MANAGEMENT REPORT

Management's Responsibility for the Financial Statements

The accompanying consolidated financial statements of Lakeshore School Division (the "Division") are the responsibility of the Division management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. A summary of the significant accounting policies 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 MNP 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 29, 2019

Independent Auditors' Report

To the Board of Trustees of Lakeshore School Division:

Opinion

We have audited the consolidated financial statements of Lakeshore School Division (the "School Division"), which comprise the consolidated statement of financial position as at June 30, 2019, and the consolidated statements of revenue and expenses and accumulated surplus, change in net debt and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the School Division as at June 30, 2019, and the results of its consolidated operations, changes in net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the School 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.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements. The supplemental information presented in the attached schedules is presented for the purpose of additional analysis and is not a required part of the consolidated financial statements. Such supplemental information has been subjected only to auditing procedures applied in the audit of the consolidated financial statements, taken as a whole.

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

Management is responsible for the preparation and fair presentation of the 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 consolidated financial statements, management is responsible for assessing the School 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 School Division or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 consolidated financial statements.

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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 School 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 School 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 consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the School 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.

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.

Winnipeg, Manitoba

October 29, 2019

MNP LLP

Chartered Professional Accountants

I hereby certify that this report and the statements and reports referenced herein have been presented to the members of the board of the Lakeshore School Division.

Oct 29/19
DATE

Original Document Signed
CHAIRPERSON

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2019	2018
	Financial Assets		
	Cash and Bank	987,566	1,054,381
	Due from - Provincial Government	1,202,202	1,199,942
	- Federal Government	19,326	18,057
	- Municipal Government	2,245,976	2,192,107
	- Other School Divisions	2,970	3,624
	- First Nations	25,379	299,161
	Accounts Receivable	86,627	76,592
	Accrued Investment Income	-	-
	Portfolio Investments	-	-
		4,570,046	4,843,864
	Liabilities		
	Overdraft	-	-
	Accounts Payable	454,211	390,776
	Accrued Liabilities	1,430,489	1,445,992
4	Employee Future Benefits	82,990	199,809
	Accrued Interest Payable	187,370	209,027
	Due to - Provincial Government	-	41,998
	- Federal Government	-	-
	- Municipal Government	8,501	9,012
	- Other School Divisions	-	-
	- First Nations	-	-
5	Deferred Revenue	53,563	87,179
6	Borrowings from the Provincial Government	8,127,050	8,978,760
	Other Borrowings	-	-
	School Generated Funds Liability	-	-
		10,344,174	11,362,553
	Net Assets (Debt)	(5,774,128)	(6,518,689)
	Non-Financial Assets		
7	Net Tangible Capital Assets (TCA Schedule)	12,150,023	12,524,671
	Inventories	-	-
	Prepaid Expenses	26,447	25,485
		12,176,470	12,550,156
8	**Accumulated Surplus**	6,402,342	6,031,467

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes			2019	2018
	Revenue			
	Provincial Government		13,023,958	13,211,906
	Federal Government		291,406	143,809
	Municipal Government	- Property Tax	3,748,977	3,660,569
		- Other	-	-
	Other School Divisions		57,030	67,597
	First Nations		191,405	968,537
	Private Organizations and Individuals		138,842	131,655
	Other Sources		267,477	234,232
	School Generated Funds		248,757	307,904
	Other Special Purpose Funds		5,820	105,761
			17,973,672	18,831,970
	Expenses			
	Regular Instruction		8,130,194	8,550,679
	Student Support Services		2,805,460	2,863,469
	Adult Learning Centres		267,944	272,826
	Community Education and Services		294,185	289,265
	Divisional Administration		659,792	661,665
	Instructional and Other Support Services		441,164	579,993
	Transportation of Pupils		1,626,153	1,677,025
	Operations and Maintenance		1,569,232	1,506,720
10	Fiscal	- Interest	474,296	497,608
		- Other	251,096	265,593
	Amortization		818,752	823,253
	Other Capital Items		-	-
	School Generated Funds		237,904	336,789
	Other Special Purpose Funds		26,625	18,775
			17,602,797	18,343,660
	Current Year Surplus (Deficit) before Non-vested Sick Leave		370,875	488,310
	Less: Non-vested Sick Leave Expense (Recovery)		0	0
	Net Current Year Surplus (Deficit)		370,875	488,310
	Opening Accumulated Surplus		6,031,467	5,543,157
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	-
		Other than Tangible Cap. Assets	-	-
		Non-vested sick leave - prior years	-	-
	Opening Accumulated Surplus, as adjusted		6,031,467	5,543,157
	Closing Accumulated Surplus		6,402,342	6,031,467

