

## MANAGEMENT REPORT

### Management's Responsibility for the Financial Statements

The accompanying consolidated financial statements of Southwest Horizon School 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 (CPA) of Canada. A summary of the significant accounting policies is described in Note 2 to the consolidated financial statements.

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

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

The consolidated financial statements have been audited by 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.

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Chairperson

Original Document Signed

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Secretary-Treasurer

October 9, 2019

## Independent Auditor's Report

To the Board of Trustees of Southwest Horizon School Division:

### *Opinion*

We have audited the accompanying consolidated financial statements of Southwest Horizon School Division, which comprise the consolidated statement of financial position as at June 30, 2019, and the consolidated statements of revenue, expenses and accumulated surplus, change in net debt and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Southwest Horizon School Division as at June 30, 2019 and the consolidated results of its operations and accumulated surplus, consolidated changes in net debt and its consolidated cash flow for the year then ended in accordance with Canadian generally accepted accounting principles established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada.

### *Basis for Opinion*

We conducted our audit in accordance with 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.

### *Other Matters*

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

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

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada, 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 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 consolidated 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 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 auditors' 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 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.

Brandon, Manitoba  
October 9, 2019

**MNP LLP**  
Chartered Professional Accountants

I hereby certify that the preceding report and the statements and reports referenced herein have been presented to the members of the Board of Southwest Horizon School Division.

Original Document Signed

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Chairperson of the Board

October 9, 2019

\_\_\_\_\_  
Date

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

as at June 30

Notes		2019	2018
	<b>Financial Assets</b>		
	Cash and Bank	-	-
	Due from - Provincial Government	1,665,472	1,542,582
	- Federal Government	68,085	62,141
	- Municipal Government	6,220,899	6,075,826
	- Other School Divisions	-	-
	- First Nations	-	-
	Accounts Receivable	77,815	143,114
	Accrued Investment Income	-	-
	Portfolio Investments	-	-
		<u>8,032,271</u>	<u>7,823,663</u>
	<b>Liabilities</b>		
4	Overdraft	1,846,808	1,723,649
	Accounts Payable	932,935	890,247
	Accrued Liabilities	673,858	478,818
	Employee Future Benefits	-	-
	Accrued Interest Payable	291,569	306,183
	Due to - Provincial Government	-	-
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
5	Deferred Revenue	409,088	390,617
6	Borrowings from the Provincial Government	15,283,565	15,444,875
7	Other Borrowings	357,473	527,477
	School Generated Funds Liability	-	-
		<u>19,795,296</u>	<u>19,761,866</u>
	<b>Net Assets (Debt)</b>	<u>(11,763,025)</u>	<u>(11,938,203)</u>
	<b>Non-Financial Assets</b>		
8	Net Tangible Capital Assets (TCA Schedule)	20,792,199	19,840,343
	Inventories	146,624	150,704
	Prepaid Expenses	465,662	539,493
		<u>21,404,485</u>	<u>20,530,540</u>
9	<b>Accumulated Surplus</b>	<u>9,641,460</u>	<u>8,592,337</u>

