

MANAGEMENT REPORT

Management's Responsibility for the Financial Statements

The accompanying consolidated financial statements of Lord Selkirk School Division (the "Division") are the responsibility of the Division management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of the Chartered Professional Accountants of 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. 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 MNP LLP, independent external auditors appointed by the Board. The accompanying Auditors' 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 20, 2020

Independent Auditors' Report

To the Board of Trustees of Lord Selkirk School Division:

Opinion

We have audited the consolidated financial statements of Lord Selkirk School Division (the "School Division"), which comprise the consolidated statement of financial position as at June 30, 2020, and the consolidated statements of revenue and expenses and accumulated surplus, change in net debt and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the School Division as at June 30, 2020, and the results of its consolidated operations, changes in net debt and its 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 School 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.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements. The supplemental information presented in the attached schedules is presented for the purpose of additional analysis and is not a required part of the consolidated financial statements. Such supplemental information has been subjected only to auditing procedures applied in the audit of the consolidated financial statements, taken as a whole.

The financial statements as at June 30, 2019 and for the year then ended were audited by another firm of public accountants, who expressed an unmodified opinion in their report dated October 15, 2019.

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

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated 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 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 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 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 consolidated 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 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.

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.

Winnipeg, Manitoba

October 20, 2020

MNP LLP

Chartered Professional Accountants

I hereby certify that this report and the statements and reports referenced herein have been presented to the members of the board of the Lord Selkirk School Division.

Oct 20/20

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	2,652,376	2,766,023
	- Federal Government	70,579	69,896
	- Municipal Government	16,534,081	14,709,622
	- Other School Divisions	600	205
	- First Nations	74,800	14,300
	Accounts Receivable	120,115	109,351
	Accrued Investment Income	-	-
	Portfolio Investments	-	-
		<u>19,452,551</u>	<u>17,669,397</u>
	Liabilities		
*	Overdraft	4,183,355	3,551,376
	Accounts Payable	4,138,129	4,423,041
	Accrued Liabilities	5,923,160	3,964,491
*	Employee Future Benefits	333,422	390,109
	Accrued Interest Payable	527,245	527,943
	Due to - Provincial Government	113,905	202,525
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
*	Deferred Revenue	364,092	1,168,760
*	Borrowings from the Provincial Government	28,048,213	26,945,804
	Other Borrowings	-	-
	School Generated Funds Liability	80,785	82,167
		<u>43,712,306</u>	<u>41,256,216</u>
	Net Assets (Debt)	<u>(24,259,755)</u>	<u>(23,586,819)</u>
	Non-Financial Assets		
*	Net Tangible Capital Assets (TCA Schedule)	38,366,791	37,388,390
	Inventories	82,156	59,572
	Prepaid Expenses	78,738	90,226
		<u>38,527,685</u>	<u>37,538,188</u>
*	Accumulated Surplus	<u>14,267,930</u>	<u>13,951,369</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	36,413,308	36,725,183
Federal Government	-	37,119
Municipal Government	25,134,742	24,532,105
- Property Tax		
- Other	-	-
Other School Divisions	142,250	160,100
First Nations	492,800	552,200
Private Organizations and Individuals	422,014	560,869
Other Sources	415,812	335,414
School Generated Funds	780,862	996,528
Other Special Purpose Funds	-	-
	<u>63,801,788</u>	<u>63,899,518</u>
Expenses		
Regular Instruction	34,996,490	34,205,393
Student Support Services	9,811,532	9,781,230
Adult Learning Centres	334,884	331,693
Community Education and Services	407,368	517,518
Divisional Administration	1,890,468	1,932,713
Instructional and Other Support Services	1,466,450	1,696,143
Transportation of Pupils	2,310,117	2,554,470
Operations and Maintenance	6,356,413	6,279,762
* Fiscal	1,263,189	1,315,124
- Interest		
- Other	987,782	968,534
Amortization	2,945,397	2,852,269
Other Capital Items	-	-
School Generated Funds	771,824	984,849
Other Special Purpose Funds	-	-
	<u>63,541,914</u>	<u>63,419,698</u>
Current Year Surplus (Deficit) before Non-vested Sick Leave	<u>259,874</u>	<u>479,820</u>
Less: Non-vested Sick Leave Expense (Recovery)	<u>(56,687)</u>	<u>(3,245)</u>
Net Current Year Surplus (Deficit)	<u>316,561</u>	<u>483,065</u>
Opening Accumulated Surplus	13,951,369	13,468,304
Adjustments:		
Tangible Cap. Assets and Accum. Amort.	-	-
Other than Tangible Cap. Assets	-	-
Non-vested sick leave - prior years	-	-
Opening Accumulated Surplus, as adjusted	<u>13,951,369</u>	<u>13,468,304</u>
Closing Accumulated Surplus	<u>14,267,930</u>	<u>13,951,369</u>

