

MARGARET WARD
Superintendent/CEO

TYLER MORAN
Assistant Superintendent



AL LEIMAN
Secretary-Treasurer

"Preparing Today's Learner for Tomorrow"

MANAGEMENT REPORT

Management's Responsibility for the Financial Statements

The accompanying consolidated financial statements of Interlake School Division ("Division") are the responsibility of the Division's management and have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board of the Chartered Professional Accountants 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. School Division management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

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

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

Original Document Signed

Chairperson

Original Document Signed

Secretary-Treasurer

October 15, 2019



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Independent Auditor's Report

To the Chairperson and Board of Trustees of Interlake School Division

Opinion

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

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

Basis for Opinion

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

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

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Canadian public sector accounting standards, 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 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 financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Division to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Division to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

BDO Canada LLP

Chartered Professional Accountants

Winnipeg, Manitoba
October 15, 2019

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

Date

10/15/19

Original Document Signed

Chairperson

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2019	2018
	Financial Assets		
	Cash and Bank	-	-
	Due from - Provincial Government	882,656	1,134,390
	- Federal Government	15,393	28,461
10	- Municipal Government	8,899,023	8,764,131
	- Other School Divisions	12,500	1,674
	- First Nations	-	-
	Accounts Receivable	108,911	79,105
	Accrued Investment Income	-	-
	Portfolio Investments	966	1,899
		<u>9,919,449</u>	<u>10,009,660</u>
	Liabilities		
3	Overdraft	2,484,913	2,145,305
	Accounts Payable	404,309	379,382
	Accrued Liabilities	2,744,189	2,875,478
4	Employee Future Benefits	1,885,574	1,963,471
	Accrued Interest Payable	279,075	272,494
	Due to - Provincial Government	-	-
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
5	Deferred Revenue	1,317,618	1,093,703
7	Borrowings from the Provincial Government	17,651,677	17,080,465
	Other Borrowings	-	600,000
6	School Generated Funds Liability	110,164	76,882
		<u>26,877,519</u>	<u>26,487,180</u>
	Net Assets (Debt)	<u>(16,958,070)</u>	<u>(16,477,520)</u>
	Non-Financial Assets		
8	Net Tangible Capital Assets (TCA Schedule)	22,486,551	21,678,964
	Inventories	135,154	110,075
	Prepaid Expenses	67,212	66,160
		<u>22,688,917</u>	<u>21,855,199</u>
9	Accumulated Surplus	<u>5,730,847</u>	<u>5,377,679</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
	Revenue		
	Provincial Government	24,487,275	23,888,704
	Federal Government	8,775	14,881
10	Municipal Government - Property Tax	15,455,437	15,888,266
	- Other	22,500	11,500
	Other School Divisions	39,862	55,090
	First Nations	-	-
	Private Organizations and Individuals	211,848	180,160
	Other Sources	193,363	257,610
	School Generated Funds	340,330	295,309
	Other Special Purpose Funds	1,250	1,187
		<u>40,760,640</u>	<u>40,592,707</u>
	Expenses		
	Regular Instruction	21,701,206	21,927,753
	Student Support Services	6,688,130	6,169,357
	Adult Learning Centres	-	-
	Community Education and Services	284,851	237,321
	Divisional Administration	1,277,565	1,393,703
	Instructional and Other Support Services	1,113,750	965,100
	Transportation of Pupils	2,203,059	2,216,171
	Operations and Maintenance	3,741,101	3,642,614
11	Fiscal - Interest	769,451	795,996
	- Other	630,645	621,093
	Amortization	1,634,125	1,587,041
	Other Capital Items	-	15,200
	School Generated Funds	354,538	271,736
	Other Special Purpose Funds	1,250	1,187
		<u>40,399,671</u>	<u>39,844,272</u>
	Current Year Surplus (Deficit) before Non-vested Sick Leave	<u>360,969</u>	<u>748,435</u>
	Less: Non-vested Sick Leave Expense (Recovery)	<u>7,801</u>	<u>57,671</u>
	Net Current Year Surplus (Deficit)	<u>353,168</u>	<u>690,764</u>
	Opening Accumulated Surplus	5,377,679	4,686,915
	Adjustments: Tangible Cap. Assets and Accum. Amort.	-	-
	Other than Tangible Cap. Assets	-	-
	Non-vested sick leave - prior years	-	-
	Opening Accumulated Surplus, as adjusted	<u>5,377,679</u>	<u>4,686,915</u>
	Closing Accumulated Surplus	<u>5,730,847</u>	<u>5,377,679</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)	353,168	690,764
Amortization of Tangible Capital Assets	1,634,125	1,587,041
Acquisition of Tangible Capital Assets	(2,441,712)	(1,077,779)
(Gain) / Loss on Disposal of Tangible Capital Assets	(14,455)	14,014
Proceeds on Disposal of Tangible Capital Assets	14,455	2,415
	<u>(807,587)</u>	<u>525,691</u>
Inventories (Increase)/Decrease	(25,079)	(1,796)
Prepaid Expenses (Increase)/Decrease	(1,052)	(578)
	<u>(26,131)</u>	<u>(2,374)</u>
(Increase)/Decrease in Net Debt	<u>(480,550)</u>	1,214,081
Net Debt at Beginning of Year	(16,477,520)	(17,691,601)
Adjustments Other than Tangible Cap. Assets	-	-
	<u>(16,477,520)</u>	<u>(17,691,601)</u>
Net Assets (Debt) at End of Year	<u><u>(16,958,070)</u></u>	<u><u>(16,477,520)</u></u>

