MANAGEMENT REPORT

Management's Responsibility for the Financial Statements

The accompanying consolidated financial statements of River East Transcona School Division are the responsibility of the Division's 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 Deloitte 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
Colleen Carswell

Original Document Signed

Secretary-Treasurer
Vince Mariani

Deloitte LLP
360 Main Street
Suite 2300
Winnipeg MB R3C 3Z3
Canada

Tel: 204-942-0051
Fax: 204-947-9390
www.deloitte.ca

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of River East Transcona School Division

Opinion

We have audited the following financial statements of River East Transcona School Division (the "Division") as at June 30, 2019, and for the year then ended:

Consolidated – Statement of Financial Position
Consolidated – Statement of Revenue, Expenses and Accumulated Surplus
Consolidated – Statement of Change in Net Debt
Consolidated – Statement of Cash Flow
Operating Fund – Schedule of Financial Position
Operating Fund – Schedule of Revenue, Expenses and Accumulated Surplus
Capital Fund – Schedule of Financial Position
Capital Fund – Schedule of Revenue, Expenses and Accumulated Surplus
Schedule of Tangible Capital Assets
Schedule of Capital Reserve Accounts
Special Purpose Fund – Schedule of Financial Position
Special Purpose Fund – Schedule of Revenue, Expenses and Accumulated Surplus
Notes to the Consolidated Financial Statements

In our opinion, these financial statements present fairly, in all material respects, the financial position of the River East Transcona School Division as at June 30, 2019 and the results of its operations and its cash flows 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 the Canadian generally accepted accounting standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Division in accordance with ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our 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 conducted for the purpose of forming an opinion on the above listed financial statements taken as a whole. The current year's supplementary information included in the other statements and reports is presented for purposes of additional analysis and is not a required part of basic financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and in, our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our opinion on these financial statements does not extend to any budget information contained therein.

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

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

In preparing the financial statements, management is responsible for assessing the 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 Financial Statements

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Deloitte LLP

Chartered Professional Accountants

Winnipeg, Manitoba
October 15, 2019

I hereby certify that the preceding report has been presented to members of the Board of the River East Transcona School Division.

Original Document Signed

October 15, 2019

Chair of the Board

River East Transcona School Division

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2019	2018
	Financial Assets		
	Cash and Bank	1,665,436	1,074,871
	Due from - Provincial Government	3,905,481	3,802,490
	- Federal Government	386,046	470,781
	- Municipal Government	40,188,366	39,052,108
	- Other School Divisions	1,300	-
	- First Nations	61,525	86,900
	Accounts Receivable	217,594	232,441
	Accrued Investment Income	-	-
	Portfolio Investments	-	-
		46,425,748	44,719,591
	Liabilities		
	Overdraft	-	-
	Accounts Payable	1,746,875	2,458,775
	Accrued Liabilities	24,051,387	24,460,290
*	Employee Future Benefits	2,177,416	1,936,070
	Accrued Interest Payable	1,122,538	1,010,421
	Due to - Provincial Government	7,002	5,916
	- Federal Government	19,022	-
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
*	Deferred Revenue	10,535,399	8,736,648
*	Borrowings from the Provincial Government	57,245,429	51,264,867
*	Other Borrowings	3,955,572	4,679,457
	School Generated Funds Liability	1,798,088	1,678,336
		102,658,728	96,230,780
	Net Assets (Debt)	(56,232,980)	(51,511,189)
	Non-Financial Assets		
*	Net Tangible Capital Assets (TCA Schedule)	90,533,836	83,791,458
	Inventories	-	-
	Prepaid Expenses	443,780	370,258
		90,977,616	84,161,716
*	**Accumulated Surplus**	34,744,636	32,650,527