See accompanying notes to the Financial Statements

* NOTE REQUIRED

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2020

	2020	2019
Net Current Year Surplus (Deficit)	<u>316,561</u>	<u>483,065</u>
Amortization of Tangible Capital Assets	2,945,397	2,852,269
Acquisition of Tangible Capital Assets	(3,947,914)	(3,791,249)
(Gain) / Loss on Disposal of Tangible Capital Assets	(81,351)	(28,658)
Proceeds on Disposal of Tangible Capital Assets	<u>105,467</u>	<u>33,441</u>
	<u>(978,401)</u>	<u>(934,197)</u>
Inventories (Increase)/Decrease	(22,584)	7,504
Prepaid Expenses (Increase)/Decrease	<u>11,488</u>	<u>(66,385)</u>
	<u>(11,096)</u>	<u>(58,881)</u>
(Increase)/Decrease in Net Debt	<u>(672,936)</u>	<u>(510,013)</u>
Net Debt at Beginning of Year	(23,586,819)	(23,076,806)
Adjustments Other than Tangible Cap. Assets	<u>-</u>	<u>-</u>
	<u>(23,586,819)</u>	<u>(23,076,806)</u>
Net Assets (Debt) at End of Year	<u><u>(24,259,755)</u></u>	<u><u>(23,586,819)</u></u>

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2020

	2020	2019
Operating Transactions		
Net Current Year Surplus (Deficit)	316,561	483,065
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	2,945,397	2,852,269
(Gain)/Loss on Disposal of Tangible Capital Assets	(81,351)	(28,658)
Employee Future Benefits Increase/(Decrease)	(56,687)	(3,245)
Due from Other Organizations (Increase)/Decrease	(1,772,390)	(61,134)
Accounts Receivable & Accrued Income (Increase)/Decrease	(10,764)	(5,189)
Inventories and Prepaid Expenses - (Increase)/Decrease	(11,096)	(58,881)
Due to Other Organizations Increase/(Decrease)	(88,620)	(10,255)
Accounts Payable & Accrued Liabilities Increase/(Decrease)	1,673,059	204,436
Deferred Revenue Increase/(Decrease)	(804,668)	258,055
School Generated Funds Liability Increase/(Decrease)	(1,382)	16,008
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by (Applied to) Operating Transactions	<u>2,108,059</u>	<u>3,646,471</u>
Capital Transactions		
Acquisition of Tangible Capital Assets	(3,947,914)	(3,791,249)
Proceeds on Disposal of Tangible Capital Assets	105,467	33,441
Cash Provided by (Applied to) Capital Transactions	<u>(3,842,447)</u>	<u>(3,757,808)</u>
Investing Transactions		
Portfolio Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	<u>-</u>	<u>-</u>
Financing Transactions		
Borrowings from the Provincial Government Increase/(Decrease)	1,102,409	(435,134)
Other Borrowings Increase/(Decrease)	-	-
Cash Provided by (Applied to) Financing Transactions	<u>1,102,409</u>	<u>(435,134)</u>
Cash and Bank / Overdraft (Increase)/Decrease	(631,979)	(546,471)
Cash and Bank (Overdraft) at Beginning of Year	<u>(3,551,376)</u>	<u>(3,004,905)</u>
Cash and Bank (Overdraft) at End of Year	<u><u>(4,183,355)</u></u>	<u><u>(3,551,376)</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	58,616,449	5,777,822	6,161,385	418,990	3,849,819	1,645,524	480,378	2,934,844	2,376,140	82,261,351	79,018,555
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	58,616,449	5,777,822	6,161,385	418,990	3,849,819	1,645,524	480,378	2,934,844	2,376,140	82,261,351	79,018,555
Add:											
Additions during the year	3,408,241	-	671,414	-	590,395	-	-	-	(722,136)	3,947,914	3,791,249
Less:											
Disposals and write downs	-	-	379,626	-	16,154	-	-	-	-	395,780	548,453
Closing Cost	62,024,690	5,777,822	6,453,173	418,990	4,424,060	1,645,524	480,378	2,934,844	1,654,004	85,813,485	82,261,351
Accumulated Amortization											
Opening, as previously reported	31,920,643	3,209,838	3,335,138	278,811	2,696,915	1,077,011		2,354,605		44,872,961	42,564,362
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	31,920,643	3,209,838	3,335,138	278,811	2,696,915	1,077,011		2,354,605		44,872,961	42,564,362
Add:											
Current period Amortization	1,594,273	168,816	538,611	54,051	350,727	106,185		132,734		2,945,397	2,852,269
Less:											
Accumulated Amortization on Disposals and Writedowns	-	-	355,510	-	16,154	-		-		371,664	543,670
Closing Accumulated Amortization	33,514,916	3,378,654	3,518,239	332,862	3,031,488	1,183,196		2,487,339		47,446,694	44,872,961
Net Tangible Capital Asset	28,509,774	2,399,168	2,934,934	86,128	1,392,572	462,328	480,378	447,505	1,654,004	38,366,791	37,388,390
Proceeds from Disposal of Capital Assets	-	-	18,971	1,129	85,367	-				105,467	33,441

