

MANAGEMENT REPORT

Management’s Responsibility for the Financial Statements

The accompanying consolidated financial statements of Swan Valley School Division are the responsibility of the Division 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 Canadian Institute of Chartered Accountants. A summary of the significant accounting policies are described in Note 2 to the consolidated financial statements.

The preparation of consolidated financial statements necessarily involves the use of estimates based on management’s 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 PKHC Chartered Professional Accountants, independent external auditors appointed by the Board. The accompanying Independent 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 29, 2020



Chartered Professional Accountants

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of Swan Valley School Division

Opinion

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at June 30, 2020, and the results of its operations and cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards (PSAS).

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 Financial Statements* section of our report. We are independent of the Organization in accordance with 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 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 Organization'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 Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization'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 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 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 Organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

(continues)

Independent Auditor's Report to the Board of Trustees of Swan Valley School Division *(continued)*

- 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 Organization'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 Organization 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.

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.

Swan River, Manitoba
October 29, 2020

PKAE
Chartered Professional Accountants

I hereby certify that this report and the statements and reports referenced herein have been presented to the trustees of the Board of the above mentioned School Division/District.

OCT 29, 2020
Date

Original Document Signed
Chairperson

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2020	2019
	Financial Assets		
	Cash and Bank	2,793,073	1,722,722
	Due from - Provincial Government	1,961,898	1,969,596
	- Federal Government	32,775	44,654
	- Municipal Government	3,481,323	3,423,275
	- Other School Divisions	3,600	3,600
	- First Nations	37,350	19,125
	Accounts Receivable	47,515	47,997
	Accrued Investment Income	-	-
	Portfolio Investments	-	-
		<u>8,357,534</u>	<u>7,230,969</u>
	Liabilities		
	Overdraft	-	-
	Accounts Payable	613,314	846,189
	Accrued Liabilities	2,838,754	2,224,395
5	Employee Future Benefits	176,595	175,733
	Accrued Interest Payable	349,328	359,053
	Due to - Provincial Government	-	1,092
	- Federal Government	-	1,988
	- Municipal Government	56,012	58,161
	- Other School Divisions	-	-
	- First Nations	7,658	1,710
6	Deferred Revenue	290,431	259,402
8	Borrowings from the Provincial Government	16,235,636	16,177,706
	Other Borrowings	-	-
	School Generated Funds Liability	-	-
		<u>20,567,728</u>	<u>20,105,429</u>
	Net Assets (Debt)	<u>(12,210,194)</u>	<u>(12,874,460)</u>
	Non-Financial Assets		
9	Net Tangible Capital Assets (TCA Schedule)	19,534,361	19,889,229
	Inventories	22,838	18,984
	Prepaid Expenses	68,116	85,302
		<u>19,625,315</u>	<u>19,993,515</u>
10	Accumulated Surplus	<u>7,415,121</u>	<u>7,119,055</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
12	Revenue		
	Provincial Government	15,903,153	16,177,191
	Federal Government	17,185	-
	Municipal Government - Property Tax	6,362,077	6,218,210
	- Other	-	-
	Other School Divisions	13,909	13,000
	First Nations	245,512	189,540
	Private Organizations and Individuals	234,133	299,255
	Other Sources	126,108	320,666
	School Generated Funds	509,027	564,710
	Other Special Purpose Funds	29,141	22,176
		<u>23,440,245</u>	<u>23,804,748</u>
	Expenses		
	Regular Instruction	11,693,957	12,114,750
	Student Support Services	3,361,252	3,106,834
	Adult Learning Centres	-	-
	Community Education and Services	30,841	38,268
	Divisional Administration	699,978	727,357
	Instructional and Other Support Services	384,109	384,726
	Transportation of Pupils	1,439,338	1,679,087
	Operations and Maintenance	2,561,371	2,530,968
	Fiscal - Interest	647,353	669,359
	- Other	325,274	327,469
	Amortization	1,401,105	1,513,173
	Other Capital Items	49,874	134,347
	School Generated Funds	510,920	490,322
	Other Special Purpose Funds	29,141	22,176
		<u>23,134,513</u>	<u>23,738,836</u>
	Current Year Surplus (Deficit) before Non-vested Sick Leave	<u>305,732</u>	<u>65,912</u>
	Less: Non-vested Sick Leave Expense (Recovery)	<u>9,666</u>	<u>30,883</u>
	Net Current Year Surplus (Deficit)	<u>296,066</u>	<u>35,029</u>
	Opening Accumulated Surplus	7,119,055	7,084,026
	Adjustments: Tangible Cap. Assets and Accum. Amort.	-	-
	Other than Tangible Cap. Assets	-	-
	Non-vested sick leave - prior years	-	-
	Opening Accumulated Surplus, as adjusted	<u>7,119,055</u>	<u>7,084,026</u>
	Closing Accumulated Surplus	<u>7,415,121</u>	<u>7,119,055</u>

