

KENDALL & PANDYA

Chartered Professional Accountants

Partners: David Kendall, FCPA, FCA*
Manisha Pandya, CPA, CA*
* Operating as professional corporations

MANAGEMENT REPORT

Management's Responsibility for the Financial Statements

The accompanying consolidated financial statements of Mystery Lake School District are the responsibility of the District's management and have been prepared in compliance with legislation and in accordance with Canadian accounting standards established by the Public Sector Accounting Board of The Canadian Institute of Chartered Professional Accountants. 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 judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

District management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are authorized and properly 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 regularly evaluated by the District's management.

The Board of Trustees of the District 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 Kendall & Pandya, Chartered Professional Accountants, independent external auditors appointed by the Board. The accompanying Auditors' Report outlines their responsibility, the scope of their examination and their opinion of the District consolidated financial statements.

Original Document Signed

Chairperson

Original Document Signed

Secretary-Treasurer

October 27, 2020

KENDALL & PANDYA

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To the Board of Trustees of the MYSTERY LAKE SCHOOL DISTRICT:

Opinion

We have audited the consolidated financial statements of the Mystery Lake School District, which comprise the consolidated statement of financial position as at June 30, 2020, and the consolidated statements of operations and accumulated surplus, statement of changes in net financial assets, and statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information. These consolidated financial statements have been prepared to comply with the Public Schools Act.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Mystery Lake School District at June 30, 2020, and the results of its operations 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 Consolidated financial statements* section of our report. We are independent of the Mystery Lake School District 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 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 these consolidated financial statements, management is responsible for assessing the Mystery Lake School District's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting unless management either intends to liquidate the Mystery Lake School District or to cease operations, or has no realistic alternative to do so.

Those charged with governance are responsible for overseeing the Mystery Lake School District'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 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 judgement 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 risks 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 controls 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 Mystery Lake School District's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness 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 Mystery Lake School District'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 Mystery Lake School District 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.

THOMPSON, MANITOBA

October 27, 2020
DATE

Kendall & Pandya
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 above-mentioned School District.

