

## MANAGEMENT REPORT

### Management's Responsibility for the Financial Statements

The accompanying consolidated financial statements of Sunrise 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 established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. A summary of the significant accounting policies are described in Note 2 to the consolidated financial statements.

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

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

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

Original Document Signed  
Chairperson

Original Document Signed  
Secretary-Treasurer

October 20, 2020



Tel: 204 956 7200  
Fax: 204 926 7201  
Toll-free: 866 863 6601  
www.bdo.ca

BDO Canada LLP  
201 Portage Avenue - 26th Floor  
Winnipeg MB R3B 3K6 Canada

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## Independent Auditor's Report

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To the Chairperson and Board of Trustees of **Sunrise School Division**

We have audited the consolidated financial statements of **Sunrise School Division** (the "Division"), which comprise the consolidated statement of financial position as at June 30, 2020, and the consolidated statement of revenue, expenses and accumulated surplus, consolidated statement of change in net debt and consolidated 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.

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

### **Basis for Opinion**

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Division in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Division's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Division or to cease operations, or has no realistic alternative but to do so.

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Division's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Division's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Division to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Division to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*BDO Canada LLP*

Chartered Professional Accountants

Winnipeg, Manitoba  
October 20, 2020

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

Oct 20/20  
Date

Original Document Signed  
Chairperson

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2020	2019
	<b>Financial Assets</b>		
	Cash and Bank	-	-
	Due from - Provincial Government	5,639,972	5,268,635
	- Federal Government	166,604	292,739
	- Municipal Government	17,317,183	16,505,139
	- Other School Divisions	-	1,401
	- First Nations	106,775	54,481
	Accounts Receivable	53,495	105,318
	Accrued Investment Income	-	-
	Portfolio Investments	-	-
		<u>23,284,029</u>	<u>22,227,713</u>
	<b>Liabilities</b>		
*	Overdraft	16,532,804	16,235,552
	Accounts Payable	1,128,690	1,929,437
	Accrued Liabilities	1,664,390	874,372
*	Employee Future Benefits	832,102	956,364
	Accrued Interest Payable	424,507	424,791
	Due to - Provincial Government	2,205	4,178
	- Federal Government	699	1,364
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
*	Deferred Revenue	711,740	1,305,169
*	Borrowings from the Provincial Government	29,100,208	28,486,274
*	Other Borrowings	1,684,471	1,962,703
	School Generated Funds Liability	<u>62,035</u>	<u>53,711</u>
		<u>52,143,851</u>	<u>52,233,915</u>
	<b>Net Assets (Debt)</b>	<u>(28,859,822)</u>	<u>(30,006,202)</u>
	<b>Non-Financial Assets</b>		
*	Net Tangible Capital Assets (TCA Schedule)	46,072,149	45,530,633
	Inventories	405,950	476,015
	Prepaid Expenses	<u>290,757</u>	<u>158,914</u>
		<u>46,768,856</u>	<u>46,165,562</u>
*	<b>Accumulated Surplus</b>	<u>17,909,034</u>	<u>16,159,360</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
	<b>Revenue</b>		
	Provincial Government	40,508,947	40,877,574
	Federal Government	-	-
	Municipal Government - Property Tax	29,802,445	28,657,860
	- Other	-	-
	Other School Divisions	148,059	93,360
	First Nations	351,608	373,672
	Private Organizations and Individuals	38,602	94,611
	Other Sources	175,535	157,553
	School Generated Funds	666,324	914,169
	Other Special Purpose Funds	16,884	22,605
		<u>71,708,404</u>	<u>71,191,404</u>
	<b>Expenses</b>		
	Regular Instruction	35,049,419	35,302,952
	Student Support Services	13,034,391	12,918,786
	Adult Learning Centres	967,911	960,232
	Community Education and Services	235,295	318,412
	Divisional Administration	2,030,074	2,195,823
	Instructional and Other Support Services	1,598,993	1,612,566
	Transportation of Pupils	4,543,270	5,225,553
	Operations and Maintenance	6,266,147	6,398,916
*	Fiscal - Interest	1,531,451	1,449,991
	- Other	1,090,261	1,065,753
	Amortization	3,115,864	3,094,554
	Other Capital Items	1	-
	School Generated Funds	625,781	925,589
	Other Special Purpose Funds	4,802	8,261
		<u>70,093,660</u>	<u>71,477,388</u>
	Current Year Surplus (Deficit) before Non-vested Sick Leave	<u>1,614,744</u>	<u>(285,984)</u>
	Less: Non-vested Sick Leave Expense (Recovery)	<u>(134,930)</u>	<u>98,121</u>
	Net Current Year Surplus (Deficit)	<u>1,749,674</u>	<u>(384,105)</u>
	Opening Accumulated Surplus	16,159,360	16,543,465
	Adjustments: Tangible Cap. Assets and Accum. Amort.	-	-
	Other than Tangible Cap. Assets	-	-
	Non-vested sick leave - prior years	-	-
	Opening Accumulated Surplus, as adjusted	<u>16,159,360</u>	<u>16,543,465</u>
	<b>Closing Accumulated Surplus</b>	<u>17,909,034</u>	<u>16,159,360</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)	1,749,674	(384,105)
Amortization of Tangible Capital Assets	3,115,864	3,094,554
Acquisition of Tangible Capital Assets	(3,657,380)	(9,661,769)
(Gain) / Loss on Disposal of Tangible Capital Assets	-	-
Proceeds on Disposal of Tangible Capital Assets	-	-
	(541,516)	(6,567,215)
Inventories (Increase)/Decrease	70,065	23,498
Prepaid Expenses (Increase)/Decrease	(131,843)	4,914
	(61,778)	28,412
(Increase)/Decrease in Net Debt	1,146,380	(6,922,908)
Net Debt at Beginning of Year	(30,006,202)	(23,083,294)
Adjustments Other than Tangible Cap. Assets	-	-
	(30,006,202)	(23,083,294)
Net Assets (Debt) at End of Year	(28,859,822)	(30,006,202)

