

MANAGEMENT REPORT

Management's Responsibility for the Financial Statements

The accompanying consolidated financial statements of River East Transcona School Division are the responsibility of the Division's 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 is 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 Deloitte 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
Jerry Sodomlak

Original Document Signed

Secretary-Treasurer
Elise Downey



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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of River East Transcona School Division

Opinion

We have audited the following financial statements of River East Transcona School Division (the "Division") as at June 30, 2020, and for the year then ended:

Consolidated – Statement of Financial Position
Consolidated – Statement of Revenue, Expenses and Accumulated Surplus
Consolidated – Statement of Change in Net Debt
Consolidated – Statement of Cash Flow
Operating Fund – Schedule of Financial Position
Operating Fund – Schedule of Revenue, Expenses and Accumulated Surplus
Capital Fund – Schedule of Financial Position
Capital Fund – Schedule of Revenue, Expenses and Accumulated Surplus
Schedule of Tangible Capital Assets
Schedule of Capital Reserve Accounts
Special Purpose Fund – Schedule of Financial Position
Special Purpose Fund – Schedule of Revenue, Expenses and Accumulated Surplus
Notes to the Consolidated Financial Statements

In our opinion, these financial statements present fairly, in all material respects, the financial position of the River East Transcona School Division as at June 30, 2020 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada.

Basis for Opinion

We conducted our audit in accordance with the Canadian generally accepted accounting standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Division in accordance with ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our 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 Matters

Our audit was conducted for the purpose of forming an opinion on the above listed financial statements taken as a whole. The current year's supplementary information included in the other statements and reports is presented for purposes of additional analysis and is not a required part of basic financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and in, our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our opinion on these financial statements does not extend to any budget information contained therein.

**River East Transcona School Division
Independent Auditor's Report**

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PSAS, 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 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 Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 GAAS 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 financial statements. As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

River East Transcona School Division
Independent Auditor's Report

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.

The logo for Deloitte, featuring the word "Deloitte" in a stylized, handwritten-style font, followed by a small graphic element.

Chartered Professional Accountants

Winnipeg, Manitoba
October 29, 2020

I hereby certify that the preceding report has been presented to members of the Board of the River East Transcona School Division.