Oct 27, 2020
DATE

Original Document Signed
CHAIRPERSON

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2020	2019
	Financial Assets		
	Cash and Bank	11,757,338	4,821,713
	Due from - Provincial Government	1,793,335	1,941,313
	- Federal Government	58,010	42,155
	- Municipal Government	4,251,487	4,072,018
	- Other School Divisions	-	-
	- First Nations	48,560	8,498
	Accounts Receivable	38,929	64,558
	Accrued Investment Income	-	76,313
	Portfolio Investments	-	6,500,000
		<u>17,947,659</u>	<u>17,526,568</u>
	Liabilities		
	Overdraft	-	-
	Accounts Payable	602,602	806,388
	Accrued Liabilities	7,372,609	5,773,097
5	Employee Future Benefits	5,416,922	5,384,249
	Accrued Interest Payable	137,674	145,523
	Due to - Provincial Government	1,971	39,854
	- Federal Government	-	233
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
6	Deferred Revenue	333,177	429,622
8	Borrowings from the Provincial Government	9,933,305	10,463,453
	Other Borrowings	-	-
	School Generated Funds Liability	<u>178,992</u>	<u>166,814</u>
		<u>23,977,252</u>	<u>23,209,233</u>
	Net Assets (Debt)	<u>(6,029,593)</u>	<u>(5,682,665)</u>
	Non-Financial Assets		
9	Net Tangible Capital Assets (TCA Schedule)	19,152,620	18,479,176
	Inventories	122,480	91,608
	Prepaid Expenses	<u>31,220</u>	<u>71,479</u>
		<u>19,306,320</u>	<u>18,642,263</u>
11	Accumulated Surplus	<u>13,276,727</u>	<u>12,959,598</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
13	Revenue		
	Provincial Government	35,404,774	35,444,380
	Federal Government	39,457	8,419
	Municipal Government - Property Tax	6,956,086	6,816,140
	- Other	6,149	6,174
	Other School Divisions	132,700	128,156
	First Nations	393,536	299,958
	Private Organizations and Individuals	191,445	224,988
	Other Sources	377,960	379,978
	School Generated Funds	167,098	225,142
	Other Special Purpose Funds	-	-
		<u>43,669,205</u>	<u>43,533,335</u>
	Expenses		
	Regular Instruction	24,367,644	23,925,003
	Student Support Services	8,358,540	8,431,016
	Adult Learning Centres	-	-
	Community Education and Services	2,000	1,638
	Divisional Administration	1,672,085	1,702,894
	Instructional and Other Support Services	1,460,789	1,450,098
	Transportation of Pupils	220,386	333,877
	Operations and Maintenance	4,884,880	4,699,318
	Fiscal - Interest	417,896	455,038
	- Other	677,446	689,775
	Amortization	1,174,038	1,125,722
	Other Capital Items	-	-
	School Generated Funds	161,283	247,993
	Other Special Purpose Funds	-	-
		<u>43,396,987</u>	<u>43,062,372</u>
	Current Year Surplus (Deficit) before Non-vested Sick Leave	<u>272,218</u>	<u>470,963</u>
	Less: Non-vested Sick Leave Expense (Recovery)	<u>(44,911)</u>	<u>21,852</u>
	Net Current Year Surplus (Deficit)	<u>317,129</u>	<u>449,111</u>
	Opening Accumulated Surplus	12,959,598	12,510,487
	Adjustments: Tangible Cap. Assets and Accum. Amort.	-	-
	Other than Tangible Cap. Assets	-	-
	Non-vested sick leave - prior years	-	-
	Opening Accumulated Surplus, as adjusted	<u>12,959,598</u>	<u>12,510,487</u>
	Closing Accumulated Surplus	<u>13,276,727</u>	<u>12,959,598</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)	317,129	449,111
Amortization of Tangible Capital Assets	1,174,038	1,125,722
Acquisition of Tangible Capital Assets	(1,847,482)	(596,567)
(Gain) / Loss on Disposal of Tangible Capital Assets	-	-
Proceeds on Disposal of Tangible Capital Assets	-	-
	(673,444)	529,155
Inventories (Increase)/Decrease	(30,872)	13,307
Prepaid Expenses (Increase)/Decrease	40,259	(51,868)
	9,387	(38,561)
(Increase)/Decrease in Net Debt	(346,928)	939,705
Net Debt at Beginning of Year	(5,682,665)	(6,622,370)
Adjustments Other than Tangible Cap. Assets	-	-
	(5,682,665)	(6,622,370)
Net Assets (Debt) at End of Year	(6,029,593)	(5,682,665)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2020

	2020	2019
Operating Transactions		
Net Current Year Surplus (Deficit)	317,129	449,111
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	1,174,038	1,125,722
(Gain)/Loss on Disposal of Tangible Capital Assets	-	-
Employee Future Benefits Increase/(Decrease)	32,673	65,907
Due from Other Organizations (Increase)/Decrease	(87,408)	132,031
Accounts Receivable & Accrued Income (Increase)/Decrease	101,942	(65,930)
Inventories and Prepaid Expenses - (Increase)/Decrease	9,387	(38,561)
Due to Other Organizations Increase/(Decrease)	(38,116)	37,531
Accounts Payable & Accrued Liabilities Increase/(Decrease)	1,387,877	684,819
Deferred Revenue Increase/(Decrease)	(96,445)	27,212
School Generated Funds Liability Increase/(Decrease)	12,178	(132,571)
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by (Applied to) Operating Transactions	2,813,255	2,285,271
Capital Transactions		
Acquisition of Tangible Capital Assets	(1,847,482)	(596,567)
Proceeds on Disposal of Tangible Capital Assets	-	-
Cash Provided by (Applied to) Capital Transactions	(1,847,482)	(596,567)
Investing Transactions		
Portfolio Investments (Increase)/Decrease	6,500,000	(6,000,000)
Cash Provided by (Applied to) Investing Transactions	6,500,000	(6,000,000)
Financing Transactions		
Borrowings from the Provincial Government Increase/(Decrease)	(530,148)	(821,161)
Other Borrowings Increase/(Decrease)	-	-
Cash Provided by (Applied to) Financing Transactions	(530,148)	(821,161)
Cash and Bank / Overdraft (Increase)/Decrease	6,935,625	(5,132,457)
Cash and Bank (Overdraft) at Beginning of Year	4,821,713	9,954,170
Cash and Bank (Overdraft) at End of Year	11,757,338	4,821,713

