change in net debt and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

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 Consolidated Financial Statements* section of our report. We are independent of the Division in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the 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 consolidated financial statements, management is responsible for assessing the 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 Division or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 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 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 Division to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Division to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

BDO Canada LLP

Chartered Professional Accountants

Winnipeg, Manitoba
October 26, 2020

I hereby certify that this report and the statements, schedules and reports referenced herein have been presented to the Members of the Board of Trustees of the above-mentioned School Division.

October 26 - 2020
Date

Original Document Signed
Chairperson

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2020	2019
	Financial Assets		
	Cash and Bank	-	-
	Due from - Provincial Government	832,530	882,656
	- Federal Government	23,032	15,393
	- Municipal Government	10,745,865	8,899,023
	- Other School Divisions	-	12,500
	- First Nations	-	-
	Accounts Receivable	116,288	108,911
	Accrued Investment Income	-	-
	Portfolio Investments	-	966
		<u>11,717,715</u>	<u>9,919,449</u>
	Liabilities		
3	Overdraft	1,716,789	2,484,913
	Accounts Payable	360,581	404,309
	Accrued Liabilities	3,978,496	2,744,189
4	Employee Future Benefits	1,818,175	1,885,574
	Accrued Interest Payable	262,927	279,075
	Due to - Provincial Government	-	-
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
5	Deferred Revenue	1,801,207	1,317,618
7	Borrowings from the Provincial Government	17,547,158	17,651,677
	Other Borrowings	-	-
6	School Generated Funds Liability	81,732	110,164
		<u>27,567,065</u>	<u>26,877,519</u>
	Net Assets (Debt)	<u>(15,849,350)</u>	<u>(16,958,070)</u>
	Non-Financial Assets		
8	Net Tangible Capital Assets (TCA Schedule)	21,753,358	22,486,551
	Inventories	124,087	135,154
	Prepaid Expenses	70,465	67,212
		<u>21,947,910</u>	<u>22,688,917</u>
9	Accumulated Surplus	<u>6,098,560</u>	<u>5,730,847</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	24,094,711	24,487,275
	Federal Government	7,931	8,775
	Municipal Government - Property Tax	16,148,611	15,455,437
	- Other	15,150	22,500
	Other School Divisions	24,700	39,862
	First Nations	-	-
	Private Organizations and Individuals	177,900	211,848
	Other Sources	221,398	193,363
	School Generated Funds	243,049	340,330
	Other Special Purpose Funds	1,201	1,250
		<u>40,934,651</u>	<u>40,760,640</u>
	Expenses		
	Regular Instruction	22,388,109	21,701,206
	Student Support Services	6,819,581	6,688,130
	Adult Learning Centres	-	-
	Community Education and Services	214,864	284,851
	Divisional Administration	1,256,318	1,277,565
	Instructional and Other Support Services	1,030,814	1,113,750
	Transportation of Pupils	1,850,003	2,203,059
	Operations and Maintenance	3,776,634	3,741,101
7	Fiscal - Interest	769,179	769,451
	- Other	640,116	630,645
	Amortization	1,618,516	1,634,125
	Other Capital Items	-	-
	School Generated Funds	221,828	354,538
	Other Special Purpose Funds	1,201	1,250
		<u>40,587,163</u>	<u>40,399,671</u>
	Current Year Surplus (Deficit) before Non-vested Sick Leave	<u>347,488</u>	<u>360,969</u>
	Less: Non-vested Sick Leave Expense (Recovery)	<u>(20,225)</u>	<u>7,801</u>
	Net Current Year Surplus (Deficit)	<u>367,713</u>	<u>353,168</u>
	Opening Accumulated Surplus	5,730,847	5,377,679
	Adjustments: Tangible Cap. Assets and Accum. Amort.	-	-
	Other than Tangible Cap. Assets	-	-
	Non-vested sick leave - prior years	-	-
	Opening Accumulated Surplus, as adjusted	<u>5,730,847</u>	<u>5,377,679</u>
	Closing Accumulated Surplus	<u>6,098,560</u>	<u>5,730,847</u>