**CONSOLIDATED STATEMENT OF CASH FLOW**  
For the Year Ended June 30, 2020

	2020	2019
<b>Operating Transactions</b>		
Net Current Year Surplus (Deficit)	1,749,674	(384,105)
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	3,115,864	3,094,554
(Gain)/Loss on Disposal of Tangible Capital Assets	-	-
Employee Future Benefits Increase/(Decrease)	(124,262)	107,233
Due from Other Organizations (Increase)/Decrease	(1,108,139)	684,871
Accounts Receivable & Accrued Income (Increase)/Decrease	51,823	(73,562)
Inventories and Prepaid Expenses - (Increase)/Decrease	(61,778)	28,412
Due to Other Organizations Increase/(Decrease)	(2,638)	16
Accounts Payable & Accrued Liabilities Increase/(Decrease)	(11,013)	389,417
Deferred Revenue Increase/(Decrease)	(593,429)	724,486
School Generated Funds Liability Increase/(Decrease)	8,324	2,168
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by (Applied to) Operating Transactions	3,024,426	4,573,490
<b>Capital Transactions</b>		
Acquisition of Tangible Capital Assets	(3,657,380)	(9,661,769)
Proceeds on Disposal of Tangible Capital Assets	-	-
Cash Provided by (Applied to) Capital Transactions	(3,657,380)	(9,661,769)
<b>Investing Transactions</b>		
Portfolio Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
<b>Financing Transactions</b>		
Borrowings from the Provincial Government Increase/(Decrease)	613,934	6,770,808
Other Borrowings Increase/(Decrease)	(278,232)	(328,533)
Cash Provided by (Applied to) Financing Transactions	335,702	6,442,275
Cash and Bank / Overdraft (Increase)/Decrease	(297,252)	1,353,996
Cash and Bank (Overdraft) at Beginning of Year	(16,235,552)	(17,589,548)
Cash and Bank (Overdraft) at End of Year	(16,532,804)	(16,235,552)

