SEVEN OAKS
SCHOOL DIVISION
community begins here

SEVEN OAKS SCHOOL DIVISION

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MANAGEMENT REPORT

Management's Responsibility for the Financial Statements

The accompanying consolidated financial statements of Seven Oaks School Division are the responsibility of the Division's management and have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards. 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. The Division's 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 KPMG 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 26, 2020

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees

Opinion

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

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

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the **"*Auditors' Responsibilities for the Audit of the Financial Statements*"** section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the 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 Financial statements

Management is responsible for the preparation and fair presentation of the 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 the 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 the 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 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 Entity'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Entity 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.

- 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.

KPMG LLP

Chartered Professional Accountants

Winnipeg, Canada

October 26, 2020

I hereby certify that the preceding report has been presented to the members of the Board of Seven Oaks School Division.

Original Document Signed	October 26, 2020
Chairperson of the Board	Date

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2020	2019
	Financial Assets		
	Cash and Bank	-	-
	Due from - Provincial Government	5,159,692	5,607,920
	- Federal Government	526,892	541,218
	- Municipal Government	28,826,565	27,510,619
	- Other School Divisions	107	-
	- First Nations	355,719	438,000
	Accounts Receivable	150,529	199,841
	Accrued Investment Income	-	-
	Portfolio Investments	-	-
		35,019,504	34,297,598
	Liabilities		
3	Overdraft	5,474,858	17,132,987
	Accounts Payable	5,134,943	7,203,228
	Accrued Liabilities	6,749,359	1,401,822
4	Employee Future Benefits	635,224	662,130
	Accrued Interest Payable	1,707,788	1,513,360
	Due to - Provincial Government	510,201	492,171
	- Federal Government	5,760,729	5,868,435
	- Municipal Government	142,789	135,578
	- Other School Divisions	4,572	15,150
	- First Nations	-	-
7	Deferred Revenue	5,269,959	5,217,039
9	Borrowings from the Provincial Government	103,868,024	90,170,906
10	Other Borrowings	22,434,937	23,592,410
	School Generated Funds Liability	415,853	377,718
		158,109,236	153,782,934
	Net Assets (Debt)	(123,089,732)	(119,485,336)
	Non-Financial Assets		
11	Net Tangible Capital Assets (TCA Schedule)	181,316,242	172,422,009
	Inventories	28,005	3,735
	Prepaid Expenses	411,367	275,579
		181,755,614	172,701,323
12	**Accumulated Surplus**	58,665,882	53,215,987

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	108,482,454	108,765,486
	Federal Government	1,252,654	845,013
	Municipal Government - Property Tax	47,659,893	45,424,310
	- Other	-	86,417
	Other School Divisions	1,503,252	1,414,599
	First Nations	486,900	717,000
	Private Organizations and Individuals	1,884,421	2,009,245
	Other Sources	4,162,157	892,833
	School Generated Funds	77,332	84,656
	Other Special Purpose Funds	-	-
		165,509,063	160,239,559
	Expenses		
	Regular Instruction	87,522,076	83,656,708
	Student Support Services	26,688,812	26,634,766
	Adult Learning Centres	2,160,561	2,103,790
	Community Education and Services	2,046,423	2,269,359
	Divisional Administration	3,985,096	4,324,746
	Instructional and Other Support Services	5,698,137	5,507,623
	Transportation of Pupils	3,784,263	4,510,362
	Operations and Maintenance	14,184,210	13,601,359
15	Fiscal - Interest	4,766,585	4,589,012
	- Other	2,386,467	2,373,357
	Amortization	6,779,458	6,464,444
	Other Capital Items	22,944	-
	School Generated Funds	61,042	67,712
	Other Special Purpose Funds	-	-
		160,086,074	156,103,238
	Current Year Surplus (Deficit) before Non-vested Sick Leave	5,422,989	4,136,321
	Less: Non-vested Sick Leave Expense (Recovery)	(26,906)	99,014
	Net Current Year Surplus (Deficit)	5,449,895	4,037,307
	Opening Accumulated Surplus	53,215,987	49,178,680
	Adjustments: Tangible Cap. Assets and Accum. Amort.	-	-
	Other than Tangible Cap. Assets	-	-
	Non-vested sick leave - prior years	-	-
	Opening Accumulated Surplus, as adjusted	53,215,987	49,178,680
	Closing Accumulated Surplus	58,665,882	53,215,987