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	38,619,269	3,114,568	-	499,883	1,756,982	696,752	2,914,272	762,185	37,311	48,401,222	47,804,655
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	38,619,269	3,114,568	-	499,883	1,756,982	696,752	2,914,272	762,185	37,311	48,401,222	47,804,655
Add:											
Additions during the year	766,404	-	-	69,272	122,080	-	-	155,273	734,453	1,847,482	596,567
Less:											
Disposals and write downs	-	-	-	-	-	-	-	-	-	-	-
Closing Cost	39,385,673	3,114,568	-	569,155	1,879,062	696,752	2,914,272	917,458	771,764	50,248,704	48,401,222
Accumulated Amortization											
Opening, as previously reported	25,311,056	1,986,065	-	351,343	1,469,921	582,566		221,095		29,922,046	28,796,324
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	25,311,056	1,986,065	-	351,343	1,469,921	582,566		221,095		29,922,046	28,796,324
Add:											
Current period Amortization	841,042	56,174	-	52,001	99,599	41,240		83,982		1,174,038	1,125,722
Less:											
Accumulated Amortization on Disposals and Writedowns	-	-	-	-	-	-		-		-	-
Closing Accumulated Amortization	26,152,098	2,042,239	-	403,344	1,569,520	623,806		305,077		31,096,084	29,922,046
Net Tangible Capital Asset	13,233,575	1,072,329	-	165,811	309,542	72,946	2,914,272	612,381	771,764	19,152,620	18,479,176
Proceeds from Disposal of Capital Assets	-	-	-	-	-	-				-	-

* Includes network infrastructure.

MYSTERY LAKE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

1. NATURE OF ORGANIZATION AND ECONOMIC DEPENDENCE

The Mystery Lake School District is a public body that provides education services to residents within its geographic location. The District is funded mainly by grants from the Province of Manitoba and a special levy on the property assessment included in the District's boundaries. The District is exempt from income tax under the Income Tax Act.

The District is economically dependent on the Province for the majority of its revenue and capital financing requirements. Without this funding, the District 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 generally accepted accounting principles established by PSAB of the Canadian Institute of Chartered Accountants (CICA).

a) Reporting Entity and Consolidation

The consolidated financial statements reflect the assets, liabilities, revenues and expenses for the operating fund, capital fund, and special purpose fund of the District. The District reporting entity includes school generated funds controlled by the District.

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

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) 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 controlled by the Division.

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. Funds raised for this purpose within the District are used for student activities, lunch programs, student council and physical education.

Only revenue and expenses of school generated funds controlled by the District 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.

MYSTERY LAKE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

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 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.

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

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

With the exception of land, donated capital assets and capital leases, 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 Cana Data construction cost indices.

Capital leases are recorded at the present value of the minimum lease payments excluding executory costs (e.g. insurance, maintenance costs, etc.). The discount rate used to determine the present value of the lease payments is the lower of the District’s rate for incremental borrowing or the interest rate implicit in the lease.

Donated tangible capital assets are recorded at fair market value at the date of donation. Deferred revenue is recorded in an equivalent amount, for all donated assets except land. The deferred revenue will be recognized as revenue over the useful life of the related asset, on the same basis that the asset is amortized.