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									
<b>Tangible Capital Asset Cost</b>											
Opening Cost, as previously reported	58,515,271	8,097,823	12,061,882	396,111	2,578,595	4,854,080	235,582	581,574	9,911,113	97,232,031	87,570,262
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	58,515,271	8,097,823	12,061,882	396,111	2,578,595	4,854,080	235,582	581,574	9,911,113	97,232,031	87,570,262
Add:											
Additions during the year	9,585,561	2,521,109	906,394	-	83,865	-	231,293	32,387	(9,703,229)	3,657,380	9,661,769
Less:											
Disposals and write downs	-	-	-	-	-	-	-	-	-	-	-
Closing Cost	68,100,832	10,618,932	12,968,276	396,111	2,662,460	4,854,080	466,875	613,961	207,884	100,889,411	97,232,031
<b>Accumulated Amortization</b>											
Opening, as previously reported	34,470,031	2,469,367	7,861,774	221,414	2,185,459	4,124,255		369,098		51,701,398	48,606,844
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	34,470,031	2,469,367	7,861,774	221,414	2,185,459	4,124,255		369,098		51,701,398	48,606,844
Add:											
Current period Amortization	1,617,129	220,344	783,106	54,696	113,456	277,684		49,449		3,115,864	3,094,554
Less:											
Accumulated Amortization on Disposals and Writedowns	-	-	-	-	-	-		-		-	-
Closing Accumulated Amortization	36,087,160	2,689,711	8,644,880	276,110	2,298,915	4,401,939		418,547		54,817,262	51,701,398
<b>Net Tangible Capital Asset</b>	32,013,672	7,929,221	4,323,396	120,001	363,545	452,141	466,875	195,414	207,884	46,072,149	45,530,633
<b>Proceeds from Disposal of Capital Assets</b>	-	-	-	-	-	-				-	-

\* Includes network infrastructure.



**SUNRISE SCHOOL DIVISION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2020**

**1. Nature of Organization and Economic Dependence**

The Sunrise 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 assessments included in the Division's boundaries. The Division is exempt from income tax and is a registered charity under the Income Tax Act.

The Division is economically dependent on the Province for the majority of its revenue and capital financing requirements. Without this funding, the Division would not be able to continue its operations.

**2. Significant Accounting Policies**

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

Reporting Entity and Consolidation

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

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

Trust Funds

The 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.

Basis of Accounting

Revenues and expenses are reported on the accrual basis of accounting except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable. The accrual basis of accounting recognizes revenues as they are earned and measurable; expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay. Expenses also include the amortization of tangible capital assets.

Fund Accounting

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

The Operating Fund is maintained to record all the day to day operating revenues and expenses. The Capital Fund is used to account for the acquisition, amortization, disposal and financing of capital assets. The Special Purpose Fund is used to account for school generated funds and charitable foundations controlled by the Division.

School Generated Funds

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

Only revenue and expenses of school generated funds controlled by the Division are included in the Consolidated Statement of Revenue, Expenses and Accumulated Surplus. To be deemed as controlled, a school must have the unilateral authority to make the decisions as to when, how and on what the funds are to be spent.

**SUNRISE SCHOOL DIVISION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2020**

School Generated Funds (continued)

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.

Tangible Capital Assets

Tangible capital assets are non-financial assets that are used by the Division to provide services to the public and have an economic life beyond one fiscal year. Tangible capital assets include land, buildings, buses, other vehicles, furniture and equipment, computers, capital leases, leasehold improvements, and assets under construction.

To be classified as tangible capital assets, each asset other than land must individually meet the capitalization threshold for its class as prescribed by FRAME.

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

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

With the exception of land, all tangible capital assets, are recorded at historical cost, which includes purchase price, installation costs and other costs incurred to put the asset into service.