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)	5,449,895	4,037,307
Amortization of Tangible Capital Assets	6,779,458	6,464,444
Acquisition of Tangible Capital Assets	(15,719,691)	(18,304,800)
(Gain) / Loss on Disposal of Tangible Capital Assets	(3,809,903)	(19,895)
Proceeds on Disposal of Tangible Capital Assets	3,855,903	60,460
	(8,894,233)	(11,799,791)
Inventories (Increase)/Decrease	(24,270)	9,430
Prepaid Expenses (Increase)/Decrease	(135,788)	26,575
	(160,058)	36,005
(Increase)/Decrease in Net Debt	(3,604,396)	(7,726,479)
Net Debt at Beginning of Year	(119,485,336)	(111,758,857)
Adjustments Other than Tangible Cap. Assets	-	-
	(119,485,336)	(111,758,857)
Net Assets (Debt) at End of Year	(123,089,732)	(119,485,336)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2020

	2020	2019
Operating Transactions		
Net Current Year Surplus (Deficit)	5,449,895	4,037,307
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	6,779,458	6,464,444
(Gain)/Loss on Disposal of Tangible Capital Assets	(3,809,903)	(19,895)
Employee Future Benefits Increase/(Decrease)	(26,906)	99,014
Due from Other Organizations (Increase)/Decrease	(771,218)	(1,117,266)
Accounts Receivable & Accrued Income (Increase)/Decrease	49,312	270,146
Inventories and Prepaid Expenses - (Increase)/Decrease	(160,058)	36,005
Due to Other Organizations Increase/(Decrease)	(93,043)	196,028
Accounts Payable & Accrued Liabilities Increase/(Decrease)	3,473,680	30,302
Deferred Revenue Increase/(Decrease)	52,920	(9,761)
School Generated Funds Liability Increase/(Decrease)	38,135	(97,959)
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by (Applied to) Operating Transactions	10,982,272	9,888,365
Capital Transactions		
Acquisition of Tangible Capital Assets	(15,719,691)	(18,304,800)
Proceeds on Disposal of Tangible Capital Assets	3,855,903	60,460
Cash Provided by (Applied to) Capital Transactions	(11,863,788)	(18,244,340)
Investing Transactions		
Portfolio Investments (Increase)/Decrease	-	458,805
Cash Provided by (Applied to) Investing Transactions	-	458,805
Financing Transactions		
Borrowings from the Provincial Government Increase/(Decrease)	13,697,118	5,604,897
Other Borrowings Increase/(Decrease)	(1,157,473)	5,295,294
Cash Provided by (Applied to) Financing Transactions	12,539,645	10,900,191
Cash and Bank / Overdraft (Increase)/Decrease	11,658,129	3,003,021
Cash and Bank (Overdraft) at Beginning of Year	(17,132,987)	(20,136,008)
Cash and Bank (Overdraft) at End of Year	(5,474,858)	(17,132,987)

Seven Oaks School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2020

	Buildings and Leasehold Improvements		School	Other	Furniture / Fixtures &	Computer Hardware &		Land	Assets Under	2020	2019
	School	Non-School	Buses	Vehicles	Equipment	Software *	Land	Improvements	Construction	TOTALS	TOTALS
Tangible Capital Asset Cost											
Opening Cost, as previously reported	188,369,429	17,003,515	5,880,538	576,727	2,805,358	3,546,071	19,747,721	1,132,660	9,471,095	248,533,114	230,490,982
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	188,369,429	17,003,515	5,880,538	576,727	2,805,358	3,546,071	19,747,721	1,132,660	9,471,095	248,533,114	230,490,982
Add:											
Additions during the year	5,173,059	198,036	511,910	39,332	373,482	100,963	-	-	9,322,909	15,719,691	18,304,800
Less:											
Disposals and write downs	-	586,733	179,838	13,575	31,760	65,000	13,500	-	-	890,406	262,668
Closing Cost	193,542,488	16,614,818	6,212,610	602,484	3,147,080	3,582,034	19,734,221	1,132,660	18,794,004	263,362,399	248,533,114
Accumulated Amortization											
Opening, as previously reported	65,156,915	2,032,524	3,422,314	403,194	2,040,279	2,408,517		647,362		76,111,105	69,868,764
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	65,156,915	2,032,524	3,422,314	403,194	2,040,279	2,408,517		647,362		76,111,105	69,868,764
Add:											
Current period Amortization	5,176,175	409,497	446,894	54,358	298,651	280,617		113,266		6,779,458	6,464,444
Less:											
Accumulated Amortization on Disposals and Writedowns	-	586,733	179,838	13,575	31,760	32,500		-		844,406	222,103
Closing Accumulated Amortization	70,333,090	1,855,288	3,689,370	443,977	2,307,170	2,656,634		760,628		82,046,157	76,111,105
Net Tangible Capital Asset	123,209,398	14,759,530	2,523,240	158,507	839,910	925,400	19,734,221	372,032	18,794,004	181,316,242	172,422,009
Proceeds from Disposal of Capital Assets	-	3,831,903	7,500	-	16,500					3,855,903	60,460

* Includes network infrastructure.