* Includes network infrastructure.

LORD SELKIRK SCHOOL DIVISION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

1. Nature of Organization and Economic Dependence

The Lord Selkirk 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. Significant Accounting Policies

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

Reporting Entity and Consolidation

The Division reporting entities are comprised of the Division and school generated funds. The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the Division's Operating Fund, Capital Fund, and Special Purpose Fund.

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

Basis of Accounting

Revenues and expenses are reported on the accrual basis of accounting. 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.

Trust Funds

The Division administers a trust fund. Trust funds and their related operations are not included in the consolidated financial statements as they are not owned or controlled by the Division. A schedule of trust funds is attached as part of the notes to the consolidated financial statements.

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 tangible capital assets. The Special Purpose Fund is used to account for school generated funds by the Division.

Deferred Revenue

Certain amounts are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the delivery of specific services and transactions. These amounts are recognized in the fiscal year the related expenses are incurred or services performed.

School Generated Funds

School generated funds are moneys raised by the school, or under the auspices of the school, which each school's principal may raise, hold, administer or expend subject to the rules of the Division.

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.

LORD SELKIRK SCHOOL DIVISION
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 For the Year Ended June 30, 2020

2. Significant Accounting Policies - Continued

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 and certain buildings, 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.

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. Interest on funds used to finance school buildings under construction is capitalized for the periods preceding the date of substantial completion.

Employee Future Benefits

The Province 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.

The Division provides retirement benefits to its administrative employees in the form of a defined contribution pension plan. The Division pays the employer portion of the defined contribution plan administered by the Manitoba School Boards Association (MSBA). Under this plan, specific fixed amounts are contributed by the Division each period for services rendered, matching employee contributions. No responsibility is assumed by the Division to make any further contribution.

For those defined benefit self-insured plans that are event driven such as non-vesting parental leave, the benefit costs are recognized and recorded only in the period when the event occurs.

For non-vesting accumulating 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.

LORD SELKIRK SCHOOL DIVISION
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 For the Year Ended June 30, 2020

2. Significant Accounting Policies - Continued

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.

Government Transfers

Government transfers, including legislative grants, are recognized in the consolidated financial statements in the period in which events giving rise to the transfer occur, providing the transfer are authorized, any eligibility criteria have been met and reasonable estimates of the amount can be made.

Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles established by the Public Sector Accounting Board of the Chartered Professional Accountants of 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 revenues and expenses during the reporting period. Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful lives of tangible capital assets. Employee future benefits are based on estimates of future obligations to the Division. Wage accrual is based on management's estimate of wage increases to be awarded on settlement or arbitration of collective bargaining units currently without contract, taking into account all publicly available information as at year end. Actual results could differ from management's best estimates, as additional information becomes available in the future.

Financial Instruments

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. Their classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the Division's designation of such instruments.

Cash and bank and overdraft	Held-for-trading
Accounts receivable	Loans and receivables
Accounts payable and accrued liabilities, employee future benefits, accrued interest payable, debenture debt, and school generated funds liability	Other financial liabilities

Held-for-trading

Held-for-trading financial assets and liabilities are typically acquired for resale prior to maturity or are designated as held-for-trading. They are measured at fair value at the balance sheet date. Fair value fluctuations including interest earned and interest accrued are included as interest.