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2020

	2020	2019
Net Current Year Surplus (Deficit)	<u>367,713</u>	<u>353,168</u>
Amortization of Tangible Capital Assets	1,618,516	1,634,125
Acquisition of Tangible Capital Assets	(885,323)	(2,441,712)
(Gain) / Loss on Disposal of Tangible Capital Assets	(1,325)	(14,455)
Proceeds on Disposal of Tangible Capital Assets	<u>1,325</u>	<u>14,455</u>
	<u>733,193</u>	<u>(807,587)</u>
Inventories (Increase)/Decrease	11,067	(25,079)
Prepaid Expenses (Increase)/Decrease	<u>(3,253)</u>	<u>(1,052)</u>
	<u>7,814</u>	<u>(26,131)</u>
(Increase)/Decrease in Net Debt	<u>1,108,720</u>	<u>(480,550)</u>
Net Debt at Beginning of Year	(16,958,070)	(16,477,520)
Adjustments Other than Tangible Cap. Assets	<u>-</u>	<u>-</u>
	<u>(16,958,070)</u>	<u>(16,477,520)</u>
Net Assets (Debt) at End of Year	<u><u>(15,849,350)</u></u>	<u><u>(16,958,070)</u></u>

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2020

	2020	2019
Operating Transactions		
Net Current Year Surplus (Deficit)	367,713	353,168
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	1,618,516	1,634,125
(Gain)/Loss on Disposal of Tangible Capital Assets	(1,325)	(14,455)
Employee Future Benefits Increase/(Decrease)	(67,399)	(77,897)
Due from Other Organizations (Increase)/Decrease	(1,791,855)	119,084
Accounts Receivable & Accrued Income (Increase)/Decrease	(7,377)	(29,806)
Inventories and Prepaid Expenses - (Increase)/Decrease	7,814	(26,131)
Due to Other Organizations Increase/(Decrease)	-	-
Accounts Payable & Accrued Liabilities Increase/(Decrease)	1,174,431	(99,781)
Deferred Revenue Increase/(Decrease)	483,589	223,915
School Generated Funds Liability Increase/(Decrease)	(28,432)	33,282
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by (Applied to) Operating Transactions	<u>1,755,675</u>	<u>2,115,504</u>
Capital Transactions		
Acquisition of Tangible Capital Assets	(885,323)	(2,441,712)
Proceeds on Disposal of Tangible Capital Assets	<u>1,325</u>	<u>14,455</u>
Cash Provided by (Applied to) Capital Transactions	<u>(883,998)</u>	<u>(2,427,257)</u>
Investing Transactions		
Portfolio Investments (Increase)/Decrease	<u>966</u>	<u>933</u>
Cash Provided by (Applied to) Investing Transactions	<u>966</u>	<u>933</u>
Financing Transactions		
Borrowings from the Provincial Government Increase/(Decrease)	(104,519)	571,212
Other Borrowings Increase/(Decrease)	<u>-</u>	<u>(600,000)</u>
Cash Provided by (Applied to) Financing Transactions	<u>(104,519)</u>	<u>(28,788)</u>
Cash and Bank / Overdraft (Increase)/Decrease	768,124	(339,608)
Cash and Bank (Overdraft) at Beginning of Year	<u>(2,484,913)</u>	<u>(2,145,305)</u>
Cash and Bank (Overdraft) at End of Year	<u><u>(1,716,789)</u></u>	<u><u>(2,484,913)</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	37,681,016	1,214,424	4,958,854	346,654	260,368	2,216,531	170,631	-	47,937	46,896,415	44,818,653
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	37,681,016	1,214,424	4,958,854	346,654	260,368	2,216,531	170,631	-	47,937	46,896,415	44,818,653
Add:											
Additions during the year	-	-	285,171	-	-	-	-	-	600,152	885,323	2,441,712
Less:											
Disposals and write downs	-	-	65,607	-	-	-	-	-	-	65,607	363,950
Closing Cost	37,681,016	1,214,424	5,178,418	346,654	260,368	2,216,531	170,631	-	648,089	47,716,131	46,896,415
Accumulated Amortization											
Opening, as previously reported	18,041,700	801,488	4,089,814	278,808	200,615	997,439		-		24,409,864	23,139,689
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	18,041,700	801,488	4,089,814	278,808	200,615	997,439		-		24,409,864	23,139,689
Add:											
Current period Amortization	1,127,874	44,043	194,570	20,910	9,466	221,653		-		1,618,516	1,634,125
Less:											
Accumulated Amortization on Disposals and Writedowns	-	-	65,607	-	-	-		-		65,607	363,950
Closing Accumulated Amortization	19,169,574	845,531	4,218,777	299,718	210,081	1,219,092		-		25,962,773	24,409,864
Net Tangible Capital Asset	18,511,442	368,893	959,641	46,936	50,287	997,439	170,631	-	648,089	21,753,358	22,486,551
Proceeds from Disposal of Capital Assets	-	-	1,325	-	-	-				1,325	14,455

* Includes network infrastructure.