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2019

	2019	2018
Operating Transactions		
Net Current Year Surplus (Deficit)	353,168	690,764
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	1,634,125	1,587,041
(Gain)/Loss on Disposal of Tangible Capital Assets	(14,455)	14,014
Employee Future Benefits Increase/(Decrease)	(77,897)	259,688
Due from Other Organizations (Increase)/Decrease	119,084	(1,253,333)
Accounts Receivable & Accrued Income (Increase)/Decrease	(29,806)	(1,029)
Inventories and Prepaid Expenses - (Increase)/Decrease	(26,131)	(2,374)
Due to Other Organizations Increase/(Decrease)	-	-
Accounts Payable & Accrued Liabilities Increase/(Decrease)	(99,781)	152,771
Deferred Revenue Increase/(Decrease)	223,915	(702,449)
School Generated Funds Liability Increase/(Decrease)	33,282	2,897
Adjustments Other than Tangible Cap. Assets	-	-
	<u>2,115,504</u>	<u>747,990</u>
Cash Provided by (Applied to) Operating Transactions		
Capital Transactions		
Acquisition of Tangible Capital Assets	(2,441,712)	(1,077,779)
Proceeds on Disposal of Tangible Capital Assets	14,455	2,415
	<u>(2,427,257)</u>	<u>(1,075,364)</u>
Cash Provided by (Applied to) Capital Transactions		
Investing Transactions		
Portfolio Investments (Increase)/Decrease	933	902
	<u>933</u>	<u>902</u>
Cash Provided by (Applied to) Investing Transactions		
Financing Transactions		
Borrowings from the Provincial Government Increase/(Decrease)	571,212	(814,950)
Other Borrowings Increase/(Decrease)	(600,000)	(300,000)
	<u>(28,788)</u>	<u>(1,114,950)</u>
Cash Provided by (Applied to) Financing Transactions		
Cash and Bank / Overdraft (Increase)/Decrease	(339,608)	(1,441,422)
Cash and Bank (Overdraft) at Beginning of Year	(2,145,305)	(703,883)
Cash and Bank (Overdraft) at End of Year	<u><u>(2,484,913)</u></u>	<u><u>(2,145,305)</u></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									
Tangible Capital Asset Cost											
Opening Cost, as previously reported	35,191,387	1,214,424	5,075,159	334,519	260,368	2,216,531	170,631	-	355,634	44,818,653	44,173,853
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	35,191,387	1,214,424	5,075,159	334,519	260,368	2,216,531	170,631	-	355,634	44,818,653	44,173,853
Add:											
Additions during the year	2,489,629	-	220,666	39,114	-	-	-	-	(307,697)	2,441,712	1,077,779
Less:											
Disposals and write downs	-	-	336,971	26,979	-	-	-	-	-	363,950	432,979
Closing Cost	37,681,016	1,214,424	4,958,854	346,654	260,368	2,216,531	170,631	-	47,937	46,896,415	44,818,653
Accumulated Amortization											
Opening, as previously reported	16,943,965	757,445	4,191,543	286,110	184,840	775,786		-		23,139,689	21,969,198
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	16,943,965	757,445	4,191,543	286,110	184,840	775,786		-		23,139,689	21,969,198
Add:											
Current period Amortization	1,097,735	44,043	235,242	19,677	15,775	221,653		-		1,634,125	1,587,041
Less:											
Accumulated Amortization on Disposals and Writedowns	-	-	336,971	26,979	-	-		-		363,950	416,550
Closing Accumulated Amortization	18,041,700	801,488	4,089,814	278,808	200,615	997,439		-		24,409,864	23,139,689
Net Tangible Capital Asset	19,639,316	412,936	869,040	67,846	59,753	1,219,092	170,631	-	47,937	22,486,551	21,678,964
Proceeds from Disposal of Capital Assets	-	-	14,455	-	-	-				14,455	2,415

* Includes network infrastructure.