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2020

	2020	2019
Net Current Year Surplus (Deficit)	296,066	35,029
Amortization of Tangible Capital Assets	1,401,105	1,513,173
Acquisition of Tangible Capital Assets	(1,252,614)	(520,431)
(Gain) / Loss on Disposal of Tangible Capital Assets	206,377	(15,500)
Proceeds on Disposal of Tangible Capital Assets	-	15,500
	354,868	992,742
Inventories (Increase)/Decrease	(3,854)	(857)
Prepaid Expenses (Increase)/Decrease	17,186	(23,554)
	13,332	(24,411)
(Increase)/Decrease in Net Debt	664,266	1,003,360
Net Debt at Beginning of Year	(12,874,460)	(13,877,820)
Adjustments Other than Tangible Cap. Assets	-	-
	(12,874,460)	(13,877,820)
Net Assets (Debt) at End of Year	(12,210,194)	(12,874,460)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2020

	2020	2019
Operating Transactions		
Net Current Year Surplus (Deficit)	296,066	35,029
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	1,401,105	1,513,173
(Gain)/Loss on Disposal of Tangible Capital Assets	206,377	(15,500)
Employee Future Benefits Increase/(Decrease)	862	76,836
Due from Other Organizations (Increase)/Decrease	(56,696)	(234,829)
Accounts Receivable & Accrued Income (Increase)/Decrease	482	39,992
Inventories and Prepaid Expenses - (Increase)/Decrease	13,332	(24,411)
Due to Other Organizations Increase/(Decrease)	719	(8,922)
Accounts Payable & Accrued Liabilities Increase/(Decrease)	371,759	285,744
Deferred Revenue Increase/(Decrease)	31,029	(308,541)
School Generated Funds Liability Increase/(Decrease)	-	-
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by (Applied to) Operating Transactions	2,265,035	1,358,571
Capital Transactions		
Acquisition of Tangible Capital Assets	(1,252,614)	(520,431)
Proceeds on Disposal of Tangible Capital Assets	-	15,500
Cash Provided by (Applied to) Capital Transactions	(1,252,614)	(504,931)
Investing Transactions		
Portfolio Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
Financing Transactions		
Borrowings from the Provincial Government Increase/(Decrease)	57,930	(719,911)
Other Borrowings Increase/(Decrease)	-	-
Cash Provided by (Applied to) Financing Transactions	57,930	(719,911)
Cash and Bank / Overdraft (Increase)/Decrease	1,070,351	133,729
Cash and Bank (Overdraft) at Beginning of Year	1,722,722	1,588,993
Cash and Bank (Overdraft) at End of Year	2,793,073	1,722,722

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	32,316,200	589,777	3,729,932	291,762	1,973,445	1,333,747	280,490	525,105	142,497	41,182,955	40,915,328
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	32,316,200	589,777	3,729,932	291,762	1,973,445	1,333,747	280,490	525,105	142,497	41,182,955	40,915,328
Add:											
Additions during the year	1,042,999	-	200,485	-	127,048	14,917	-	-	(132,835)	1,252,614	520,431
Less:											
Disposals and write downs	987,443	-	-	-	64,215	28,375	9,500	-	9,662	1,099,195	252,804
Closing Cost	32,371,756	589,777	3,930,417	291,762	2,036,278	1,320,289	270,990	525,105	-	41,336,374	41,182,955
Accumulated Amortization											
Opening, as previously reported	14,844,131	505,749	2,439,130	232,071	1,705,823	1,243,994		322,828		21,293,726	20,033,357
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	14,844,131	505,749	2,439,130	232,071	1,705,823	1,243,994		322,828		21,293,726	20,033,357
Add:											
Current period Amortization	895,372	8,557	259,808	29,701	108,449	46,707		52,511		1,401,105	1,513,173
Less:											
Accumulated Amortization on Disposals and Writedowns	800,228	-	-	-	64,215	28,375		-		892,818	252,804
Closing Accumulated Amortization	14,939,275	514,306	2,698,938	261,772	1,750,057	1,262,326		375,339		21,802,013	21,293,726
Net Tangible Capital Asset	17,432,481	75,471	1,231,479	29,990	286,221	57,963	270,990	149,766	-	19,534,361	19,889,229
Proceeds from Disposal of Capital Assets	-	-	-	-	-	-				-	15,500

* Includes network infrastructure.