INTERLAKE SCHOOL DIVISION
Notes to Consolidated Financial Statements
For the year ended June 30, 2020

1. Nature of Organization and Economic Dependence

The Interlake School Division (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 (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. Significant Accounting Policies

The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards established by Public Sector Accounting Board (PSAB) of Chartered Professional Accountants Canada (CPA Canada).

Reporting Entity and Consolidation

The consolidated 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.

All inter-fund accounts and transactions are eliminated upon consolidation.

Trust Funds

The school division does not administer trust funds. As such, a separate schedule has not been attached to the notes to 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.

Fund Accounting

The fund method of accounting is employed by the Division to record financial transactions in separate funds as defined by Financial Reporting and Accounting in Manitoba Education (FRAME) in accordance with the purpose for which the funds have been created.

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 and charitable foundations controlled by the Division.

School Generated Funds

School generated funds are moneys raised by the school, or under the auspices of the school, through extra curricular 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 Consolidated 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.

Period end cash balances of all school generated funds are included in the Consolidated 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 consolidated financial statements.

INTERLAKE SCHOOL DIVISION
Notes to Consolidated Financial Statements
For the year ended June 30, 2020

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 fiscal year. Tangible capital assets include land, buildings, buses, other vehicles, furniture and equipment, computers, capital leases, leasehold improvements, 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 prescribed by FRAME.

<u>Asset Description</u>	<u>Capitalization Threshold (\$)</u>	<u>Estimated Useful Life</u>
Land Improvements	50,000	10 years
Buildings – bricks, mortar, steel	50,000	40 years
Buildings – wood frame	50,000	25 years
School buses	50,000	10 years
Vehicles	10,000	5 years
Equipment	10,000	5 years
Network Infrastructure	25,000	10 years
Computer Hardware, Servers, Peripherals	10,000	4 years
Computer Software	10,000	4 years
Furniture & Fixtures	10,000	10 years
Leasehold Improvements	25,000	Over term of lease

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

With the exception of land, all tangible capital assets, are recorded at historical cost, which includes 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 actual cost was not known, the replacement value for insurance purposes as at June 30, 2005 was regressed to the date of acquisition using a regression index based on Southam and CanaData construction cost indices.

All land acquired prior to June 30, 2006 has been valued by the Crown Lands and Property Agency, except for the land at 192 2nd Avenue North, which is valued at historical cost as management believes the Crown Lands and Property Agency to have overvalued this land by \$221,867.

All tangible capital assets, except for land, and assets under construction, are amortized on a straight-line basis over their estimated useful lives as prescribed by FRAME. 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.

Employee Future Benefits

The Province of Manitoba 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-teaching employees. These benefits include pension, sick leave payouts, and supplementary unemployment benefits.

The Division adopted the following policy with respect to accounting for these employee future benefits:

Defined Contribution Plans

Under these plans, specific fixed amounts are contributed by the Division each period for services rendered by the employees. No responsibility is assumed by the Division to make any further contribution.

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INTERLAKE SCHOOL DIVISION
Notes to Consolidated Financial Statements
For the year ended June 30, 2020

Pension - No amounts are recorded in the financial statements for future pension costs. The Division participates in the Manitoba School Boards Association (MSBA) Pension Plan for non-teaching employees. Contributions are made by the Division and each eligible employee. Contributions are immediately vested. The Division pays the operating costs of the plan and investment management fees for the plan for all active employees. Contribution costs are calculated as 8% percentage of salary for all employees.

Long-term Disability - Long term disability benefits are covered by a defined contribution/ insured plan fully financed by employees. The costs of salary compensation paid to employees on long-term disability leave are fully insured and are not included in the financial statements.

Life Insurance - The Division participates in the Manitoba Public School Employee Life Insurance Plan, underwritten by Canada Life. Costs for the compulsory 200% x salary coverage are shared equally by the employee and the Division. Expenses are recorded as incurred. No future obligation is recorded on the financial statements.

Defined Benefit Plans

Under these plans, 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.