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2019

	2019	2018
Net Current Year Surplus (Deficit)	370,875	488,310
Amortization of Tangible Capital Assets	818,752	823,253
Acquisition of Tangible Capital Assets	(444,104)	(128,265)
(Gain) / Loss on Disposal of Tangible Capital Assets	-	-
Proceeds on Disposal of Tangible Capital Assets	-	-
	374,648	694,988
Inventories (Increase)/Decrease	-	-
Prepaid Expenses (Increase)/Decrease	(962)	(1,186)
	(962)	(1,186)
(Increase)/Decrease in Net Debt	744,561	1,182,112
Net Debt at Beginning of Year	(6,518,689)	(7,700,801)
Adjustments Other than Tangible Cap. Assets	-	-
	(6,518,689)	(7,700,801)
Net Assets (Debt) at End of Year	(5,774,128)	(6,518,689)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2019

	2019	2018
Operating Transactions		
Net Current Year Surplus (Deficit)	370,875	488,310
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	818,752	823,253
(Gain)/Loss on Disposal of Tangible Capital Assets	-	-
Employee Future Benefits Increase/(Decrease)	(116,819)	(4,324)
Due from Other Organizations (Increase)/Decrease	217,038	317,232
Accounts Receivable & Accrued Income (Increase)/Decrease	(10,035)	(43,492)
Inventories and Prepaid Expenses - (Increase)/Decrease	(962)	(1,186)
Due to Other Organizations Increase/(Decrease)	(42,509)	(35,795)
Accounts Payable & Accrued Liabilities Increase/(Decrease)	26,275	(403,319)
Deferred Revenue Increase/(Decrease)	(33,616)	(7,711)
School Generated Funds Liability Increase/(Decrease)	-	-
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by (Applied to) Operating Transactions	1,228,999	1,132,968
Capital Transactions		
Acquisition of Tangible Capital Assets	(444,104)	(128,265)
Proceeds on Disposal of Tangible Capital Assets	-	-
Cash Provided by (Applied to) Capital Transactions	(444,104)	(128,265)
Investing Transactions		
Portfolio Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
Financing Transactions		
Borrowings from the Provincial Government Increase/(Decrease)	(851,710)	(757,068)
Other Borrowings Increase/(Decrease)	-	-
Cash Provided by (Applied to) Financing Transactions	(851,710)	(757,068)
Cash and Bank / Overdraft (Increase)/Decrease	(66,815)	247,635
Cash and Bank (Overdraft) at Beginning of Year	1,054,381	806,746
Cash and Bank (Overdraft) at End of Year	987,566	1,054,381

Lakeshore School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2019

	Buildings and Leasehold Improvements		School	Other	Furniture / Fixtures &	Computer Hardware &		Land	Assets Under	2019	2018
	School	Non-School	Buses	Vehicles	Equipment	Software *	Land	Improvements	Construction	TOTALS	TOTALS
Tangible Capital Asset Cost											
Opening Cost, as previously reported	23,930,944	531,023	3,747,080	64,611	1,554,909	-	50,115	-	-	29,878,682	29,750,417
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	23,930,944	531,023	3,747,080	64,611	1,554,909	-	50,115	-	-	29,878,682	29,750,417
Add: Additions during the year	-	-	125,124	23,948	247,812	-	-	-	47,220	444,104	128,265
Less: Disposals and write downs	-	-	-	-	-	-	-	-	-	-	-
Closing Cost	23,930,944	531,023	3,872,204	88,559	1,802,721	-	50,115	-	47,220	30,322,786	29,878,682
Accumulated Amortization											
Opening, as previously reported	12,916,362	497,881	2,749,845	45,075	1,144,848	-		-		17,354,011	16,530,758
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	12,916,362	497,881	2,749,845	45,075	1,144,848	-		-		17,354,011	16,530,758
Add: Current period Amortization	528,803	2,711	186,564	10,169	90,505	-		-		818,752	823,253
Less: Accumulated Amortization on Disposals and Writedowns	-	-	-	-	-	-		-		-	-
Closing Accumulated Amortization	13,445,165	500,592	2,936,409	55,244	1,235,353	-		-		18,172,763	17,354,011
Net Tangible Capital Asset	10,485,779	30,431	935,795	33,315	567,368	-	50,115	-	47,220	12,150,023	12,524,671
Proceeds from Disposal of Capital Assets	-	-	-	-	-	-				-	-

* Includes network infrastructure.

1. Nature of Organization and Economic Dependence

The Lakeshore School Division (the "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 (the "Province"), and a special levy on the property assessment included in the Division's boundaries. The Division is exempt from income tax.