October 29, 2020

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Chair of the Board

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2020	2019
	Financial Assets		
	Cash and Bank	4,766,883	1,665,436
	Due from - Provincial Government	4,364,578	3,905,481
	- Federal Government	399,252	386,046
	- Municipal Government	41,106,406	40,188,366
	- Other School Divisions	-	1,300
	- First Nations	56,350	61,525
	Accounts Receivable	201,260	217,594
	Accrued Investment Income	-	-
	Portfolio Investments	-	-
		<u>50,894,729</u>	<u>46,425,748</u>
	Liabilities		
	Overdraft	-	-
	Accounts Payable	4,176,883	1,746,875
	Accrued Liabilities	28,863,418	24,051,387
*	Employee Future Benefits	1,929,386	2,177,416
	Accrued Interest Payable	1,118,419	1,122,538
	Due to - Provincial Government	4,233	7,002
	- Federal Government	17,825	19,022
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
*	Deferred Revenue	7,909,556	10,535,399
*	Borrowings from the Provincial Government	58,978,566	57,245,429
*	Other Borrowings	4,241,945	3,955,572
	School Generated Funds Liability	<u>2,105,631</u>	<u>1,798,088</u>
		<u>109,345,862</u>	<u>102,658,728</u>
	Net Assets (Debt)	<u>(58,451,133)</u>	<u>(56,232,980)</u>
	Non-Financial Assets		
*	Net Tangible Capital Assets (TCA Schedule)	96,858,776	90,533,836
	Inventories	-	-
	Prepaid Expenses	<u>326,548</u>	<u>443,780</u>
		<u>97,185,324</u>	<u>90,977,616</u>
*	Accumulated Surplus	<u>38,734,191</u>	<u>34,744,636</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	135,178,888	134,246,505
	Federal Government	474,765	459,974
	Municipal Government - Property Tax	68,348,034	66,911,019
	- Other	-	-
	Other School Divisions	576,940	675,222
	First Nations	155,250	202,255
	Private Organizations and Individuals	1,628,227	2,063,109
	Other Sources	660,579	763,738
	School Generated Funds	543,411	830,625
	Other Special Purpose Funds	-	-
		<u>207,566,094</u>	<u>206,152,447</u>
	Expenses		
	Regular Instruction	111,277,461	109,125,972
	Student Support Services	35,796,865	37,452,026
	Adult Learning Centres	1,527,458	1,527,358
	Community Education and Services	1,223,701	1,458,292
	Divisional Administration	5,592,285	6,044,417
	Instructional and Other Support Services	7,794,753	7,777,805
	Transportation of Pupils	3,936,822	4,699,085
	Operations and Maintenance	21,871,579	22,019,028
*	Fiscal - Interest	2,641,714	2,623,268
	- Other	3,229,782	3,300,526
	Amortization	8,031,570	7,116,825
	Other Capital Items	147,987	9,260
	School Generated Funds	590,427	810,209
	Other Special Purpose Funds	-	-
		<u>203,662,404</u>	<u>203,964,071</u>
	Current Year Surplus (Deficit) before Non-vested Sick Leave	<u>3,903,690</u>	<u>2,188,376</u>
	Less: Non-vested Sick Leave Expense (Recovery)	<u>(85,864)</u>	<u>94,267</u>
	Net Current Year Surplus (Deficit)	<u>3,989,554</u>	<u>2,094,109</u>
	Opening Accumulated Surplus	34,744,636	32,650,527
	Adjustments: Tangible Cap. Assets and Accum. Amort.	-	-
	Other than Tangible Cap. Assets	-	-
	Non-vested sick leave - prior years	-	-
	Opening Accumulated Surplus, as adjusted	<u>34,744,636</u>	<u>32,650,527</u>
	Closing Accumulated Surplus	<u>38,734,190</u>	<u>34,744,636</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)	3,989,554	2,094,109
Amortization of Tangible Capital Assets	8,031,570	7,116,825
Acquisition of Tangible Capital Assets	(14,356,510)	(13,859,204)
(Gain) / Loss on Disposal of Tangible Capital Assets	(13,886)	(13,594)
Proceeds on Disposal of Tangible Capital Assets	13,886	13,595
	(6,324,940)	(6,742,378)
Inventories (Increase)/Decrease	-	-
Prepaid Expenses (Increase)/Decrease	117,232	(73,522)
	117,232	(73,522)
(Increase)/Decrease in Net Debt	(2,218,154)	(4,721,791)
Net Debt at Beginning of Year	(56,232,980)	(51,511,189)
Adjustments Other than Tangible Cap. Assets	-	-
	(56,232,980)	(51,511,189)
Net Assets (Debt) at End of Year	(58,451,134)	(56,232,980)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2020

	2020	2019
Operating Transactions		
Net Current Year Surplus (Deficit)	3,989,554	2,094,109
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	8,031,570	7,116,825
(Gain)/Loss on Disposal of Tangible Capital Assets	(13,886)	(13,594)
Employee Future Benefits Increase/(Decrease)	(248,030)	241,346
Due from Other Organizations (Increase)/Decrease	(1,383,868)	(1,130,439)
Accounts Receivable & Accrued Income (Increase)/Decrease	16,334	14,847
Inventories and Prepaid Expenses - (Increase)/Decrease	117,232	(73,522)
Due to Other Organizations Increase/(Decrease)	(3,966)	20,108
Accounts Payable & Accrued Liabilities Increase/(Decrease)	7,237,920	(1,008,686)
Deferred Revenue Increase/(Decrease)	(2,625,843)	1,798,751
School Generated Funds Liability Increase/(Decrease)	307,543	119,752
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by (Applied to) Operating Transactions	15,424,560	9,179,497
Capital Transactions		
Acquisition of Tangible Capital Assets	(14,356,510)	(13,859,204)
Proceeds on Disposal of Tangible Capital Assets	13,886	13,595
Cash Provided by (Applied to) Capital Transactions	(14,342,624)	(13,845,609)
Investing Transactions		
Portfolio Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
Financing Transactions		
Borrowings from the Provincial Government Increase/(Decrease)	1,733,137	5,980,562
Other Borrowings Increase/(Decrease)	286,373	(723,885)
Cash Provided by (Applied to) Financing Transactions	2,019,510	5,256,677
Cash and Bank / Overdraft (Increase)/Decrease	3,101,446	590,565
Cash and Bank (Overdraft) at Beginning of Year	1,665,436	1,074,871
Cash and Bank (Overdraft) at End of Year	4,766,882	1,665,436