INTERLAKE SCHOOL DIVISION
Notes to Consolidated Financial Statements
For the year ended June 30, 2019

1. Nature of Organization and Economic Dependence

The Interlake 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 Chartered Professional Accountants Canada (CPA Canada).

Reporting Entity and Consolidation

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

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

Trust Funds

The school division does not administer trust funds. As such, a separate schedule has not been attached to the notes to financial statements.

Basis of Accounting

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

Fund Accounting

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

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

School Generated Funds

School generated funds are 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.

INTERLAKE SCHOOL DIVISION
Notes to Consolidated Financial Statements
For the year ended June 30, 2019

Tangible Capital Assets

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

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

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

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

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

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

All land acquired prior to June 30, 2006 has been valued by the Crown Lands and Property Agency, except for the land at 192 2nd Avenue North, which is valued at historical cost as management believes the Crown Lands and Property Agency to have overvalued this land by \$221,867.

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.

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 retirement and other future benefits to its non-teaching employees. These benefits include pension, sick leave payouts, and supplementary unemployment benefits.

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

Defined Contribution Plans

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

INTERLAKE SCHOOL DIVISION
Notes to Consolidated Financial Statements
For the year ended June 30, 2019

Pension - No amounts are recorded in the financial statements for future pension costs. The Division participates in the Manitoba School Boards Association (MSBA) Pension Plan for non-teaching employees. Contributions are made by the Division and each eligible employee. Contributions are immediately vested. The Division pays the operating costs of the plan and investment management fees for the plan for all active employees. Contribution costs are calculated as 8% percentage of salary for all employees.

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

Life Insurance - The Division participates in the Manitoba Public School Employee Life Insurance Plan, underwritten by Canada Life. Costs for the compulsory 200% x salary coverage are shared equally by the employee and the Division. Expenses are recorded as incurred. No future obligation is recorded on the financial statements.

Defined Benefit Plans

Under these plans, benefits to be received by employees or the method for determining those benefits have been specified by the Division. The actuarial risk (with respect to the amount of the benefit that each employee will receive) and the investment risk (with respect to the investment returns on any assets set aside to pay for the cost of these benefits) are assumed by the Division.

Sick Leave Allowance

The Division offers a sick leave allowance to employees, of which unused days are accumulated to maximum of 90-130 days, depending upon the employee group. Non-teaching employees with five years of continuous year's employment are eligible upon their retirement, death or severance to receive a lump sum payment equal to one half of their accumulated allowance. The lump sum is paid out at the rate of pay in effect at the time of payment. Costs recorded in the financial statements are based on current earnings of employees.

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

Supplemental Employment Benefits Plan

The Division offers Teachers a Supplemental Employment Benefits (SEB) plan for members taking parenting leave, which provides a top up to employment insurance for seventeen weeks. The Division has also agreed to, in the collective agreement with the Interlake Teachers' Association, the entitlement to receive pay for an additional ten (10) weeks in the amount of ninety percent of their salary less any benefits received from Human Resources Development Canada. Benefit costs are expensed as incurred. Future obligations for employees who have commenced their leaves are recorded in the financial statements based on current earnings of employees.

Capital Reserve

Certain amounts, as approved by the Board of Trustees and the Public Schools Finance Board (PSFB), have been set aside in reserve accounts for future capital purposes. These Capital Reserve accounts are internally restricted funds that form part of the Accumulated Surplus presented in the Consolidated Statement of Financial Position.

Use of Estimates

The preparation of financial statements in conformity with 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. Actual results could differ from management's best estimates, as additional information becomes available in the future.

Financial Instruments

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

INTERLAKE SCHOOL DIVISION
Notes to Consolidated Financial Statements
For the year ended June 30, 2019

3. Overdraft

The Division has an authorized revolving demand facility with Sunova Credit Union of \$8,000,000 by way of overdrafts. Overdrafts bear interest at prime less 0.75% (3.2% at June 30, 2019) and are secured by a borrowing by-law supporting the facility. As at June 30, 2019, the Division's operating line of credit was being utilized.

4. Employee Future Benefits

The Division sponsors a defined contribution pension plan, run by the Manitoba School Boards Association (MSBA). The defined contribution plan is provided to administrative employees based on their age at the beginning of the year and rates of pay. Each age group under the MSBA pension plan has a specific percentage for the employees to contribute. The Division contributions equal the employee contributions to the plan. No pension liability is included in the financial statements. Employee benefits and allowances for expenses by object include the Division's contribution of \$538,415 in 2019 (\$519,674 in 2018).