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

2. Significant Accounting Policies

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles established by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants of Canada ("CPA").

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 and The Lakeshore Scholarship Fund 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 (the Division) under a trust agreement or statue. 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.

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 foundations controlled by the Division.

2. Significant Accounting Policies - Continued

d) School Generated Funds

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

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

Year 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 student council funds, yearbook funds, graduation funds and specified sports and cultural 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 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.

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 and 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 and buildings acquired before June 30, 1995, 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.

All land acquired prior to June 30, 1995 has been valued using information provided by the Crown Lands and Property Agency and adjusted by the Division where further information was available.

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

2. Significant Accounting Policies - Continued

e) Tangible Capital Assets - Continued

June 30, 2005 was regressed to the date of acquisition using a regression index based on Southam and CanaData construction cost indices.

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.

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.

The Division provides retirement and other future benefits to its administrative and school support employees as a defined contribution plan, under the Manitoba School Boards Association ("MSBA"). The Division adopted the following policy with respect to accounting for these employee future benefits:

Defined contribution plan

Under this plan, specific fixed amounts are contributed by the Division each year for services rendered by the employees. No responsibility is assumed by the Division to make any further contribution.

For those defined benefit plans that accumulate but do not vest such as sick pay, the benefit costs are recognized and recorded only in the period when employees feel sick.

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 Canadian generally accepted accounting principles established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada 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 year.

Accounts receivable are stated after evaluation as to their collectability, and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization of tangible capital assets is based on their estimated useful lives as prescribed by FRAME which approximates their useful lives. Non-vested sick leave benefits are measured based on management's best estimate of projected future utilization of sick time in a given year over sick time earned in that year.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary, they are report in earnings in the period in which they become known.

2. Significant Accounting Policies – Continued

i) Financial Instruments

Fair values:

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. Their classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the Division's designation of such instruments.

Classification:

Cash and bank, and overdraft	Held-for-trading
Accounts receivable	Loans and receivables
Accounts payable and accrued liabilities, employee future benefits, accrued interest payable and debenture debt	Other financial liabilities

Held for trading:

Held-for-trading financial assets are typically acquired for resale prior to maturity or are designated as held-for-trading. They are measured at fair value at the balance sheet date. Fair value fluctuations including interest earned, interest accrued, gains and losses realized on disposal and unrealized gains and losses are included in investment income.

Loans and receivables:

Financial assets designated as loans and receivables are recorded at amortized cost using the effective interest method. Given the short-term nature of accounts receivable, their carrying value approximates fair value.

Other financial liabilities:

Other liabilities are recorded at amortized cost using the effective interest method and include all financial liabilities. Given the short-term nature of accounts payable and accruals, employee future benefits and accrued interest payable, their carrying value approximates fair value. The fair value of the debenture debt also approximates its carrying value as there have been no significant changes to the underlying credit characteristics of the parties to the debenture agreements.

Interest, currency and credit risk:

It is management's opinion that the Division is not exposed to significant interest, currency or credit risk from financial instruments. The Division is exposed to some credit risk from the potential non-payment of accounts receivable, however as the majority of the receivables are from local, provincial and federal governments, credit risk is minimal.

j) Leases

Leases are classified as capital or operating leases. A lease that transfers substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. At the inception of a capital lease, an asset and payment obligation is recorded at an amount equal to the lesser of the present value of the minimum lease payments and the asset's fair market value. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

2. Significant Accounting Policies – Continued

k) Liability for Contaminated Sites

A liability for remediation of a contaminated site is recognized at the best estimate of the amount required to remediate the contaminated site when contamination exceeding an environmental standard exists, the School Division is either directly responsible or accepts responsibility, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount is determinable. The best estimate of the liability includes all costs directly attributable to remediation activity and is reduced by expected net recoveries based on information available at June 30, 2019.

At each financial reporting date, the School Division reviews the carrying amount of the liability. Any revisions required to the amount previously recognized is accounted for in the period revisions are made. The School Division continues to recognize the liability until it is settled or otherwise extinguished. Disbursements made to settle the liability are deducted from the reported liability when they are made.

3. Overdraft

The Division has an authorized line of credit with the Canadian Imperial Bank of Commerce of $3,000,000 by way of overdrafts and is repayable on demand at prime less 0.25% (2018 – prime less 0.25%); interest is paid monthly. $3,000,000 remains available on this line of credit. Overdrafts are secured by temporary borrowing by-laws.

4. Employee Future Benefits

The Division provides retirement and other future benefits to its administrative and support staff as a defined contribution plan, run by MSBA. The defined contribution plan is provided to support staff 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.