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	155,558,555	6,537,137	8,141,671	520,575	2,569,701	15,061,158	1,878,287	3,016,292	10,310,783	203,594,159	198,682,052
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	155,558,555	6,537,137	8,141,671	520,575	2,569,701	15,061,158	1,878,287	3,016,292	10,310,783	203,594,159	198,682,052
Add:											
Additions during the year	2,009,273	-	715,913	25,282	162,178	2,777,612	-	-	8,666,252	14,356,510	13,859,204
Less:											
Disposals and write downs	-	-	275,185	36,683	-	3,038,507	-	-	-	3,350,375	8,947,097
Closing Cost	157,567,828	6,537,137	8,582,399	509,174	2,731,879	14,800,263	1,878,287	3,016,292	18,977,035	214,600,294	203,594,159
Accumulated Amortization											
Opening, as previously reported	89,320,399	4,518,942	5,122,070	387,738	1,514,691	9,463,076		2,733,407		113,060,323	114,890,594
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	89,320,399	4,518,942	5,122,070	387,738	1,514,691	9,463,076		2,733,407		113,060,323	114,890,594
Add:											
Current period Amortization	3,731,126	216,529	541,375	45,614	352,707	3,062,956		81,263		8,031,570	7,116,825
Less:											
Accumulated Amortization on Disposals and Writedowns	-	-	275,185	36,683	-	3,038,507		-		3,350,375	8,947,096
Closing Accumulated Amortization	93,051,525	4,735,471	5,388,260	396,669	1,867,398	9,487,525		2,814,670		117,741,518	113,060,323
Net Tangible Capital Asset	64,516,303	1,801,666	3,194,139	112,505	864,481	5,312,738	1,878,287	201,622	18,977,035	96,858,776	90,533,836
Proceeds from Disposal of Capital Assets	-	-	1,952	11,934	-	-				13,886	13,595

* Includes network infrastructure.

RIVER EAST TRANSCONA SCHOOL DIVISION

Notes to Consolidated Financial Statements

June 30, 2020

1. NATURE OF ORGANIZATION AND ECONOMIC DEPENDENCE

The River East Transcona 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 generally accepted accounting principles established by PSAB of the Canadian Chartered Professional Accountants of Canada.

a) 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.

b) Trust Funds

The Division administers various trust funds. 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.

Trust funds, under PSAB are properties assigned to a trustee (school division) under a trust agreement or statute; the trustee merely administers the terms and conditions embodied in the agreement, and it has no unilateral authority to change the conditions set out in the trust indenture.

c) 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.

RIVER EAST TRANSCONA SCHOOL DIVISION
Notes to Consolidated Financial Statements
June 30, 2020

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Fund Accounting

The fund method of accounting is employed by the Division to record financial transactions in separate funds as defined by 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.

e) School Generated Funds

School generated funds are monies raised by the school, or under the auspices of the school, through extracurricular activities for the sole use of the school that the principal of each school, subject to the rules of the school board, may raise, hold, administer and expend for the purposes of the school.

Only revenue and expenses of school generated funds controlled by the Division are included in the 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.

f) 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.

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 CanaData construction cost indexes.

RIVER EAST TRANSCONA SCHOOL DIVISION
Notes to Consolidated Financial Statements
June 30, 2020

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Tangible Capital Assets (continued)

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 Division'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, 2006 has been valued by the Crown Lands and Property Agency at their estimated fair market value at the time of acquisition.

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

<u>Asset Description</u>	<u>Estimated Useful Life</u> (Years)
Land Improvements	10
Building - Brick, Mortar and Steel	40
Buildings - Wood Frame	25
School Buses	10
Vehicles	5
Equipment	5
Network Infrastructure	10
Computer Hardware, Servers & Peripherals	4
Computer Software	4
Furniture & Fixtures	10
Leasehold Improvements	Over term of lease

Land is not amortized. Capital leases with lease terms that have a bargain purchase option or allow ownership to pass to the Division are amortized on a straight line basis 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.