**SWAN VALLEY SCHOOL DIVISION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020**

1. Nature of Organization and Economic Dependence

The Swan Valley 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 public sector accounting standards established by Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada and reflect the following significant accounting policies:

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 and funds held in the Division's Registered Charity.

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

b) Basis of Accounting

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

c) Fund Accounting

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

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

d) School Generated Funds

School generated funds are moneys 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.

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.

e) Tangible Capital Assets

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

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

Asset Description	Capitalization Threshold (\$)	Estimated Useful Life (years)
Land Improvements	50,000	10
Buildings - bricks, mortar and steel	50,000	40
Buildings - 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, Servers & Peripherals	10,000	4
Computer Software	10,000	4
Furniture & Fixtures	10,000	10
Leasehold Improvements	25,000	Over term of lease

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

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

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

Capital leases are recorded at the present value of the minimum lease payments excluding executory costs (e.g. insurance, maintenance costs, etc.). The discount rate used to determine the present value of the lease payments is the lower of the 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.

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

amortized over the useful life of the asset class. All other capital leases are amortized over the lesser of the lease term and the useful life of the asset class.

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

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

f) Employee Future Benefits

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

However, the Division provides a defined contribution pension plan to all eligible non teachers in the Division. There is no future liability or benefit to be recorded for this type of pension plan. The terms and conditions of the Pension Plan for the Employees of Swan Valley School Division are administered by the school division trustees and a division management representative. Participating employees in the plan generally contribute from 7.0% to 9.0% (dependant on age and years of plan membership as outlined in the plan's text) of eligible earnings to the plan. The Division matches this contribution and remits both contributions monthly. No responsibility is assumed by the Division to make any further contribution.

g) 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.

h) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

i) Financial instruments

There are no significant terms and conditions related to financial instruments (cash, accounts receivable, investments, 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.

j) Adoption of New Accounting Policy PS 3260

Effective July 01, 2014, the Division has adopted the new Public Sector Accounting Board accounting standard – Liability for Contaminated Sites, Section PS 3260. The standard was applied on a retroactive basis to July 01, 2013 and did not result in any adjustments to financial liabilities, tangible capital assets or accumulated surplus of the Division.

3. Other Investments

	<u>2020</u>	<u>2019</u>
Swan Valley Credit Union Patronage Shares	<u>\$ 0</u>	<u>\$ 0</u>

4. Overdraft

The Division has an authorized line of credit with TD Canada Trust of \$6,000,000 by way of overdrafts and is repayable on demand at prime less 0.75%; paid monthly. Overdrafts are secured by borrowing by-law. Effective July 01, 2020 the amount was increased to \$7,000,000.

5. Employee Future Benefits

The Division sponsors and administers a defined pension contribution plan. The defined contribution plan is provided to all eligible non teaching employees. Eligible employees contributed, in accordance with the plan text 7.0% to 9.0% of their eligible earnings to the plan. The Division contributions equal the employee required contributions to the plan. Some employees have exercised their right to make voluntary contributions to the plan, which are not matched by the Division. No pension liability is included in the financial statements.

A liability of \$24,782 for event driven sick leave benefits, \$35,118 maternity/parental and \$116,694 estimated non-vested sick leave benefits (\$53,544 maternity/parental, \$15,160 sick leave benefits and \$107,029 estimated non-vested sick leave benefits for 2019) is reflected in the financial statements.

6. 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
Healthy Child Manitoba Grant	\$ 22,120	\$ 33,671	\$ 30,741	\$ 25,050
Education Property Tax Credit	29,612	-	29,612	-
Other Province of Manitoba Grants	30,167	40,000	40,139	30,028
Grants from outside sources	44,631	104,325	120,888	28,068
Capital Fund	84,683	122,050	46,081	160,652
Charitable Scholarship and Other Fund	48,188	27,286	29,141	46,333
School Generated Funds	-	-	-	-
	<u>\$ 259,401</u>	<u>\$ 327,332</u>	<u>\$ 296,602</u>	<u>\$ 290,131</u>

7. School Generated Funds Liability

School Generated Funds Liability includes the non-controlled portion of school generated funds consolidated in the cash and bank balances in the amount of \$0 for 2020, \$0 in 2019.