See accompanying notes to the Financial Statements

**CONSOLIDATED STATEMENT  
OF REVENUE, EXPENSES  
AND ACCUMULATED SURPLUS**

For the Year Ended June 30

Notes		2019	2018
	<b>Revenue</b>		
	Provincial Government	14,089,192	14,305,232
	Federal Government	-	-
10	Municipal Government - Property Tax	11,522,426	11,199,706
	- Other	-	-
	Other School Divisions	105,700	110,500
	First Nations	-	-
	Private Organizations and Individuals	-	-
	Other Sources	94,781	67,739
	School Generated Funds	474,576	505,060
	Other Special Purpose Funds	-	-
		<u>26,286,675</u>	<u>26,188,237</u>
	<b>Expenses</b>		
	Regular Instruction	13,361,940	13,188,242
	Student Support Services	2,946,329	3,051,762
	Adult Learning Centres	-	-
	Community Education and Services	166,421	61,058
	Divisional Administration	858,896	943,811
	Instructional and Other Support Services	444,581	483,361
	Transportation of Pupils	2,065,263	2,141,241
	Operations and Maintenance	2,359,360	2,299,351
11	Fiscal - Interest	738,836	774,593
	- Other	349,397	358,387
	Amortization	1,501,788	1,456,672
	Other Capital Items	-	-
	School Generated Funds	466,903	548,068
	Other Special Purpose Funds	-	-
		<u>25,259,714</u>	<u>25,306,546</u>
	Current Year Surplus (Deficit) before Non-vested Sick Leave	<u>1,026,961</u>	<u>881,691</u>
	Less: Non-vested Sick Leave Expense (Recovery)	<u>(22,162)</u>	<u>(10,693)</u>
	Net Current Year Surplus (Deficit)	<u>1,049,123</u>	<u>892,384</u>
	Opening Accumulated Surplus	8,592,337	7,699,953
	Adjustments: Tangible Cap. Assets and Accum. Amort.	-	-
	Other than Tangible Cap. Assets	-	-
	Non-vested sick leave - prior years	-	-
	Opening Accumulated Surplus, as adjusted	<u>8,592,337</u>	<u>7,699,953</u>
	<b>Closing Accumulated Surplus</b>	<u>9,641,460</u>	<u>8,592,337</u>

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)	<u>1,049,123</u>	<u>892,384</u>
Amortization of Tangible Capital Assets	1,501,788	1,456,672
Acquisition of Tangible Capital Assets	(2,453,644)	(744,141)
(Gain) / Loss on Disposal of Tangible Capital Assets	(5,775)	(500)
Proceeds on Disposal of Tangible Capital Assets	<u>5,775</u>	<u>500</u>
	<u>(951,856)</u>	<u>712,531</u>
Inventories (Increase)/Decrease	4,080	20,646
Prepaid Expenses (Increase)/Decrease	<u>73,831</u>	<u>98,146</u>
	<u>77,911</u>	<u>118,792</u>
(Increase)/Decrease in Net Debt	<u>175,178</u>	<u>1,723,707</u>
Net Debt at Beginning of Year	(11,938,203)	(13,661,910)
Adjustments Other than Tangible Cap. Assets	<u>-</u>	<u>-</u>
	<u>(11,938,203)</u>	<u>(13,661,910)</u>
<b>Net Assets (Debt) at End of Year</b>	<u><u>(11,763,025)</u></u>	<u><u>(11,938,203)</u></u>

**CONSOLIDATED STATEMENT OF CASH FLOW**

For the Year Ended June 30, 2019

	2019	2018
<b>Operating Transactions</b>		
Net Current Year Surplus (Deficit)	1,049,123	892,384
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	1,501,788	1,456,672
(Gain)/Loss on Disposal of Tangible Capital Assets	(5,775)	(500)
Employee Future Benefits Increase/(Decrease)	-	-
Due from Other Organizations (Increase)/Decrease	(273,907)	48,300
Accounts Receivable & Accrued Income (Increase)/Decrease	65,299	(62,341)
Inventories and Prepaid Expenses - (Increase)/Decrease	77,911	118,792
Due to Other Organizations Increase/(Decrease)	-	-
Accounts Payable & Accrued Liabilities Increase/(Decrease)	223,114	103,498
Deferred Revenue Increase/(Decrease)	18,471	198,214
School Generated Funds Liability Increase/(Decrease)	-	-
Adjustments Other than Tangible Cap. Assets	-	-
	<u>2,656,024</u>	<u>2,755,019</u>
Cash Provided by (Applied to) Operating Transactions		
<b>Capital Transactions</b>		
Acquisition of Tangible Capital Assets	(2,453,644)	(744,141)
Proceeds on Disposal of Tangible Capital Assets	5,775	500
	<u>(2,447,869)</u>	<u>(743,641)</u>
Cash Provided by (Applied to) Capital Transactions		
<b>Investing Transactions</b>		
Portfolio Investments (Increase)/Decrease	-	-
	<u>-</u>	<u>-</u>
Cash Provided by (Applied to) Investing Transactions		
<b>Financing Transactions</b>		
Borrowings from the Provincial Government Increase/(Decrease)	(161,310)	(1,173,710)
Other Borrowings Increase/(Decrease)	(170,004)	(50,004)
	<u>(331,314)</u>	<u>(1,223,714)</u>
Cash Provided by (Applied to) Financing Transactions		
Cash and Bank / Overdraft (Increase)/Decrease	(123,159)	787,664
Cash and Bank (Overdraft) at Beginning of Year	(1,723,649)	(2,511,313)
<b>Cash and Bank (Overdraft) at End of Year</b>	<u>(1,846,808)</u>	<u>(1,723,649)</u>