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.

g) 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.

RIVER EAST TRANSCONA SCHOOL DIVISION
Notes to Consolidated Financial Statements
June 30, 2020

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Employee Future Benefits (continued)

Under the Pension Plan for Non-Teaching Employees of Public School Boards in Manitoba, the Division's contribution equals the employee's contributions to the plan. No responsibility is assumed by the Division to make any further contributions.

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.

An employee future benefit liability is accrued for maternity and parental leave top up payments, a self-insured benefit obligation that is event driven. The benefit costs are recognized and recorded only in the period the event occurred.

h) 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.

i) 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 the estimates. Changes in estimates are recorded in the accounting period in which these changes are determined.

j) Financial Instruments

The Division's financial instruments include cash, accounts receivable, due to/from governments, other schools and First Nations, accounts payable, accrued liabilities and long-term debt. All financial instruments are initially recognized at fair value when the Division becomes a party to the contractual provisions of the financial instrument. Subsequently, all financial instruments are measured at amortized cost. The effective interest method is used to recognize interest income or expense. Transaction costs related to all financial instruments are expensed as incurred.

RIVER EAST TRANSCONA SCHOOL DIVISION
Notes to Consolidated Financial Statements
June 30, 2020

3. EMPLOYEE FUTURE BENEFITS

An employee future benefit liability of \$203,011 (2019 - \$365,179) has been accrued as at June 30, 2020 relating to maternity and parental leave top up payments. The employee future benefit expense is a part of the Employee Benefits and Allowances expense account.

Non-vested accumulated sick leave benefits are measured using net present value techniques of the expected future utilization of excess of sick benefits used over earned per year, to maximum entitlement. The impact of the estimated non-vested sick leave benefit is \$1,726,375 (2019 - \$1,812,239).

During the year ended June 30, 2020, the employer contributions to the Pension Plan for Non-Teaching Employees of Public School Boards in Manitoba amounted to \$2,421,090 (2019 - \$2,549,168). This amount has been expensed in the Division's financial statements for the year ended June 30, 2020.

4. 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 at June 30, 2019	Additions in the period	Revenue recognized in the period	Balance at June 30, 2020
Province of MB – EPTC*	\$ 8,326,603	\$ 6,258,375	\$ 8,326,603	\$ 6,258,375
Province of MB – Other	256,766	409,754	463,029	203,491
Tuition Fees	1,140,433	628,572	1,140,434	628,571
Donated Capital Asset	559,943	484,423	559,943	484,423
Miscellaneous	251,654	384,224	301,182	334,696
	<u>\$10,535,399</u>	<u>\$ 8,165,348</u>	<u>\$10,791,191</u>	<u>\$ 7,909,556</u>

*EPTC = Education Property Tax Credit

5. 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 \$2,105,631 (2019 - \$1,798,088).

RIVER EAST TRANSCONA SCHOOL DIVISION
Notes to Consolidated Financial Statements
June 30, 2020

6. BORROWINGS FROM PROVINCIAL GOVERNMENT

The debenture debt of the Division is in the form of twenty-year debentures payable, or promissory note, principal and interest, in equal yearly installments 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 2.62% 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 are:

	Principal	Interest	Total
2021	\$ 3,962,667	\$ 2,358,863	\$ 6,321,530
2022	3,846,694	2,172,943	6,019,637
2023	3,829,791	1,998,060	5,827,850
2024	3,739,741	1,827,741	5,567,482
2025	3,678,544	1,665,829	5,344,373
	<u>\$ 19,057,438</u>	<u>\$ 10,023,435</u>	<u>\$ 29,080,873</u>

7. OTHER BORROWINGS

Other borrowings are debts other than overdrafts and includes obligations related to capital leases and debentures for self-funded capital projects.

Capital lease loans have interest rates ranging from 2.34% to 4.16% per annum and have lease terms that expire between 2021 to 2025. These loans are secured by the assets to which the leases relate.