All land acquired prior to June 30, 2007 has been valued by the Crown Lands and Property Agency.

All tangible capital assets, except for land, capital leases, and assets under construction, are amortized on a straight-line basis over their estimated useful lives as prescribed by FRAME. Land is not amortized. Capital leases with lease terms that have a bargain purchase option or allow ownership to pass to the District are amortized over the useful life of the asset class. All other capital leases are amortized over the lesser of the lease term and the useful life of the asset class.

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

MYSTERY LAKE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

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

However, the District provides retirement and other future benefits to its employees.

These benefits include life insurance, extended health benefits, dental, prescription drugs, vision and long term disability. The District has adopted the following policies with respect to accounting for these employee future benefits.

i) Defined Contribution / Insured Benefit Plans

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

The District fully funds long term, short term disability, vision, dental, prescription drugs and extended health benefits for the teachers. Additionally the District pays 50% of the teacher's life insurance premiums.

The employee future benefits liability is the difference between the contribution owing for the period and what has been paid; while the employee future benefits expense is the District's fixed contribution for the period including interest accrued for late remittance.

As described under the terms of Article 23 of the Collective Agreement, certain teaching staff have been offered an early leave incentive plan. The agreement states that the payment terms under this plan will be based on annual instalments depending on the age of the teacher at the time of acceptance of the offer.

The District makes defined contributions on behalf of non-teaching staff who belong to the School District of Mystery Lake No. 2355 pension plan. The contribution amount is 10% of the total of the employee's gross earnings, employer paid benefits, CPP, and EI premiums. The District fully funds the basic life insurance, long term disability, vision, dental, prescription drugs and extended health benefits for non-teaching staff. The Employee pension contribution for 2020 was \$293,320 (2019 - \$302,632). The District contributed \$699,198 for 2020 (2019 - \$691,497).

The defined benefit plan provided to support staff is actuarially valued every three (3) years using a number of assumptions about future events, including interest rates, wage and salary increases, employee turnover and mortality to determine the accrued benefit obligation. The most recent actuarial report was prepared as at June 30, 2018. Pension plan assets are valued at market values and the expected rate of return is 4.75% (2019 – 4.75%).

See Appendix 1

The District makes defined contributions on behalf of out of scope staff to the Manitoba School Board Association. The contribution amount is based on age and gross earnings and can vary from 9.65% to 11.65%. Effective January 1, 2019 the rate is 8% for all out of scope employees regardless of age.

ii) Defined Benefits / Self Insured Employee Future Benefit Plans

Under these plans, benefits to be received by employees or the method for determining those benefits have been specified by the District. The actuarial risk (with respect to the amount of the benefit that each employee will receive) and

MYSTERY LAKE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

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 District. As at June 30, 2018, the pension obligation is not fully funded.

The plan has been amended where in the District is liable for the existing identified pensioners as of December 31, 2012.

The actuarial valuation has stated a deficiency of \$296,846 as at June 30, 2018. The District set up a provision for this amount in the 2018-2019 fiscal year.

For self-insured employee future benefits other than pension plans, that are vesting and accumulating over the employees' length of service (e.g. vesting sick days;) the benefit costs are accounted for on a full accrual basis determined using management's best estimate of salary escalation, accumulated sick days, insurance & health care costs trends, long-term inflation rates.

The employee self-insured benefit obligations that are event driven (e.g. supplemental unemployment benefits; non-vesting parental leave), the benefit costs are recognized and recorded only in the period when the event occurs.

For those future benefits liability is the total accrued benefit obligation. The employee future benefits expense includes the Districts contribution for the period.

g) Capital Reserves

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.

The Mystery Lake School District has \$306,387 set aside in Capital Reserves as at June 30, 2020.

h) 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.

i) 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 District 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 District has an authorized line of credit with the CIBC valued at \$4,000,000 (2019 - \$6,000,000). The line of credit is used as required when inflow of revenues do not match the outflow of expenses. It has generally been used in the latter half of the year as the payment from the City of Thompson for the Municipal Special Levy is not received by the District until November of each year. The District receives funding from the province on the 10th and 25th of each month from September through June. It does not receive any funding in July and August, although the District incurs similar expenses during these months as in the rest of the year.