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

Employee future benefits recorded as a liability represents vested sick leave payable and Supplemental Employment Benefits Plan payable for eligible employees of \$1,581,294 in 2019 (\$1,666,991 in 2018).

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 total accrued non-vested sick leave benefit liability as at June 30, 2019 is \$304,280 (\$296,480 in 2018).

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:

<u>Operating Fund</u>	Balance as at June 30, 2018	Additions in period	Revenue recognized in period	Balance as at June 30, 2019
Education Property				
Tax Credit (EPTC)	\$ 1,045,979	\$ 3,990,842	\$ 3,719,203	\$ 1,317,618
Manitoba Textbook Bureau	33,974	166,848	200,822	-
STAR Revenue	13,750	32,600	46,350	-
	<u>\$ 1,093,703</u>	<u>\$ 4,190,290</u>	<u>\$ 3,966,375</u>	<u>\$ 1,317,618</u>

6. School Generated Funds Liability

The School Generated Funds liability includes the non-controlled portion of school generated funds consolidated in the cash and bank balances in the amount of \$110,164 in 2019 (\$76,882 in 2018).

INTERLAKE SCHOOL DIVISION
Notes to Consolidated Financial Statements
For the year ended June 30, 2019

7. Debenture Debt/Promissory Notes

The borrowings from Provincial Government of the Division is in the form of twenty-year debentures/promissory notes payable, principal and interest, in twenty equal yearly instalments 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 3.00% to 7.25%. 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/promissory notes is recorded in Due from the Provincial Government. The debt principal and interest repayments in the next five years and thereafter:

	Interest	Principal	Total
2019 / 2020	\$ 746,927	\$ 1,304,519	\$ 2,051,446
2020 / 2021	681,245	1,146,645	1,827,890
2021 / 2022	628,072	1,183,711	1,811,784
2022 / 2023	573,398	1,200,060	1,773,458
2023 / 2024	518,711	1,209,728	1,728,439
Thereafter	2,745,871	11,607,014	14,352,885
	\$ 5,894,225	\$17,651,677	\$23,545,902

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. The amount of interest capitalized in the period included in Assets under Construction was nil in 2019 (2018-nil).

9. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2019	2018
Operating Fund		
Designated Surplus	\$ -	\$ -
Undesignated Surplus	724,505	1,170,549
	724,505	1,170,549
Capital Fund		
Reserve Accounts	83,462	402,673
Equity in Tangible Capital Assets	4,772,506	3,639,875
	4,855,968	4,042,548
Special Purpose Fund		
School Generated Funds	150,374	164,582
Other Special Purpose Funds	-	-
	150,374	164,582
Total Accumulated Surplus	\$ 5,730,847	\$ 5,377,679

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 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; 48% from 2018 tax year and 52% from 2019 tax year. Below are the related revenue and receivable amounts:

	2019	2018
Revenue – Municipal Government – Property Tax	\$ 15,455,437	\$ 15,888,266
Receivable – Due from Municipal – Property Tax	\$ 8,899,023	\$ 8,764,131

INTERLAKE SCHOOL DIVISION
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11. Interest Received and Paid

The Division received interest during the year of \$35,516 in 2019 (\$25,045 in 2018); interest paid during the year was \$769,451 in 2019 (\$795,996 in 2018).

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

	<u>2019</u>	<u>2018</u>
Operating Fund		
Fiscal-short term loan, interest and bank charges	\$ 17,897	\$ 18,628
Capital Fund		
Interest on Fibre Liability	16,724	10,677
Debenture interest	<u>734,830</u>	<u>766,691</u>
	<u>\$ 769,451</u>	<u>\$ 795,996</u>

The accrual portion of debenture debt interest expense of \$279,075 (\$272,495 in 2018) included under the Capital Fund-Debenture debt 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:

	<u>Actual 2019</u>	<u>Budget 2019</u>	<u>Actual 2018</u>
Salaries	\$ 29,622,256	\$ 29,866,240	\$ 29,227,804
Employees benefits and allowances	2,143,427	2,159,053	2,137,627
Services	2,615,764	2,572,683	2,465,584
Supplies, materials & minor equipment	2,219,845	2,300,324	2,344,698
Interest	769,451	6,320	795,996
Bad debts	-	-	-
Payroll tax	630,645	655,000	621,093
Amortization	1,634,125	-	1,587,041
Transfers	408,370	335,700	376,306
School generated funds	354,538	-	271,736
Other special purpose funds	1,250	-	1,187
Other capital items	-	-	15,200
	<u>\$ 40,399,671</u>	<u>\$ 37,895,320</u>	<u>\$ 39,844,272</u>