Loans and receivables

Financial assets designated as loans and receivables are recorded at amortized cost using the effective interest rate method. Given the short-term nature of accounts receivable, their carrying value approximates fair value.

Other financial liabilities

Other liabilities are recorded at amortized cost using the effective interest rate method and include all financial liabilities. Given the short-term nature of accounts payable and accrued liabilities, employee future benefits, accrued interest payable and school generated funds liability, their carrying value approximates fair value. The carrying value of the debenture debt also approximates fair value as there have been no significant changes to the underlying characteristics of the parties to the agreements.

Interest, currency and credit risk

It is management's opinion that the Division is not exposed to significant interest, currency or credit risk from financial instruments. The Division is exposed to some credit risk from the potential non-payment of accounts receivable, however as the majority of the receivables are from local, provincial and federal governments, credit risk is minimal.

LORD SELKIRK SCHOOL DIVISION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

2. Significant Accounting Policies - Continued

Leases

Leases are classified as capital or operating leases. A lease that transfers substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. At the inception of a capital lease, an asset and payment obligation is recorded at an amount equal to the lesser of the present value of the minimum lease payments and the asset's fair market value. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

Liability for Contaminated Sites

A liability for remediation of a contaminated site is recognized at the best estimate of the amount required to remediate the contaminated site when contamination exceeding an environmental standard exists, the School Division is either directly responsible or accepts responsibility, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount is determinable. The best estimate of the liability includes all costs directly attributable to remediation activity and is reduced by expected net recoveries based on information available at June 30, 2020.

At each financial reporting date, the School Division reviews the carrying amount of the liability. Any revisions required to the amount previously recognized is accounted for in the period revisions are made. The School Division continues to recognize the liability until it is settled or otherwise extinguished. Disbursements made to settle the liability are deducted from the reported liability when they are made.

3. Bank Overdraft

The Division has an authorized line of credit with TD Canada Trust of \$20,000,000 by way of overdrafts and is repayable on demand. Interest is paid monthly at the bank's prime rate less .75% (2.450% as of June 30, 2020). Overdrafts are secured by a borrowing by-law. As at June 30, 2020, the Division's operating line of credit utilized is \$4,646,541.

4. Employee Future Benefits

The Division sponsors a defined contribution pension plan, run by the Manitoba School Boards Association (MSBA). The defined contribution plan is provided to administrative employees based on a set percentage of earnings for the year as defined under the plan. The Division contributions equal the employee contributions plus an administration fee to the plan. No pension liability is included in the financial statements.

The employee future benefit expense is a part of the employee benefits and allowances expense account. It includes the Division's contribution of \$933,896 in 2020 (2019 - \$948,275).

Non-vested accumulating sick leave benefits are measured using net present value techniques on the expected future utilization of excess of sick leave benefits used over earned per year, to maximum entitlement. The non-vested sick leave recovery for the year ended June 30, 2020 is \$56,687 (2019 - \$3,245). At June 30, 2020, the Division has recorded an estimated liability of \$333,422 (2019 - \$390,109) in respect of these benefits.

LORD SELKIRK SCHOOL DIVISION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

5. Deferred Revenue

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

	Balance as of June 30, 2019	Additions in Period	Revenue recognized in period	Balance as of June 30, 2020
Operating Fund				
Education Property Tax Credit (EPTC)	\$ 771,065	\$ 3,842,133	\$ 4,613,198	\$ -
START	28,143	121,466	110,831	38,778
Breakfast Programs	4,716	34,514	29,059	10,171
International Students Program	185,149	111,376	170,546	125,979
Community Stadium	32,503	529	1,240	31,792
Community Support Worker	-	56,000	17,719	38,281
Other	62,708	68,337	84,571	46,474
	1,084,284	4,234,355	5,027,164	291,475
Capital Fund				
Donations	84,476	-	11,859	72,617
	\$ 1,168,760	\$ 4,234,355	\$ 5,039,023	\$ 364,092

6. School Generated Funds Liability

School Generated Funds Liability includes the non-controlled portion of school generated funds consolidated in the cash and bank balances in the amount of \$80,785 in 2020 (2019 - \$82,167).