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Sick Leave Allowance

The Division offers a sick leave allowance to employees, of which unused days are accumulated to maximum of 90-130 days, depending upon the employee group. Non-teaching employees with five years of continuous year's employment are eligible upon their retirement, death or severance to receive a lump sum payment equal to one half of their accumulated allowance. The lump sum is paid out at the rate of pay in effect at the time of payment. Costs recorded in the financial statements are based on current earnings of employees.

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

Supplemental Employment Benefits Plan

The Division offers Teachers a Supplemental Employment Benefits (SEB) plan for members taking parenting leave, which provides a top up to employment insurance for seventeen weeks. The Division has also agreed to, in the collective agreement with the Interlake Teachers' Association, the entitlement to receive pay for an additional ten (10) weeks in the amount of ninety percent of their salary less any benefits received from Human Resources Development Canada. Benefit costs are expensed as incurred. Future obligations for employees who have commenced their leaves are recorded in the financial statements based on current earnings of employees.

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 Consolidated Statement of Financial Position.

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Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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. Actual results could differ from management's best estimates, as additional information becomes available in the future.

INTERLAKE SCHOOL DIVISION
Notes to Consolidated Financial Statements
For the year ended June 30, 2020

Financial Instruments

There are no significant terms and conditions related to financial instruments (cash, accounts receivable, investments, and bank indebtedness, accounts payable and long-term debt) that may affect the amount, timing and certainty of future cash flows. The Division is exposed to credit risk from the potential non-payment of accounts receivable. However, the majority of the receivables are from local, provincial and federal governments, and therefore, the credit risk is minimal. The carrying amounts of the financial instruments approximate their carrying values, unless otherwise noted.

3. Overdraft

The Division has an authorized revolving demand facility with Sunova Credit Union of \$8,000,000 by way of overdrafts. Overdrafts bear interest at Prime less 0.75% (1.7% at June 30, 2020) and are secured by a borrowing by-law supporting the facility. As at June 30, 2020, the Division's operating line of credit was being utilized.

4. Employee Future Benefits

The Division sponsors a defined contribution pension plan, run by the Manitoba School Boards Association (MSBA). The Division's contributions are 8% of earnings, which equals the employee contributions to the plan. No pension liability is included in the financial statements. Employee benefits and allowances for expenses by object include the Division's contribution of \$551,055 in 2020 (\$538,415 in 2019).

Employee future benefits recorded as a liability represents vested sick leave payable and Supplemental Employment Benefits Plan payable for eligible employees of \$1,534,119 in 2020 (\$1,581,294 in 2019).

Non-vested accumulated sick leave benefits are measured using net present value techniques on the expected future utilization of excess sick benefits used over earned per year, to maximum entitlement. The total accrued non-vested sick leave benefit liability as at June 30, 2020 is \$284,056 (\$304,280 in 2019).

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:

<u>Operating Fund</u>	Balance as at June 30, 2019	Additions in period	Revenue recognized in period	Balance as at June 30, 2020
Education Property				
Tax Credit (EPTC)	\$ 1,317,618	\$ 4,226,948	\$ 3,746,328	\$ 1,798,238
Continuing Education	0	72,227	69,258	2,969
	<u>\$ 1,317,618</u>	<u>\$ 4,299,175</u>	<u>\$ 3,815,586</u>	<u>\$ 1,801,207</u>

6. School Generated Funds Liability

The School Generated Funds liability includes the non-controlled portion of school generated funds consolidated in the cash and bank balances in the amount of \$81,732 in 2020 (\$110,164 in 2019).

INTERLAKE SCHOOL DIVISION
Notes to Consolidated Financial Statements
For the year ended June 30, 2020

7. Debenture Debt/Promissory Notes

The borrowings from Provincial Government of the Division is in the form of twenty-year debentures/promissory notes payable, principal and interest, in twenty equal yearly instalments and maturing at various dates from 2021 to 2040. Payment of principal and interest is funded entirely by grants from the Province of Manitoba, except for the debenture debt on self-funded capital projects. The debentures and promissory notes carry interest rates that range from 2.75% to 6.875%. 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/promissory notes is recorded in Due from the Provincial Government. The debt principal and interest repayments in the next five years and thereafter:

	Interest	Principal	Total
2020/2021	\$ 714,245	\$ 1,192,451	\$ 1,906,696
2021/2022	659,813	1,230,777	1,890,590
2022/2023	603,844	1,248,420	1,852,264
2023/2024	547,827	1,259,418	1,807,245
2024/2025	492,044	1,238,644	1,730,688
Thereafter	2,505,646	11,377,448	13,883,094
	\$ 5,523,419	\$17,547,158	\$23,070,577

8. Net Tangible Capital Assets

The Schedule of Tangible Capital Assets (TCA), page 23 of the audited financial statements, provides a breakdown of cost, accumulated amortization and net book value by class. The amount of interest capitalized in the period included in Assets under Construction was nil in 2020 (2019-nil).

9. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2020	2019
Operating Fund		
Designated Surplus	\$ -	\$ -
Undesignated Surplus	1,098,239	724,505
	1,098,239	724,505
Capital Fund		
Reserve Accounts	70,615	83,462
Equity in Tangible Capital Assets	4,758,111	4,772,506
	4,828,726	4,855,968
Special Purpose Fund		
School Generated Funds	171,595	150,374
Other Special Purpose Funds	-	-
	171,595	150,374
Total Accumulated Surplus	\$ 6,098,560	\$ 5,730,847

10. Municipal Government – Property Tax and related Due from Municipal Government

Education property tax or Special Levy is raised as the Division's contribution to the cost of providing public education for the students' resident in the division. The Municipal Government-Property Tax shown on the consolidated revenue and expense is raised over the two calendar (tax) years; 48% from 2019 tax year and 52% from 2020 tax year. Below are the related revenue and receivable amounts:

	2020	2019
Revenue – Municipal Government – Property Tax	\$ 16,148,611	\$ 15,455,437
Receivable – Due from Municipal – Property Tax	\$ 10,745,865	\$ 8,899,023

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11. Interest Received and Paid

The Division received interest during the year of \$30,917 in 2020 (\$35,516 in 2019); interest paid during the year was \$769,179 in 2020 (\$769,451 in 2019).

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

	<u>2020</u>	<u>2019</u>
Operating Fund		
Fiscal-short term loan, interest and bank charges	\$ 38,400	\$ 17,897
Capital Fund		
Interest on Fibre Liability	-	16,724
Debenture interest	<u>730,779</u>	<u>734,830</u>
	<u>\$ 769,179</u>	<u>\$ 769,451</u>

The accrual portion of debenture debt interest expense of \$262,927 (\$279,075 in 2019) included under the Capital Fund-Debenture debt interest is offset by an accrual of the debt servicing grant from the Province of Manitoba.

12. Expenses by Object

Expenses in the consolidated statement of revenue, expenses and accumulated surplus are reported by function as defined by FRAME. Below is the detail of expenses by object:

	<u>Actual 2020</u>	<u>Budget 2020</u>	<u>Actual 2019</u>
Salaries	\$ 30,042,506	\$ 29,819,110	\$ 29,622,256
Employees benefits and allowances	2,155,787	2,221,687	2,143,427
Services	2,429,413	2,658,305	2,615,764
Supplies, materials & minor equipment	2,302,966	2,429,398	2,219,845
Interest	769,179	36,000	769,451
Payroll tax	640,116	648,000	630,645
Amortization	1,618,516	-	1,634,125
Transfers	405,651	468,500	408,370
School generated funds	221,828	-	354,538
Other special purpose funds	<u>1,201</u>	<u>-</u>	<u>1,250</u>
	<u>\$ 40,587,163</u>	<u>\$ 38,281,000</u>	<u>\$ 40,399,671</u>

13. Contingency

The Division is currently in the process of negotiating a number of employment and union based contracts that have expired. Accrued liabilities include the Division's estimate for costs related to potential wage settlements with the Division's employees represented by unions for the fiscal years ended June 30, 2019 and June 30, 2020. This estimate is based on various factors including considering the amount for which an unrelated School Division in Manitoba has settled. This liability is contingent on future events including the outcome of collective agreement negotiations between the Division and the unions representing the majority of its employees. The amount of the accrual and an estimate of any further exposure to liability has not been disclosed in these financial statements as it could negatively affect the outcome of the negotiations.

14. Uncertainty Due to COVID-19 Issue

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China and the risks to the international community as the virus spreads globally beyond its point of origin. On March 11, 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. On March 20, 2020, the Manitoba government declared a province-wide state of emergency and the Chief Public Health Officer issued public health orders to protect the health and safety of all Manitobans and reduce the spread of COVID-19. As a result, the Division has implemented specific measures to reduce the risk of spreading COVID-19 within its school facilities and the community. Given the dynamic nature of these circumstances, the related financial impact for the future cannot be reasonably estimated at this time.