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		134,246,505	130,341,967
	Federal Government		459,974	517,004
	Municipal Government	- Property Tax	66,911,019	65,039,054
		- Other	-	-
	Other School Divisions		675,222	708,089
	First Nations		202,255	193,600
	Private Organizations and Individuals		2,063,109	2,164,774
	Other Sources		763,738	529,249
	School Generated Funds		830,625	786,691
	Other Special Purpose Funds		-	-
			206,152,447	200,280,428
	Expenses			
	Regular Instruction		109,125,972	107,067,982
	Student Support Services		37,452,026	36,049,392
	Adult Learning Centres		1,527,358	1,493,615
	Community Education and Services		1,458,292	1,531,094
	Divisional Administration		6,044,417	5,635,578
	Instructional and Other Support Services		7,777,805	8,069,780
	Transportation of Pupils		4,699,085	4,850,137
	Operations and Maintenance		22,019,028	20,974,149
*	Fiscal	- Interest	2,623,268	2,326,793
		- Other	3,300,526	3,239,179
	Amortization		7,116,825	6,790,945
	Other Capital Items		9,260	216,318
	School Generated Funds		810,209	737,550
	Other Special Purpose Funds		-	-
			203,964,071	198,982,512
	Current Year Surplus (Deficit) before Non-vested Sick Leave		2,188,376	1,297,916
	Less: Non-vested Sick Leave Expense (Recovery)		94,267	143,416
	Net Current Year Surplus (Deficit)		2,094,109	1,154,500
	Opening Accumulated Surplus		32,650,527	31,496,027
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	-
		Other than Tangible Cap. Assets	-	-
		Non-vested sick leave - prior years	-	-
	Opening Accumulated Surplus, as adjusted		32,650,527	31,496,027
	Closing Accumulated Surplus		34,744,636	32,650,527

See accompanying notes to the Financial Statements

* NOTE REQUIRED

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2019

	2019	2018
Net Current Year Surplus (Deficit)	2,094,109	1,154,500
Amortization of Tangible Capital Assets	7,116,825	6,790,945
Acquisition of Tangible Capital Assets	(13,859,204)	(13,227,248)
(Gain) / Loss on Disposal of Tangible Capital Assets	(13,594)	(29,606)
Proceeds on Disposal of Tangible Capital Assets	13,595	29,606
	(6,742,378)	(6,436,303)
Inventories (Increase)/Decrease	-	-
Prepaid Expenses (Increase)/Decrease	(73,522)	(79,773)
	(73,522)	(79,773)
(Increase)/Decrease in Net Debt	(4,721,791)	(5,361,576)
Net Debt at Beginning of Year	(51,511,189)	(46,149,613)
Adjustments Other than Tangible Cap. Assets	-	-
	(51,511,189)	(46,149,613)
Net Assets (Debt) at End of Year	(56,232,980)	(51,511,189)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2019

	2019	2018
Operating Transactions		
Net Current Year Surplus (Deficit)	2,094,109	1,154,500
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	7,116,825	6,790,945
(Gain)/Loss on Disposal of Tangible Capital Assets	(13,594)	(29,606)
Employee Future Benefits Increase/(Decrease)	241,346	158,264
Due from Other Organizations (Increase)/Decrease	(1,130,439)	(1,997,175)
Accounts Receivable & Accrued Income (Increase)/Decrease	14,847	(130,011)
Inventories and Prepaid Expenses - (Increase)/Decrease	(73,522)	(79,773)
Due to Other Organizations Increase/(Decrease)	20,108	(10,589)
Accounts Payable & Accrued Liabilities Increase/(Decrease)	(1,008,686)	1,926,460
Deferred Revenue Increase/(Decrease)	1,798,751	(1,408,514)
School Generated Funds Liability Increase/(Decrease)	119,752	91,304
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by (Applied to) Operating Transactions	9,179,497	6,465,805
Capital Transactions		
Acquisition of Tangible Capital Assets	(13,859,204)	(13,227,248)
Proceeds on Disposal of Tangible Capital Assets	13,595	29,606
Cash Provided by (Applied to) Capital Transactions	(13,845,609)	(13,197,642)
Investing Transactions		
Portfolio Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
Financing Transactions		
Borrowings from the Provincial Government Increase/(Decrease)	5,980,562	6,169,214
Other Borrowings Increase/(Decrease)	(723,885)	(599,718)
Cash Provided by (Applied to) Financing Transactions	5,256,677	5,569,496
Cash and Bank / Overdraft (Increase)/Decrease	590,565	(1,162,341)
Cash and Bank (Overdraft) at Beginning of Year	1,074,871	2,237,212
Cash and Bank (Overdraft) at End of Year	1,665,436	1,074,871