**SCHEDULE OF TANGIBLE CAPITAL ASSETS**

at June 30, 2019

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	2019 TOTALS	2018 TOTALS
	School	Non-School									
<b>Tangible Capital Asset Cost</b>											
Opening Cost, as previously reported	32,622,521	2,270,405	5,080,979	306,780	1,576,614	246,994	308,940	-	113,096	42,526,329	41,853,673
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	32,622,521	2,270,405	5,080,979	306,780	1,576,614	246,994	308,940	-	113,096	42,526,329	41,853,673
Add:											
Additions during the year	1,651,597	44,545	504,539	89,581	44,997	173,926	-	-	(55,541)	2,453,644	744,141
Less:											
Disposals and write downs	-	-	445,480	67,220	-	-	-	-	-	512,700	71,485
Closing Cost	34,274,118	2,314,950	5,140,038	329,141	1,621,611	420,920	308,940	-	57,555	44,467,273	42,526,329
<b>Accumulated Amortization</b>											
Opening, as previously reported	16,324,784	939,972	3,751,831	213,394	1,259,027	196,978		-		22,685,986	21,300,799
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	16,324,784	939,972	3,751,831	213,394	1,259,027	196,978		-		22,685,986	21,300,799
Add:											
Current period Amortization	995,996	63,867	274,089	37,862	113,162	16,812		-		1,501,788	1,456,672
Less:											
Accumulated Amortization on Disposals and Writedowns	-	-	445,480	67,220	-	-		-		512,700	71,485
Closing Accumulated Amortization	17,320,780	1,003,839	3,580,440	184,036	1,372,189	213,790		-		23,675,074	22,685,986
<b>Net Tangible Capital Asset</b>	16,953,338	1,311,111	1,559,598	145,105	249,422	207,130	308,940	-	57,555	20,792,199	19,840,343
<b>Proceeds from Disposal of Capital Assets</b>	-	-	1,400	4,375	-	-				5,775	500

\* Includes network infrastructure.



**SOUTHWEST HORIZON SCHOOL DIVISION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2019**

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

The School 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, and a special levy on the property assessment included in the Division's boundaries. The Division is exempt from income tax and is a registered charity under the Income Tax Act.

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

**2. Significant Accounting Policies**

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

**a) Reporting Entity and Consolidation**

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

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

**b) Trust Funds**

The Division administers various trust funds. Trust funds and their related operations are not included in the consolidated financial statements as they are not owned or controlled by the Division. A schedule of trust funds is attached as part of the notes to the consolidated financial statements.

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

**c) Basis of Accounting**

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

**d) 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.

**e) 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.

**f) Tangible Capital Assets**

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

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

<b>Asset Description</b>	<b>Capitalization Threshold (\$)</b>	<b>Estimated Useful Life (Years)</b>
Land	N/A	N/A
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.

#### **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) Employee Future Benefits**

The Province of Manitoba pays the employer portion of the Teacher's Retirement Allowances Fund (TRAF), the pension plan for all certified teachers in 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 other future benefits to its employees. These benefits include supplemental employment benefits and sick leave. These benefits are event driven and the costs are recognized when the event becomes known.

Employee Future Benefits are benefits earned by employees in the current period, but will not be paid out until future periods and include vacation accrual, supplemental employment and sick leave benefits.

Non-vested accumulated sick leave benefits are measured using net present value techniques on the expected 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 2018-2019 is a recovery of \$22,162.