1. Nature of organization and economic dependence:

Seven Oaks School Division (the "Division"), is a public corporate body that provides educational programming 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 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 significant accounting policies of the Division include:

(a) Reporting entity and consolidation:

The Division's reporting entities are comprised of the Division and school generated funds.

The consolidated financial statements reflect the assets, liabilities, revenues and expenditures of the Division's Operating Fund, Capital Fund, and Special Purpose Fund.

(b) Basis of accounting:

These consolidated financial statements are prepared by management in accordance with generally accepted accounting principles established by the Canadian Public Sector Accounting Board (PSAB). Revenues and expenditures are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they are earned and measurable; expenditures are recognized as they are incurred and measurable as a result of the receipt of goods and services acquired in the period whether or not payment has been made or invoices received.

(c) 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.

2. Significant accounting policies (continued):

The Division holds funds in trust (amounts contributed in trust) for the following organizations:

Maples Youth Activity Centre	$	42,087
Kildonan Youth Activity Centre		9,950
Dakota Ojibway Child & Family Service Winnipeg Foundation Grant		29,233
	$	81,270

The amounts contributed by the Division will be reimbursed by these organizations.

(d) Fund accounting:

The Division records financial transactions in separate funds as defined by Financial Reporting and Accounting in Manitoba Education (FRAME).

The Operating Fund is maintained to record all the day to day operating revenues and expenditures. 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.

(e) 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 as revenue in the fiscal year the related expenditures are incurred or services performed.

(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.

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.

2. Significant accounting policies (continued):

Asset description	Capitalization threshold	Estimated useful life (years)
Land improvements	$ 50,000	10
Buildings - bricks, mortar and steel	50,000	40
Building - wood frame	50,000	25
School buses	50,000	10
Vehicles	10,000	5
Equipment	10,000	5
Network infrastructure	25,000	10
Computer hardware, services and peripherals	10,000	4
Computer software	10,000	4
Furniture and fixtures	10,000	10
Leasehold improvements	25,000	Over term of the lease

With the exception of certain buildings, all tangible capital assets are recorded at historical cost.

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.

Tangible capital assets are amortized on a straight-line basis over their estimated useful lives as prescribed by FRAME. Land is not 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.

(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 consolidated financial statements.

However, the Division provides retirement and other future benefits to its employees. These benefits include pension and supplemental unemployment benefits.

2. Significant accounting policies (continued):

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

(i) Defined contribution plan:

The Division provides retirement benefits to its administrative employees through a defined contribution plan under the Manitoba School Boards Association Pension Plan (MSBA). Under this plan, specific fixed amounts are contributed by the Division each period for services rendered by the employees. No responsibility is assumed by the Division to make any further contributions.

(ii) Self-insured employee future benefits plan:

For those 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.

(iii) Non-vesting accumulated sick days:

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.

(h) Capital reserve:

Certain amounts approved by the Board of Trustees and the Public Schools Finance Board have been set aside in reserve accounts for future capital purposes as detailed on page 24 of the consolidated financial statements. These capital reserve accounts are internally restricted funds that form part of the accumulated surplus presented in the consolidated statement of financial position.

(i) 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 transfers are authorized, any eligibility criteria have been met and reasonable estimates of the amount can be made.

2. Significant accounting policies (continued):

(j) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the year. Significant items subject to estimates include the carrying amount of capital assets. Actual results could differ from those estimates.

(k) Financial instruments:

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

(l) Liability for contaminated sites:

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of contaminated sites is recognized when a site is not in productive use all the following criteria are met:

(i) An environmental standard exists;

(ii) Contamination exceeds the environmental standard;

(iii) The Division is directly responsible or accepts responsibility;

(iv) Is expected that the future economic benefits will be given up; and

(v) A reasonable estimate of the amount can be made.