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	148,076,993	6,537,137	7,655,575	495,756	3,572,953	20,963,818	1,878,287	3,016,292	6,485,241	198,682,052	185,822,693
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	148,076,993	6,537,137	7,655,575	495,756	3,572,953	20,963,818	1,878,287	3,016,292	6,485,241	198,682,052	185,822,693
Add: Additions during the year	7,481,562	-	1,148,654	49,232	79,397	1,274,817	-	-	3,825,542	13,859,204	13,227,248
Less: Disposals and write downs	-	-	662,558	24,413	1,082,649	7,177,477	-	-		8,947,097	367,889
Closing Cost	155,558,555	6,537,137	8,141,671	520,575	2,569,701	15,061,158	1,878,287	3,016,292	10,310,783	203,594,159	198,682,052
Accumulated Amortization											
Opening, as previously reported	85,693,979	4,302,413	5,280,670	363,391	2,238,086	14,377,603		2,634,452		114,890,594	108,467,538
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	85,693,979	4,302,413	5,280,670	363,391	2,238,086	14,377,603		2,634,452		114,890,594	108,467,538
Add: Current period Amortization	3,626,420	216,529	503,957	48,760	359,254	2,262,950		98,955		7,116,825	6,790,945
Less: Accumulated Amortization on Disposals and Writedowns	-	-	662,557	24,413	1,082,649	7,177,477		-		8,947,096	367,889
Closing Accumulated Amortization	89,320,399	4,518,942	5,122,070	387,738	1,514,691	9,463,076		2,733,407		113,060,323	114,890,594
Net Tangible Capital Asset	66,238,156	2,018,195	3,019,601	132,837	1,055,010	5,598,082	1,878,287	282,885	10,310,783	90,533,836	83,791,458
Proceeds from Disposal of Capital Assets	-	-	13,595	-	-	-				13,595	29,606

* Includes network infrastructure.

1. NATURE OF ORGANIZATION AND ECONOMIC DEPENDENCE

The River East Transcona 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 generally accepted accounting principles established by PSAB of the Canadian Chartered Professional Accountants 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) *Fund Accounting*

The fund method of accounting is employed by the Division to record financial transactions in separate funds as defined by 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 monies 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.

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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Tangible Capital Assets (continued)

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 at their estimated fair market value at the time of acquisition.

All tangible capital assets, except for land and assets under construction, are amortized on a straight-line basis over their estimated useful lives as follows:

Asset Description	**Estimated Useful Life (Years)**
Land Improvements	10
Building - Brick, Mortar and Steel	40
Buildings - Wood Frame	25
School Buses	10
Vehicles	5
Equipment	5
Network Infrastructure	10
Computer Hardware, Servers & Peripherals	4
Computer Software	4
Furniture & Fixtures	10
Leasehold Improvements	Over term of lease

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 on a straight line basis 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.

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.

g) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Employee Future Benefits (continued)

Under the Pension Plan for Non-Teaching Employees of Public School Boards in Manitoba, the Division's contribution equals the employee's contributions to the plan. No responsibility is assumed by the Division to make any further contributions.

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.

An employee future benefit liability is accrued for maternity and parental leave top up payments, a self-insured benefit obligation that is event driven. The benefit costs are recognized and recorded only in the period the event occurred.

h) 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.

i) 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 the estimates. Changes in estimates are recorded in the accounting period in which these changes are determined.

j) Financial Instruments

The Division’s financial instruments include cash, accounts receivable, due to/from governments, other schools and First Nations, accounts payable, accrued liabilities and long-term debt. All financial instruments are initially recognized at fair value when the Division becomes a party to the contractual provisions of the financial instrument. Subsequently, all financial instruments are measured at amortized cost. The effective interest method is used to recognize interest income or expense. Transaction costs related to all financial instruments are expensed as incurred.