## **3. Conversion to PSAB**

Commencing with the 2006/07 fiscal year, the Board adopted generally accepted accounting principles established by PSAB

The following changes were implemented to comply with the PSAB standard:

- (i) Tangible capital assets were restated and amortized over their useful lives to reflect net book value. Amortization of tangible capital assets and gain or loss on disposal of capital assets are recorded in the Statement of Revenue, Expenses and Accumulated Surplus.
- (ii) The Operating Fund, Capital Fund and Special Purpose Fund are consolidated in the financial statements. The Special Purpose Fund was created to include school generated funds and charitable foundations controlled by the Division.
- (iii) The Employee Future Benefits Liability was established to account for the Division's commitment to pay vested future benefits to its employees.
- (iv) Accrued Interest Payable was established to account for accrual of interest on Debenture Debt and Other Borrowings from the last payment date. An equal amount is set up as due from the Province to offset the accrued interest payable on debenture.

#### 4. Overdraft

The Division has an authorized line of credit and bankers' acceptance note with Royal Bank of Canada of \$6,500,000 by way of overdrafts and is repayable at prime less .75% interest paid monthly. Included in the overdraft are capital projects totaling approximately \$11,101, to be submitted to PSFB for promissory note funding. Overdrafts are secured by borrowing by-laws.

#### 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:

	<b>Balance as at June 30, 2018</b>	<b>Additions in the period</b>	<b>Revenue recognized in the period</b>	<b>Balance as at June 30, 2019</b>
Summer Literacy	\$7,110	\$5,352	\$7,110	\$5,352
Nature Valley Recycling Grant	3,000	0	0	3,000
Study Manitoba Tuition Fees	115,325	78,325	\$115,325	78,325
Provincial Education Property Tax Credit	265,182	322,411	\$265,182	322,411
	<b>\$390,617</b>	<b>\$406,088</b>	<b>\$387,617</b>	<b>\$409,088</b>

#### 6. Borrowings from the Provincial Government

The Borrowings from the Provincial Government of the Division is in the form of twenty-year debentures and promissory notes payable, principal and interest, in twenty equal yearly installments and maturing at various dates from 2020 to 2039. 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 and promissory notes carry interest rates that range from 3.0% to 7.25%. Debenture and promissory note 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 and promissory-notes is recorded in Due from the Provincial Government.

The debenture and promissory-notes principal and interest repayments in the next five years are:

<b>Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2020	\$1,553,820	\$688,978	\$2,242,798
2021	1,543,106	605,867	2,148,973
2022	1,352,302	524,640	1,876,942
2023	1,343,089	457,407	1,800,496
2024	1,305,883	391,878	1,697,761
	<b>\$7,098,200</b>	<b>\$2,668,770</b>	<b>\$9,766,970</b>

## 7. Other Borrowings

Other borrowings are debts other than overdrafts, debentures or promissory notes. This includes a loan to install and implement a private fully managed wide area network.

The wide-area network loan is a 10-year loan, bears an interest rate of prime less 0.75%, and has annual principal payments of \$110,004. The payments to the end of the term are:

	<b>Principal Payments</b>	<b>Estimated Interest</b>	<b>Total</b>
2020	110,004	8,043	118,047
2021	110,004	5,568	115,572
2022	110,004	3,093	113,097
2023	27,461	618	28,079
	<b>\$357,473</b>	<b>\$17,322</b>	<b>\$374,795</b>

## 8. Net Tangible Capital Assets

The Schedule of Tangible Capital Assets (TCA), page 23 of the audited financial statements, provides a breakdown of cost, accumulated amortization and net book value by class.

	<b>Gross Amount</b>	<b>Accumulated Amortization</b>	<b>2019 Net Book Value</b>
Owned Tangible Capital Assets	\$44,467,273	\$23,675,074	\$20,792,199
Capital Lease	-	-	-
	<b>\$44,467,273</b>	<b>\$23,675,074</b>	<b>\$20,792,199</b>

## 9. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	<b><u>2019</u></b>
Operating Fund	
Designated Surplus	-
Undesignated Surplus	\$829,477
	<u>\$829,477</u>
Capital Fund	
Reserve Accounts	\$3,093,518
Equity in Tangible Capital Assets	5,497,533
	<u>\$8,591,051</u>
Special Purpose Fund	
School Generated Funds	\$220,932
Other Special Purpose Funds	-
	<u>\$220,932</u>
<b>Total Accumulated Surplus</b>	<b><u>\$9,641,460</u></b>

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.