MYSTERY LAKE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

The District's Operating Fund overdraft position at June 30, 2020 was NIL (2019- NIL).

4. PORTFOLIO INVESTMENTS

Due to low interest rates there are currently no short term flexible GIC's held by the District. The GIC's held by the District in the previous year were re-directed into a high interest savings account upon maturity, as follows:

- \$500,000; invest rate 2.05%; matured November 05, 2019
- \$4,000,000; invest rate 2.05%; matured November 13, 2019
- \$2,000,000; invest rate 2.05%; matured January 17, 2020

The balance of funds held in high interest savings was \$6,152,837 at June 30, 2020.

5. EMPLOYEE FUTURE BENEFITS

Employee future benefits are benefits earned by employees in the current period, but will not be paid out until future periods. The employee future benefits are comprised of the following:

Employee Future Benefit Liabilities	Type of Plan	2020
Early leave incentive plan teachers	Defined contribution	\$ 4,742,261
Sick leave buyout teachers & support staff	Defined contribution	489,511
Non-vested accumulated sick leave		<u>185,150</u>
		\$ 5,416,922

6. DEFERRED REVENUE

Deferred revenue in the amount of \$333,177 at June 30, 2020, consisted of the following:

- a) During the year a number of grants and/or funding was received from various sources to be used for specific projects. Grant revenues for the related project are recognized as expenditures are incurred. Contributions received in excess of project expenses are deferred as revenue until the related expenditures are incurred. Deferred revenue related to specific projects at June 30, 2020 is \$237,759.
- b) Resulting from the change to PSAB effective the 2006 / 2007 financial reporting period, the purchases of playground equipment at Burntwood School, Deerwood School, École Riverside School, Juniper School, Westwood School and Wapanohk School funded by the Playground Committees are considered to have been donated to the Schools. The value of the equipment at the time of the donation was \$373,009. The equipment is considered to have a useful life of ten years. In each of the ten years the deferred revenue is recognized as revenue over the useful life of the related asset on the same basis of the related assets amortization. At the end of the ten year time period, the assets will be fully depreciated and the deferred revenue account will have a value of NIL. For the current year the recognition is \$14,181. The deferred revenue related to the donation of playground equipment at June 30, 2020 is \$35,452.
- c) The Power Mechanic (Heavy Duty) program received a donation of a Rock truck, Scooptram, and Grader. The combined value of the donations was \$35,000 (\$15,000 Scooptram, \$10,000 Rock truck, \$10,000 Grader). The equipment is considered to have a useful life of five years. In each of the five years the deferred revenue is recognized as revenue over the useful life of the related asset on the same basis of the related assets amortization. At the end of the five year time period, the asset will be fully depreciated and the deferred revenue account will have a value of NIL. For the current year the recognition is \$7,000. The deferred revenue related to the heavy duty equipment at June 30, 2020 is \$5,500 (Rock Truck \$1,000, Scooptram \$1,500; Grader \$3,000).

In 2019, the Power Mechanic (Heavy Duty) program received a donation of a 2007 '9200 International Truck'. The value of the donation was \$16,380. The equipment is considered to have a useful life of 5 years. The deferred revenue is recognized as revenue over the useful life of the asset on the same basis as the assets amortization. At the end of the five years the asset will

MYSTERY LAKE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

be fully depreciated and the deferred revenue will have a value of \$NIL. For the current year the recognition is \$3,276. The deferred revenue related to the Truck is \$11,466.