The liability is recognized as management's estimate of the cost of post-remediation including operation, maintenance and monitoring that are an integral part of the remediation strategy for a contaminated site.

3. Overdraft:

The Division has authorized revolving demand facility with the Royal Bank of Canada (RBC) of $20,000,000 by way of overdrafts and letters of guarantee. The loans are repayable on demand at RBC prime less 0.25 percent. Interest is paid monthly.

4. Non-vested accumulated sick leave benefits:

Non-vested accumulated sick leave benefits are measured using net present value techniques on the expected future utilization of excess of sick benefits used over earner per year, to maximum entitlement. The impact of the estimated non-vested sick leave benefit cost for the year ended June 30, 2020 is a decrease of $26,906 (2019 - increase of $99,014). At June 30, 2020, the Division has recorded an estimated liability of $635,224 (2019 - $662,130) in respect of these benefits.

The significant assumptions adopted in measuring the non-vested accumulated sick leave benefit liability include a discount rate of 3.8 percent (2019 - 4 percent) and a rate of salary increase of 0 percent (2019 - 0 percent).

5. 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 their age at the beginning of the year and rates of pay. Each age group under the MSBA pension plan has a specific percentage for the employee to contribution. The Division contributions equal the employee contributions to the plan. No pension liability is included in the financial statements.

The employee benefit expense is part of the employee benefits and allowances expense. It includes the Division’s contribution of $2,230,364 for fiscal 2020 (2019 - $2,084,887).

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

Supplemental unemployment benefits are defined benefits that are recognized and recorded only in the period when the events occur (e.g. maternity top up).

6. Commitments:

On March 12, 2018, the Division received approval from the Province of Manitoba for the construction of a new school to be located on Templeton Avenue in Precinct E. The projected completion date of construction is September 2020, and is projected to cost $15,800,000.

7. Deferred revenue:

	Balance June 30, 2019	Additions in the period	Revenue recognized in the period	Balance June 30, 2020
Education Property Tax Credit	$ 5,059,304	$ 12,513,747	$ 12,560,042	$ 5,013,009
Bus pass fees	17,036	257,260	247,369	26,927
Other special purpose funds:				
My Camp / Summer grants	26,200	14,300	27,500	13,000
Summer school fees	6,600	5,410	12,010	–
School & Other grants	65,466	342,814	202,057	206,223
CVE fees	13,350	27,450	30,000	10,800
NIB trust	28,583	70,743	99,326	–
Facility rent	500	–	500	–
	$ 5,217,039	$ 13,231,724	$ 13,178,804	$ 5,269,959

8. School generated funds:

School generated funds are monies 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. At June 30, 2020, school funds held in the Special Purpose Fund totaled $585,644 (2019 - $531,219).

The school generated funds liability of $415,853 at June 30, 2020 (2019 - $377,718) comprises the portion of the school generated funds that are not controlled.

9. Debenture debt:

The debenture debt of the Division is in the form of twenty-year debentures payable, principal and interest, in twenty equal yearly installments and maturing at various dates from fiscal 2021 to fiscal 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 percent to 7.25 percent. The debenture principal and interest repayments in the next five years and thereafter are:

	Principal	Interest	Total
2021	$ 6,083,612	$ 4,020,570	$ 10,104,182
2022	6,192,149	3,759,640	9,951,789
2023	6,302,520	3,497,260	9,799,780
2024	6,424,329	3,233,218	9,657,547
2025	6,588,805	2,966,324	9,555,129
Thereafter	72,276,609	16,181,243	88,457,852
	$ 103,868,024	$ 33,658,255	$ 137,526,279

9. Debenture debt (continued):

Effective March 31, 2020 the Public Schools Finance Board (PSFB) changed the process for issuing long-term debt, from reimbursing costs to advancing payments to school divisions. Any unused balances of the advances as at year-end will be recorded in the cash account of the Capital Fund. At June 30, 2020 the unused portion of capital advances was $1,651,852 (2019 - nil).

10. Other borrowings:

Garden City Collegiate Link Loan, Land Loan, Seven Oaks MET School Renovation and Seven Oaks Performing Arts Centre (SOPAC) and Learning & Service Centre Loans:

The Garden City Collegiate Link loan is a 5.20 percent fixed rate term loan from RBC Life Insurance Company which is repayable over 20 years. The principal amount outstanding at June 30, 2020 is $5,423,937 (2019 - $5,854,410). The purpose of the loan was to fund the construction of the Garden City Collegiate Link and Garden City Collegiate renovation project.