7. Debenture Debt

The debenture debt of the Division is in the form of twenty-year debentures payable, principal and interest, in twenty equal yearly instalments and maturing at various dates from 2020 to 2040. Payment of principal and interest is funded entirely by grants from the Province of Manitoba. The debentures carry interest rates that range from 2.75% to 7.25%. Debenture interest expense payable as at June 30, 2020, is accrued and recorded in Accrued Interest Payable, and a grant in an amount equal to the interest accrued on provincially funded debentures is recorded in Due from the Provincial Government. The debenture principal and interest repayments in the next five years and thereafter are:

	Principal	Interest	Total
2021	\$ 2,216,198	\$ 1,177,220	\$ 3,393,418
2022	2,231,610	1,071,148	3,302,758
2023	2,272,396	965,938	3,238,334
2024	2,252,991	859,806	3,112,797
2025	2,203,991	756,287	2,960,278
Thereafter	16,871,027	3,582,110	20,453,137
	\$ 28,048,213	\$ 8,412,509	\$ 36,460,722

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 (previous year nil).

LORD SELKIRK SCHOOL DIVISION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

9. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2020	2019
Operating Fund		
Undesignated Surplus	\$ 1,374,984	\$ 1,840,042
Non-vested Sick Leave	(333,422)	(390,109)
	1,041,562	1,419,933
Capital Fund		
Reserve Accounts	1,474,275	1,674,790
Equity in Tangible Capital Assets	11,398,259	10,511,850
	12,872,534	12,186,640
Special Purpose Funds		
School Generated Funds	353,834	344,796
Total Accumulated Surplus	\$ 14,267,930	\$ 13,951,369

Designated Surplus under the Operating Fund represents internally restricted amounts appropriated by the Board of Trustees or, in the case of school budget carryovers, by Board policy. The designated surplus is \$nil for the current year.

Reserve Accounts under the Capital Fund represent internally restricted reserves for specific purposes approved by the Board of Trustees and PSFB. A Schedule of Capital Reserve Accounts is provided on page 24 of the consolidated financial statements.

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 statement of revenue and expense is raised over the two calendar (tax) years; 40% from 2019 tax year and 60% from 2020 tax year. Below are the related revenue and receivable amounts:

	2020	2019
Revenue	\$ 25,134,742	\$ 24,532,105
Receivable	\$ 16,534,081	\$ 14,709,622

11. Interest Received and Paid

The Division received interest during the year of \$25,131 (\$35,693 in 2019) and interest paid during the year was \$1,263,189 (\$1,315,124 in 2019).

Interest paid during the fiscal year is comprised of the following:

	2020	2019
Operating Fund		
Fiscal-short term loan, interest and bank charges	\$ 63,216	\$ 76,490
Capital Fund		
Debenture interest	1,186,333	1,238,634
Other interest	13,640	-
	1,199,973	1,238,634
	\$1,263,189	\$1,315,124

LORD SELKIRK SCHOOL DIVISION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

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:

	Actual 2020	Budget 2020	Actual 2019
Salaries	\$45,858,373	\$45,158,660	\$44,696,604
Employees benefits and allowances	4,110,779	3,919,610	3,696,156
Services	4,207,424	4,406,865	4,217,525
Supplies, materials & minor equipment	3,214,635	4,063,805	4,251,397
Interest	1,263,189	60,000	1,315,124
Payroll tax	987,782	960,000	968,534
Amortization	2,945,397	-	2,852,269
Transfers	182,512	182,000	437,240
Other capital items	-	-	-
School generated funds	771,824	-	984,849
	\$63,541,914	\$58,750,940	\$63,419,698

13. Non-Financial Information

The student enrolments (FRAME), transportation statistics and full-time equivalent personnel are unaudited and have been presented for information purposes only.

14. Commitments

The Division has equipment under an operating lease for \$34,718 per quarter, expiring July 2021.

15. Capital Management

Operating and special purpose funds

The Division's objective when managing capital is to ensure that its expenditures closely match their revenues. Capital consists of the two fund balances in the amount of \$1,395,396 (2019 - \$1,764,729).

Capital fund

The capital fund is managed with the long term objective of acquiring and maintaining the capital assets acquired to facilitate the Division's operations. Capital consists of the various fund balances in the amount of \$12,872,534 (2019 - \$12,186,640).

The Division is not subject to externally imposed capital requirements. There have been no changes in the Division's approach to capital management during the year.

16. Significant event

In March 2020, there was a global outbreak of COVID-19 (coronavirus), which has had a significant impact on school divisions through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations, isolation/quarantine orders.

At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Division as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus. While the extent of the impact is unknown, we anticipate this outbreak may have a significant impact on the Division's operations for the foreseeable future.