- e) The École Riverside Parent Council donated funds to the District for use towards the expansion of their schools gymnasium. The value of the donation was \$50,000. The expansion is considered to have a useful life of 25 years. In each of the 25 years the deferred revenue is recognized as revenue over the useful life of the related asset on the same basis of the related assets amortization. At the end of the 25 year time period, the asset will be fully depreciated and the deferred revenue account will have a value of \$NIL. For the current year the recognition is \$2,000. The deferred revenue related to the gymnasium expansion at June 30, 2020 is \$43,000.

7. 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 \$178,992.

The breakdown is as follows:

	<u>2020</u>	<u>2019</u>
Student Funds	\$ 145,754	\$ 139,326
Parent Council Fund	21,530	22,739
Other Parent Group Funds	<u>11,708</u>	<u>4,749</u>
	<u>\$ 178,992</u>	<u>\$ 166,814</u>

8. DEBENTURE DEBT

Debenture debt is comprised of the following:

Interest Rate %	Maturity Date	Balance (Dollars)
6.625	April 15, 2021	41,693
6.500	January 15, 2022	168,703
6.875	May 31, 2022	150,680
6.000	February 15, 2024	279,325
6.125	June 15, 2024	231,576
5.375	June 30, 2025	154,539
5.250	March 15, 2028	253,058
5.750	April 30, 2029	36,008
5.250	March 15, 2030	259,333
5.125	May 15, 2030	66,349
4.875	May 15, 2031	798,060
4.000	May 15, 2032	342,523
3.625	May 31, 2033	629,124
4.125	December 31, 2033	365,477
4.250	May 31, 2034	39,705
3.375	June 30, 2035	403,315
3.500	June 30, 2036	323,533
3.500	June 30, 2036	272,731
3.250	October 15, 2036	2,631,608
3.250	November 30, 2036	1,057,383
3.375	December 31, 2036	600,972
3.625	October 31, 2037	32,698
3.625	March 31, 2038	531,712
3.625	January 31, 2040	<u>263,200</u>
		\$ 9,933,305

MYSTERY LAKE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

Accrued debenture interest payable at June 30, 2020 is offset by a grant due from the provincial government in an amount equal to the interest accrued on provincially funded debentures.

The debenture principal and interest repayments for the next five years are:

	Interest	Principal	Total
2020/21	390,567	810,692	1,201,259
2021/22	350,933	805,872	1,156,805
2022/23	312,148	668,799	980,947
2023/24	283,088	697,859	980,947
2024/25	<u>252,682</u>	<u>580,632</u>	<u>833,314</u>
	<u>\$ 1,589,418</u>	<u>\$ 3,563,854</u>	<u>\$ 5,153,272</u>

9. NET TANGIBLE CAPITAL ASSETS

The Schedule of Tangible Capital Assets (TCA), presented on page 23 of the audited financial statements, provides a breakdown of cost, accumulated amortization and net book value by asset classification.

	Gross Amount	Accumulated Amortization	2020 Net Book Value	2019 Net Book Value
Owned Tangible Capital Assets	\$50,177,696	\$31,060,580	\$19,117,116	\$18,429,470
Capital Leased Assets	<u>71,008</u>	<u>35,504</u>	<u>35,504</u>	<u>49,706</u>
	\$50,248,704	\$31,096,084	\$19,152,620	\$18,479,176

The District has a capital lease arrangement with Wells Fargo Equipment Finance Company; monthly payments of \$910 which began May, 2018 with a purchase option on the last day of the 36th month of the term.

10. OBLIGATION UNDER OPERATING LEASES

Operating lease commitments for the next five years:

2020/21	\$ 56,459
2021/22	36,472
2022/23	24,770
2023/24	-
2023 and beyond	<u>-</u>
	<u>\$ 117,701</u>

11. ACCUMULATED SURPLUS

The consolidated accumulated surplus is comprised of the following:

	<u>2020</u>	<u>2019</u>
Operating Fund		
Undesignated Surplus	\$ 4,249,217	\$ 4,376,816
Capital Fund		
Reserve Accounts	306,387	557,655
Equity in Tangible Capital Assets	<u>8,584,030</u>	<u>7,893,849</u>
	8,890,417	8,451,504
Special Purpose Fund		
School Generated Funds	137,093	131,278
Total Accumulated Surplus	<u>\$ 13,276,727</u>	<u>\$ 12,959,598</u>

MYSTERY LAKE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

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. The District has designated \$2,640,205 from the operating surplus.