The Land loan is a 1.59% Interest Rate Swap loan for a 5 year term. The principal amount outstanding at June 30, 2020 is $1,363,000 (2019 - $1,436,000) The purpose of the loan is to provide interim financing until new school build is approved.

The Seven Oaks MET School Renovation and SOPAC loan is a 2.47 percent Interest Rate Swap loan repayable over 20 years. The principal outstanding at June 30, 2020 is $3,020,000 (2019- $3,175,000). The purpose of the loan is to fund a portion of SOPAC and all of the Seven Oaks MET School. The SOPAC and Learning and Service Centre loan is a 2.98 percent Interest Rate Swap loan repayable over 19.75 years. The principal amount outstanding at June 30, 2020 is $12,628,000 (2019 - $13,127,000). The purpose of the loan is to fund a portion of the construction of the SOPAC and entire construction of the Service Centre facility.

Principal and interest payments in the next five years and thereafter are as follows:

	Principal	Interest	Total
2021	$ 2,487,399	$ 732,890	$ 3,220,289
2022	1,169,545	670,978	1,840,523
2023	1,213,978	625,709	1,839,687
2024	1,261,765	579,438	1,841,203
2025	1,310,979	530,635	1,841,614
Thereafter	14,991,271	2,860,833	17,852,104
	$ 22,434,937	$ 6,000,483	$ 28,435,420

11. Net tangible capital assets:

The schedule of tangible capital assets, page 23 of the consolidated financial statements provides a breakdown of cost, accumulated amortization, and net book value by class.

	Gross amount	Accumulated amortization	Net book value
Tangible capital assets	$ 263,362,399	$ 82,046,157	$ 181,316,242

12. Accumulated surplus:

The consolidated accumulated surplus is comprised of the following:

	2020	2019
Operating Fund:		
Designated surplus	$ 6,456,900	$ 4,951,686
Undesignated surplus	10,617	1,316,217
Non-Vested sick leave	(635,224)	(662,129)
	5,832,293	5,605,774
Capital Fund:		
Reserve accounts	99,896	488,370
Equity in tangible capital assets	52,563,902	46,968,342
	52,663,798	47,456,712
Special Purpose Fund:		
School generated funds	169,791	153,501
	$ 58,665,882	$ 53,215,987

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 consolidated financial statements for a detailed breakdown of the designated surplus.

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 of the consolidated financial statements.

School Generated Funds are externally restricted monies for school use.

13. Expenditures by type:

Expenditures by type not otherwise disclosed in these consolidated financial statements are listed on page 11.

14. Related party transactions:

The Seven Oaks Education Foundation Inc. (the "Foundation") was incorporated on July 17, 2001 to assist students to further their education beyond the high school level. Currently, there are no trustees of the Division sitting on the Foundation's Board.

During fiscal 2020, the Division provided a grant to the Foundation in the amount of $25,250 (2019 - $25,250).

15. Interest paid:

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

	2020	2019
Operating Fund:		
Overdraft interest	$ 134,439	$ 309,709
Capital Fund:		
Debenture debt interest - PSFB funded	3,852,479	3,669,318
Loan interest	779,667	609,985
	$ 4,766,585	$ 4,589,012

16. COVID-19 pandemic:

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market and social dislocating impact. During the June 30, 2020 fiscal year, as a result of the COVID-19 pandemic the Division experienced a closure of its schools and division office, virtually instructed student learning for the last 3 months of the fiscal year based on public health recommendations, lay-offs of teacher's assistance, bus drivers, and other part-time and casual employees and mandatory working from home requirements for those able to do so. Students were brought back into the schools on a limited basis in June for in school learning and the division ran summer programming through July and August.

16. COVID-19 pandemic (continued):

At the time of approval of these financial statements, the Division has resumed in-class learning at its schools following the safety protocols as directed by the Province of Manitoba. A combination of in-class learning and virtual learning is currently in place at the Division's high schools, with full-time in-class learning at schools with Kindergarten to grade 8 students.

Financial statements are required to be adjusted for events occurring between the date of the financial statements and the date of the auditors' report which provide additional evidence relating to conditions that existed as at year end. Management completed this assessment and made adjustments that were required in these financial statements. At this time, there are also other factors which present uncertainty over future cash flows, may cause significant changes to the assets or liabilities and may have a significant impact on future operations of the Division. An estimate of the financial effect of these items is not practicable at this time.