School generated funds revenue and expenses reported in the Consolidated Statement of Revenue, Expenses and Accumulated Surplus as at June 30, 2020 covers a period of twelve months from July 1, 2019 to June 30, 2020.

8. 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 2019 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 2.750% to 7.000%. Debenture interest expense payable as at June 30, 2019, 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
2020	992,580	641,635	\$ 1,634,215
2021	1,035,672	598,543	1,634,215
2022	1,062,858	553,484	1,616,342
2023	1,095,468	507,570	1,603,038
2024	1,052,112	460,428	1,512,540
	<u>\$ 5,238,690</u>	<u>\$ 2,761,660</u>	<u>\$ 8,000,350</u>

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 is \$0 (previous year \$0).

10. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	<u>2020</u>	<u>2019</u>
Operating Fund		
Designated Surplus	573,980	-
Undesignated Surplus	828,640	676,630
Non-vested Sick Leave	(116,694)	(107,029)
	<u>1,285,926</u>	<u>569,601</u>
Capital Fund		
Reserve Accounts	2,791,883	2,797,171
Equity in Tangible Capital Assets	3,045,040	3,458,118
	<u>5,836,923</u>	<u>6,255,289</u>
Special Purpose Fund		
School Generated Funds	292,272	294,165
Other Special Purpose Funds	-	-
	<u>292,272</u>	<u>294,165</u>
Total Accumulated Surplus	<u>\$ 7,415,121</u>	<u>\$ 7,119,055</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 breakdown of the Designated Surplus.

	<u>2020</u>	<u>2019</u>
Board approved appropriation by motion	-	-
School budget carryovers by Board policy	115,540	-
Designated surplus	<u>\$ 115,540</u>	<u>\$ -</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 page 24 of the audited financial statements.

	<u>2020</u>	<u>2019</u>
Bus reserves	1,358,597	1,358,597
Other reserves	1,433,286	1,438,574
Capital Reserve	<u>\$ 2,791,883</u>	<u>\$ 2,797,171</u>

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 revenue and expense is raised over the two calendar (tax) years; 45% from 2019 tax year and 55% from 2020 tax year. Below are the related revenue and receivable amounts:

	2020	2019
Revenue-Municipal Government-Property Tax	\$ 6,362,077	\$ 6,218,210
Receivable-Due from Municipal-Property Tax	\$ 3,481,323	\$ 3,423,275

12. Interest Received and Paid

The Division received interest during the year of \$52,978 (previous year \$69,976); interest paid during the year was \$0 (previous year \$0).

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

	2020
Operating Fund	
Fiscal-short term loan interest	\$ 0
Capital Fund	
Debenture debt interest	644,202
Other interest	0
	<u>\$ 644,202</u>

The accrual portion of debenture debt interest expense of \$349,328 included under the Capital Fund-Debenture debt interest, is offset by an accrual of the debt servicing grant from the Province of Manitoba.

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	\$ 15,318,364	\$ 15,677,639	\$ 15,436,481
Employees benefits & allowances	1,399,829	1,528,728	1,294,509
Services	1,920,317	2,178,146	2,043,272
Supplies, materials & minor equipment	1,472,336	1,550,727	1,747,728
Interest and Bank Charges	647,353	5,000	669,359
Bad debts	-	-	-
Payroll tax	325,274	337,000	327,469
Transfers	60,000	62,600	60,000
Amortization	1,401,105	-	1,513,173
Other capital items	49,874	-	134,347
School generated funds	510,920	-	490,322
Other special purpose funds	29,141	-	22,176
	<u>\$ 23,134,513</u>	<u>\$ 21,339,840</u>	<u>\$ 23,738,836</u>

14. Commitment

As a result of a resolution approved at the 23rd of March 2020 school trustees meeting the Division is committed to purchase two new school buses in the amount of approximately \$384,981 during 2020/2021 fiscal year end.

15. Subsequent Events

In March 2020, the World Health Organization declared a global pandemic due to novel coronavirus (COVID-19). The situation is constantly evolving, and the measures put in place are having multiple impacts on local, provincial, national and global economies.

The COVID-19 pandemic continues to have a significant impact on businesses through the restrictions put in place by the Canadian federal, provincial and municipal governments regarding travel, business operations, closures, and isolation/quarantine orders.

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

As a result, we are unable to estimate the potential impact on the Division's operations as at the date of these financial statements.