Reserve accounts under the Capital Fund represents internally restricted reserves for specific purposes approved by the Board of Trustees and PSFB. The District has \$306,387 identified in capital reserve accounts at June 30, 2020.

School Generated Funds and Other Special Purpose Funds are externally restricted monies for school use. The District has \$137,093 identified in other student activity accounts at June 30, 2020.

12. MUNICIPAL GOVERNMENT – PROPERTY TAX AND RELATED DUE FROM MUNICIPAL GOVERNMENT

Municipal Special levy (education property tax) is received as the contribution for the cost of providing public education for students' resident of the District.

The District school calendar, and the municipal tax year are not consistent – as a result, the amount of special levy revenue received from the Municipal Government presented on the Consolidated Statement of Revenue, Expenses and Accumulated Surplus has been pro-rated. The District has included 40% of the 2019 tax year and 60% from the 2020 tax year.

Below are the related revenue and receivable amounts:

		<u>2020</u>	<u>2019</u>
Revenue	Municipal Government - Property Tax	\$ 6,956,086	\$ 6,816,140
Receivable	Due from Municipal Government – Property Tax	\$ 4,251,487	\$ 4,072,018

13. INTEREST RECEIVED AND PAID

The District received interest during the year of \$659,579 (2019 - \$609,982). Total interest paid by the District during the year was \$455,038 (2019 - \$481,536).

	<u>2020</u>	<u>2019</u>
Operating Fund		
Fiscal – bank charges	\$ 3,256	\$ 3,585
Capital Fund		
Debenture Debt Interest	<u>414,640</u>	<u>451,453</u>
	\$ 417,896	\$ 455,038

The accrual portion of debenture debt interest expense of \$137,674 (2019 - \$145,523) included under the Capital Fund - Debenture debt interest, is offset by an accrual of a debt servicing grant from the Province of Manitoba.

14. ALLOWANCE FOR DOUBTFUL ACCOUNTS

All receivables presented on the Consolidated Statement of Financial Position are net of an allowance for doubtful accounts. Allowance for doubtful accounts as at June 30, 2020 was NIL (2019 - \$NIL).

15. BUDGET FIGURES

Budget figures have been included for information purposes only and have not been audited.

16. ACCOUNTING POLICY PS-2120

Previously, the District did not recognize an accrued benefit obligation related to sick leave benefits as the benefits do not vest. The benefit costs were only recognized and recorded in the period when an employee was sick. Public Sector Accounting standards require that a liability and an expense be recognized for post-employment benefits and compensated absences that vest or accumulate in the period in which employees render services to the District in return for the benefit. An adjustment was

MYSTERY LAKE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

made to recognize a liability and an expense related to accumulated sick leave entitlement. The liability recorded for employee future benefits, as at July 1, 2019 was \$230,061. The liability recorded for employee future benefits at June 30, 2020 was increased by \$44,911 related to the accrual for accumulated sick leave entitlement determined using the net present value technique.

17. ACCOUNTING POLICY – PS -3260

Effective July 1, 2015, the division has adopted the new Public Sector Accounting Board accounting standard – Liability for Contaminated Sites, PS3260. The standard was applied on a retroactive basis to July 1, 2013 and did not result in any adjustments to financial liabilities, tangible capital assets or accumulated surplus of the division.

18. ACCOUNTING POLICY – PS -2200

Effective April 1, 2019, the division has adopted the new Public Sector Accounting Board accounting standard – Related Parties PS2200. Management has reviewed the transactions of the school district and determined that there is no disclosure required as per the provisions of this policy.

19. SIGNIFICANT OTHER MATTERS

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, and 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.