The employee future benefit expense is a part of the Employee Benefits and Allowances expense account. It includes the Division's contribution of $285,974 in 2019 ($259,139 in 2018). Employee future benefits recorded as a liability represents maternity and parental leave payable for teaching employees.

Non-vested accumulated sick leave benefits are measured based on estimated future utilization of excess sick benefits used over earned per year, to maximum entitlement. The impact of the estimated non-vested sick leave benefit cost for 2019 is $nil (2018 - $nil).

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, 2018	Additions in year	Revenue recognized in year	Balance as at June 30, 2019
Lakeshore Recreation Commission	$ 61,654	$ 53,563	$ 61,654	$ 53,563
MB Municipal Relations Recreation Opportunities Grant 2018-2019	25,525	-	25,525	-
Other amounts	-	-	-	-
	$ 87,179	$ 53,563	$ 87,179	$ 53,563

6. 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 2020 to 2038. Payment of principal and interest is funded entirely by grants from the Province of Manitoba. The debentures carry interest rates that range from 3.250% 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 repayments in the next five years are:

	Principal	Interest	Total
2020	$ 872,463	$ 424,536	$1,296,999
2021	920,130	376,869	1,296,999
2022	917,484	326,550	1,244,034
2023	871,967	277,103	1,149,070
2024	917,757	231,313	1,149,070
	$4,499,801	$1,636,371	$6,136,172

7. 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.

	Gross Amount	Accumulated Amortization	2019 Net Book Value	2018 Net Book Value
Owned-tangible capital assets	$ 30,322,786	$ 18,172,763	$ 12,150,023	$ 12,524,671

8. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2019	2018
Operating Fund		
Designated Surplus	$ -	$ -
Undesignated Surplus	604,421	666,389
	604,421	666,389
Capital Fund		
Reserve Accounts	1,591,908	1,578,956
Equity in Tangible Capital Assets	3,975,754	3,545,911
	5,567,662	5,124,867
Special Purpose Fund		
School Generated Funds	224,280	233,827
Other Special Purpose Funds	5,979	6,384
	230,259	240,211
Total Accumulated Surplus	$ 6,402,342	$ 6,031,467

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.

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.

School Generated Funds and Other Special Purpose Funds are externally restricted moneys for school use, Scholarship Awards and donations for school projects.

9. 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 students' resident in the division. The Municipal Government-Property Tax shown on the consolidated revenue and expense is raised over the two calendar (tax) years; 40% from 2018 tax year and 60% from 2019 tax year. Below are the related revenue and receivable amounts:

	2019	2018
Revenue-Municipal Government-Property Tax	$ 3,748,977	$ 3,660,569
Receivable-Due from Municipal-Property Tax	$ 2,245,976	$ 2,192,107

10. Interest Received and Paid

The Division received interest during the year of $33,721 (2018 - $17,526); interest paid during the year was $452,639 (2018 - $497,608).

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

	2019	2018
Operating Fund		
Fiscal-short term loan, interest and bank charges	$ 3,095	$ 3,042
Capital Fund		
Debenture debt interest	471,201	494,566
	$ 474,296	$ 497,608

The accrual portion of debenture debt interest expense of $187,370 (2018 - $209,027) included under the Capital Fund-Debenture debt interest, is offset by an accrual of the debt servicing grant from the Province of Manitoba.

11. 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 2019	Budget (Unaudited) 2019	Actual 2018
Salaries	$ 11,567,940	$ 12,329,575	$ 12,356,809
Employees benefits and allowances	1,148,115	1,214,867	1,162,786
Services	1,586,347	1,840,745	1,562,549
Supplies, materials and minor equipment	1,409,912	1,320,016	1,212,929
Interest	474,296	5,000	497,608
Payroll tax	251,096	259,609	265,593
Transfers	81,810	75,700	106,569
Amortization	818,752	-	823,253
School generated funds	237,904	-	336,789
Other special purpose funds	26,625	-	18,775
	$ 17,602,797	$ 17,045,512	$ 18,343,660

12. Non Financial Information

The 2018 student enrolment (FRAME) and transportation statistics, full time equivalent personnel, and senior staff allocations are unaudited and have been presented for information purposes only.

13. Capital management

Operating and special purpose funds

The Division's objective when managing capital is to ensure that its expenditures closely match their revenues. Capital consists of the two fund balances in the amount of $834,680 (2018 - $906,600).

Capital fund

The capital fund is managed with the long term objective of acquiring and maintaining the capital assets acquired to facilitate the Division's operations. Capital consists of the various fund balances in the amount of $5,567,662 (2018 - $5,124,867).

The Division is not subject to externally imposed capital requirements. There have been no changes in the Division's approach to capital management during the year.