Principal and interest repayments related to obligations under capital leases are as follows:

	Principal	Interest	Total
2021	\$ 1,412,524	\$ 129,380	\$ 1,541,904
2022	981,382	82,519	1,063,902
2023	757,284	46,095	803,379
2024	530,536	19,883	550,419
2025	136,962	1,129	138,091
	<u>\$ 3,818,688</u>	<u>\$ 279,007</u>	<u>\$ 4,097,695</u>

RIVER EAST TRANSCONA SCHOOL DIVISION
Notes to Consolidated Financial Statements
June 30, 2020

7. OTHER BORROWINGS (continued)

The debentures for self-funded capital projects are in the form of twenty-year debt payable, principal and interest in equal yearly installments and maturing in 2022. These self-funded debentures carry interest rates of 6.875%. The principal and interest repayments for the debentures in the next five years are:

	Principal	Interest	Total
2021	\$ 204,596	\$ 29,099	\$ 233,695
2022	218,662	15,033	233,695
	<u>\$ 423,258</u>	<u>\$ 44,132</u>	<u>\$ 467,390</u>

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 asset class. The amount of interest capitalized in the period included in Assets under Construction was \$134,514 (2019 - \$96,527). Included in net tangible capital assets are assets relating to obligations under capital lease for the gross amount, accumulated amortization and net book value at June 30, 2020 are \$14,800,265, \$9,487,524 and \$5,312,741 respectively.

9. ACCUMULATED SURPLUS

The consolidated accumulated surplus is comprised of the following:

	<u>2020</u>	<u>2019</u>
Operating Fund		
Designated Surplus	\$10,891,320	\$ 1,349,380
Undesignated Surplus	2,153,040	7,267,759
Non-Vested Sick Leave	(1,726,374)	(1,812,239)
	<u>\$11,317,986</u>	<u>\$ 6,804,900</u>
Capital Fund		
Reserve Accounts	\$ 1,843,809	\$ 2,782,736
Equity in Tangible Capital Assets	25,240,969	24,778,557
	<u>\$ 27,084,778</u>	<u>\$ 27,561,293</u>
Special Purpose Fund		
School Generated Funds	\$ 331,427	\$ 378,443
	<u>\$ 331,427</u>	<u>\$ 378,443</u>
Total Accumulated Surplus	<u>\$ 38,734,191</u>	<u>\$ 34,744,636</u>

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. See page 5 of the audited financial statements for a detailed breakdown of the Designated Surplus.

RIVER EAST TRANSCONA SCHOOL DIVISION
Notes to Consolidated Financial Statements
June 30, 2020

9. ACCUMULATED SURPLUS (continued)

	<u>2020</u>	<u>2019</u>
Board approved appropriation by motion	\$ 102,978	\$ 33,647
School budget carryovers by board policy	3,056,342	1,317,733
Covid-19 Savings Related to School Closures	7,732,000	-
Designated surplus	<u>\$ 10,891,320</u>	<u>\$ 1,349,380</u>

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

School Generated Funds and Other Special Purpose Funds are externally restricted monies for school use.

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 student's resident in the division. The Municipal Government-Property Tax shown on the consolidated 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:

	<u>2020</u>	<u>2019</u>
Revenue-Municipal Government-Property Tax	<u>\$ 68,348,034</u>	<u>\$ 66,911,019</u>
Receivable-Due from Municipal Government-Property Tax	<u>\$ 41,106,406</u>	<u>\$ 40,188,366</u>

RIVER EAST TRANSCONA SCHOOL DIVISION
Notes to Consolidated Financial Statements
June 30, 2020

11. INTEREST RECEIVED AND PAID

The Division received interest during the year of \$227,249 (2019 - \$212,988).