Buildings are recorded at historical cost when known. For buildings acquired prior to June 30, 2005 where the actual cost was not known, the replacement value for insurance purposes as at June 30, 2005 was regressed to the date of acquisition using a regression index based on Southam and CanaData construction cost indices.

All land acquired prior to June 30, 2006 has been valued by the Crown Lands and Property Agency.

All tangible capital assets, except for land, and assets under construction, are amortized on a straight-line basis over their estimated useful lives as prescribed by FRAME. Land is not amortized.

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

Assets under construction are not amortized until the date of substantial completion. Interest on funds used to finance school buildings under construction is capitalized for the periods preceding the date of substantial completion.

Employee Future Benefits

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

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

**SUNRISE SCHOOL DIVISION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
For the Year Ended June 30, 2020**

Employee Future Benefits (continued)

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

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

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.

Use of Estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates, as additional information becomes available in the future.

**3. Bank Overdraft**

As of June 30, 2020, the Division's authorized line of credit with Sunova Credit Union was \$27,500,000 by way of overdrafts. The line of credit is repayable on demand at the bank's prime rate less 0.75% (1.7% as of June 30, 2020); interest is paid monthly. Overdrafts are secured by a borrowing by-law. As at June 30, 2020, the Division's operating line of credit was being utilized.

**4. Employee Future Benefits**

The Division sponsors a defined contribution pension plan, administered by 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 employees to contribute. The Division contributions equal the employee contributions to the plan. No pension liability is included in the financial statements.

Effective January 1, 2019, the pension plan was amended by changing the scheduled contribution rates for both members and school boards to 8% of "earnings for the year" as defined under the plan.

The employee future benefit expense is a part of the Employee Benefits and Allowances expense account which includes pension expense for the year of \$811,143 (\$803,043 in 2019).

Non-vested accumulating sick leave benefits are measured using net present value techniques on the expected future utilization of excess of sick leave benefits used over earned per year, to maximum entitlement. The non-vested sick leave recovery for the year is \$134,930 (\$98,121 expense in 2019).

Employee future benefits of \$832,102 recorded as a liability consists of maternity/parental benefits of \$67,673, vacation accrual of \$375,240 and sick leave liability of \$389,187 as of June 30, 2020.

**SUNRISE SCHOOL DIVISION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2020

**5. Deferred Revenue**

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

	Balance As at June 30 2019	Additions in the Period	Revenue Recognized in the Period	Balance as at June 30 2020
Education Property Tax Credit	\$ 1,249,859	\$ 6,836,313	\$ 7,491,546	\$ 594,626
Tax Incentive Grant	-	1,806,954	1,806,954	-
Grants from outside sources	55,310	156,448	94,644	117,114
	<u>\$ 1,305,169</u>	<u>\$ 8,799,715</u>	<u>\$ 9,393,144</u>	<u>\$ 711,740</u>

**6. Debenture Debt**

The debenture debt of the School Division is in the form of twenty-year debentures payable, principal and interest, in twenty equal yearly instalments and maturing at various dates from 2020 to 2040. Payment of principal and interest is funded entirely by grants from the Province of Manitoba except for the debenture debt on self-funded capital projects. The debentures carry interest rates that range from 2.875% to 7.250%. 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 total debenture principal and interest repayments in the next five years are:

2021	\$ 3,509,346
2022	3,422,482
2023	3,109,791
2024	2,648,240
2025	2,369,910

**7. Other Borrowings**

Other borrowings consists of a demand term loan used to finance the construction of the new bus garage and a vehicle loan. The demand term loan requires monthly payments of \$25,000 plus interest at 1.95% at June 30, 2020. The vehicle loan requires annual payments of \$6,273.