<b>Reserve</b>	<b>As at June 30, 2018</b>	<b>Net Changes in 2018/19</b>	<b>As at June 30, 2019</b>
Buses	\$1,633,918	\$15,900	\$1,649,818
School Building	50,000		50,000
Non-School Building	75,000		75,000
Computer	325,000		325,000
Technical Vocational Trailers	150,000		150,000
Technical Vocational Equipment Replacement	25,000		25,000
Wawanesa Wall Upgrade/Window Replacement (2nd Wing)	125,000		125,000
Waskada School Site Grading	50,000		50,000
Video Conferencing Replacement	400,000		400,000
Sustainability / LED Lighting Project	100,000		100,000
Woods / Metals Programming	350,500	(206,800)	143,700
<b>Capital Reserve</b>	<b>\$3,284,418</b>	<b>\$(190,900)</b>	<b>\$3,093,518</b>

School Generated Funds and Other Special Purpose Funds are externally restricted moneys for school use. School Generated Funds includes the controlled portion of school-generated funds consolidated in the cash and bank balances totaling \$220,932.

	<b>2019</b>
Foundation - Scholarship	\$0
Other – School Funds	220,932
<b>Other Special Purpose Funds</b>	<b>\$220,932</b>

## 10. Municipal Government – Property Tax and related Due from Municipal Government

Education property tax or Special Levy is raised as the Division’s contribution to the cost of providing public education for the resident students in the division. The Municipal Government-Property Tax shown on the consolidated revenue and expense statement is raised over the two calendar (tax) years; 46% from 2018 tax year and 54% from 2019 tax year. Below are the related revenue and receivable amounts:

	<b>2018</b>	<b>2019</b>
Revenue-Municipal Government-Property Tax	\$ 11,199,706	\$ 11,522,426
Receivable-Due from Municipal-Property Tax	\$ 6,075,826	\$ 6,220,899

## 11. Interest Received and Paid

The Division paid interest totaling \$738,836 in the year, (previous year \$774,593).

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

	<b><u>2019</u></b>
Operating Fund	
Fiscal-short term loan, interest and bank charges	\$34,867
Capital Fund	
Long-term borrowing interest	703,969
Other interest	
	<b><u><u>\$738,836</u></u></b>

The accrual portion of long-term borrowing interest expense of \$291,569 included under the Capital Fund Long-term borrowing interest is offset by an accrual of the debt-servicing grant from the Province of Manitoba.

## 12. Expenses by Object

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

	<b>Actual</b>	<b>Budget</b>	<b>Actual</b>
	<b>2019</b>	<b>2019</b>	<b>2018</b>
Salaries	\$16,747,121	\$17,212,400	\$16,775,625
Employees benefits & allowances	1,213,737	1,292,200	1,219,730
Services	2,079,871	2,431,750	2,089,012
Supplies, materials & minor equipment	1,901,480	1,934,678	1,829,141
Interest	738,836	61,200	774,593
Transfers	260,581	260,000	255,318
Payroll tax	349,397	370,000	358,387
Amortization	1,501,788	-	1,456,672
School generated funds	466,903	-	548,068
	<b><u><u>\$25,259,714</u></u></b>	<b><u><u>\$23,562,228</u></u></b>	<b><u><u>\$25,306,546</u></u></b>

## 13. Adoption of New Accounting Policy

Effective July 1, 2014, the division has adopted the new Public Sector Accounting Board accounting standard - Liability for Contaminated Sites, Section PS3260. The standard was applied on a retroactive basis to July 1, 2013 and did not result in any adjustments to financial liabilities, tangible capital assets or accumulated surplus of the division.