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

	<u>2020</u>	2019
Operating Fund		
Fiscal-Short Term Loan, Interest and Bank Charges	\$ 42,620	\$ 83,338
Capital Fund		
Debenture Debt Interest	\$ 2,421,460	\$ 2,374,329
Interest on Obligation under Capital Lease	177,634	164,973
Other Interest	0	628
	<u>\$ 2,599,094</u>	<u>\$ 2,539,930</u>
Total Fiscal – Interest	<u>\$ 2,641,714</u>	<u>\$ 2,623,268</u>

The accrued portion of debenture debt interest expense at June 30, 2020 of \$1,118,419 (2019- \$1,122,538) 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	\$ 156,298,385	\$ 155,712,916	\$ 155,444,646
Employees benefits & allowances	10,910,179	11,506,864	11,237,682
Services	14,539,348	14,715,732	15,032,404
Supplies, materials, minor equipment	6,554,230	8,369,511	7,753,125
Payroll tax	3,229,782	3,350,000	3,300,526
Interest and bank charges	2,641,714	59,000	2,623,268
Other operating expenses	31,525	1,196,300	37,265
	<u>194,205,163</u>	<u>194,910,323</u>	<u>195,428,916</u>
School Divisions	687,257		598,891
Amortization	8,031,570		7,116,825
Other capital items	147,987		9,230
School generated funds	590,427		810,209
	<u>\$ 203,662,404</u>	<u>\$ 194,910,323</u>	<u>\$ 203,964,071</u>

RIVER EAST TRANSCONA SCHOOL DIVISION
Notes to Consolidated Financial Statements
June 30, 2020

13. SPECIAL LEVY RAISED FOR LA DIVISION SCOLAIRE FRANCO-MANITOBAINE

In accordance with Section 190.1 of The Public Schools Act the Division is required to collect a special levy on behalf La Division Scolaire Franco-Manitobaine. As at June 30, 2020, the amount of this special levy was \$1,388,245 (2019 - \$1,270,858). These amounts are not included in the Division's consolidated financial statements.

14. TRUST FUND

The Division administers the following trust funds, which are not reflected in the financial statements:

	<u>2020</u>	<u>2019</u>
<u>Scholarship Funds</u>		
Balance, beginning of year	\$ 262,906	\$ 268,753
Cash contributions received during the year	18,573	13,033
Interest income	4,404	4,983
Scholarships awarded	(16,922)	(23,863)
Balance, end of year	<u>\$ 268,965</u>	<u>\$ 262,906</u>
<u>Assets</u>		
Cash and investments	\$ 270,815	\$ 276,356
Accounts Payable	(1,850)	(13,450)
Balance end of year	<u>\$ 268,965</u>	<u>\$ 262,906</u>

15. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Division is exposed to credit, liquidity and interest rate risks in respect of its use of financial instruments.

Credit Risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to the counter party. The financial instruments that potentially subject the Division to credit risk consist principally of accounts receivable. The carrying amount of financial assets represents the maximum credit exposure. The Division's maximum possible exposure to credit risk is as follows:

	<u>2020</u>	<u>2019</u>
Cash	\$ 4,766,883	\$ 1,665,436
Due from – Provincial Government	4,364,578	3,905,481
– Federal Government	399,252	386,046
– Municipal Government	41,106,406	40,188,366
– Other School Divisions	-	1,300
– First Nations	56,350	61,525
Accounts Receivable	201,260	217,594

The Division's accounts receivable consist largely of the grants and revenues to be received from local, provincial, and federal governments. The Division is not exposed to significant credit risk as payments in full are typically collected when due.

RIVER EAST TRANSCONA SCHOOL DIVISION
Notes to Consolidated Financial Statements
June 30, 2020

15. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk

Liquidity risk relates to the Division's ability to access sufficient funds to meet its financial commitments. The following table details the Fund's remaining contractual maturities for its financial liabilities.

	Due < 1 year	Due > 1 year, < 2 years	Due > 2 years, < 3 years	Due > 3 years, < 4 years	Due > 4 years, < 5 years	Due > 5 years
Accounts payable	\$ 4,176,883	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued liabilities	28,863,418	-	-	-	-	-
Due to Governments	-	-	-	-	-	-
Debenture debt	3,962,667	3,846,694	3,829,791	3,739,741	3,678,544	39,921,129
Other borrowings	1,617,120	1,200,044	757,284	530,536	136,961	-

The Division's primary liquidity risk relates to its liability for debenture debt. The Division does not have material liabilities that can be called unexpectedly at the demand of a lender, and has no material commitments for capital expenditures, or need for same, in the normal course of business. As payment of principal and interest is funded entirely by grants from the Province of Manitoba, the Division is not exposed to significant liquidity risk.

Interest Rate Risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The interest rate exposure relates to debenture debt.