The total principal and interest repayments in the next five years are:

2021	\$337,308
2022	330,936
2023	331,518
2024	324,168
2025	316,818

**8. School Generated Funds Liability**

School Generated Funds Liability represents the non-controlled portion of school generated funds. At June 30, 2020, an amount equal to the liability of \$62,035 (\$53,711 at June 30, 2019) is included in overdraft on the Consolidated Statement of Financial Position.

**9. Net Tangible Capital Assets**

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

**SUNRISE SCHOOL DIVISION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2020**

**10. Accumulated Surplus**

The consolidated accumulated surplus is comprised of the following:

	<u>2020</u>	<u>2019</u>
Operating Fund		
Designated Surplus	\$ -	\$ -
Undesignated Surplus	3,698,844	2,449,831
Non-vested Sick Leave	(389,189)	(524,119)
	<u>3,309,655</u>	<u>1,925,712</u>
Capital Fund		
Reserve Accounts	571,839	718,954
Equity in Tangible Capital Assets	13,530,051	13,051,183
	<u>14,101,890</u>	<u>13,770,137</u>
Special Purpose Fund		
School Generated Funds	444,888	409,891
Other	52,601	53,620
	<u>497,489</u>	<u>463,511</u>
Total Accumulated Surplus	<u>\$17,909,034</u>	<u>\$16,159,360</u>

Designated Surplus under the Operating Fund represents internally restricted amounts appropriated by the Board of Trustees or, in the case of school budget carryovers, by Board policy. The details of Designated Surplus are disclosed on Page 5 of the consolidated financial statements.

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

**11. 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 statement of revenue and expense is raised over the two calendar (tax) years; 42.5% from 2019 tax year and 57.5% from 2020 tax year. Below are the related revenue and receivable amounts:

	<u>2020</u>	<u>2019</u>
Revenue – Municipal Government – Property Tax	<u>\$ 29,802,445</u>	<u>\$ 28,657,860</u>
Receivable – Due from Municipal – Property Tax	<u>\$ 17,317,183</u>	<u>\$ 16,505,139</u>

**12. Interest Received and Paid**

The Division received interest during the year of \$19,639 (\$20,401 in 2019); interest paid during the year was \$1,531,451 (\$1,449,991 in 2019).

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

	<u>2020</u>	<u>2019</u>
Operating Fund		
Fiscal-short term loan, interest and bank charges	\$ 251,961	\$ 291,405
Capital Fund		
Debenture interest	1,219,384	1,074,440
Other interest	60,106	84,146
	<u>\$ 1,531,451</u>	<u>\$ 1,449,991</u>

The accrual portion of debenture debt interest expense of \$424,507 (\$424,791 in 2019) is included under the Capital Fund-Debenture debt interest, and netted with an accrual of the debt servicing grant from the Province of Manitoba.

**SUNRISE SCHOOL DIVISION**  
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**13. Expenses by Object**

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

	Actual 2020	Budget 2020	Actual 2019
Salaries	\$ 50,262,220	\$ 49,268,286	\$ 49,864,920
Employees benefits and allowances	3,570,509	3,388,818	3,586,023
Services	6,235,500	7,017,775	6,663,731
Supplies, materials and minor equipment	3,036,391	4,279,327	4,054,866
Interest	1,531,451	140,000	1,449,991
Bad debts	54,955	3,000	-
Payroll tax	1,035,306	1,063,595	1,065,753
Amortization	3,115,864	-	3,094,554
Transfers	620,880	814,000	763,700
Other capital items	1	-	-
School generated funds	630,583	-	933,850
Other special purpose funds	-	-	-
	<u>\$ 70,093,660</u>	<u>\$ 65,974,801</u>	<u>\$ 71,477,388</u>

**14. Commitments and Appropriations of Operating Fund Surplus**

The Division has equipment lease agreements. Future annual minimum operating lease commitments as at June 30, 2020 are as follows:

2021	\$ 529,147
2022	434,214
2023	363,154
2024	229,798
2025	66,533

**15. Financial Instruments**

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

**16. Uncertainty Due to COVID-19 Issue**

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

**17. Contingency**

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