3. EMPLOYEE FUTURE BENEFITS

An employee future benefit liability of $365,179 (2018 - $218,098) has been accrued as at June 30, 2019 relating to maternity and parental leave top up payments. The employee future benefit expense is a part of the Employee Benefits and Allowances expense account.

Non-vested accumulated sick leave benefits are measured using net present value techniques of the expected future utilization of excess of sick benefits used over earned per year, to maximum entitlement. The impact of the estimated non-vested sick leave benefit is $1,812,239 (2018 - $1,717,972).

During the year ended June 30, 2019, the employer contributions to the Pension Plan for Non-Teaching Employees of Public School Boards in Manitoba amounted to $2,549,168 (2018 - $2,365,642). This amount has been expensed in the Division's financial statements for the year ended June 30, 2019.

4. 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 at June 30, 2018	**Additions in the period**	**Revenue recognized in the period**	**Balance at June 30, 2019**
Province of MB – EPTC*	$ 6,475,480	$ 8,326,603	$ 6,475,480	**$ 8,326,603**
Province of MB – Other	270,188	763,978	777,400	**256,766**
Tuition Fees	1,054,538	1,140,434	1,054,539	**1,140,433**
Donated Capital Asset	688,297	4,846	133,200	**559,943**
Miscellaneous	248,145	528,086	522,609	**251,653**
	$8,736,648	$10,763,947	$ 8,963,228	**$ 10,535,398**

*EPTC = Education Property Tax Credit

5. SCHOOL GENERATED FUNDS LIABILITY

School Generated Funds Liability includes the non-controlled portion of school generated funds consolidated in the cash and bank balances in the amount of $1,798,088 (2018 - $1,678,336).

6. BORROWINGS FROM PROVINCIAL GOVERNMENT

The debenture debt of the Division is in the form of twenty-year debentures payable, or promissory note, principal and interest, in equal yearly installments and maturing at various dates from 2019 to 2039. Payment of principal and interest is funded entirely by grants from the Province of Manitoba. The debentures carry interest rates that range from 3.0% to 7.25%. Debenture interest expense payable as at June 30, 2019 is accrued and recorded in Accrued Interest Payable, and a grant in an amount equal to the interest accrued on provincially funded debentures is recorded in Due from the Provincial Government. The debenture principal and interest repayments in the next five years are:

	Principal	Interest	Total
2020	$ 3,839,863	$ 2,391,965	$ 6,231,828
2021	3,751,056	2,202,663	5,953,719
2022	3,629,155	2,022,670	5,651,826
2023	3,606,158	1,853,881	5,460,039
2024	3,509,844	1,689,827	5,199,671
	$ 18,336,076	$ 9,290,001	$ 28,497,082

7. OTHER BORROWINGS

Other borrowings are debts other than overdrafts and includes obligations related to capital leases and debentures for self-funded capital projects.

Capital lease loans have interest rates ranging from 2.34% to 4.10% per annum and have lease terms that expire between 2020 to 2025. These loans are secured by the assets to which the leases relate.

Principal and interest repayments related to obligations under capital leases are as follows:

	Principal	Interest	Total
2020	$ 1,561,407	$ 114,505	$ 1,675,912
2021	1,025,324	61,168	1,086,491
2022	458,452	25,914	484,365
2023	208,705	9,531	218,235
2024	76,420	2,587	79,007
	$ 3,330,307	$ 213,704	$ 3,544,011

7. OTHER BORROWINGS (continued)

The debentures for self-funded capital projects are in the form of twenty year debt payable, principal and interest in equal yearly installments and maturing in 2022. These self-funded debentures carry interest rates of 6.875%. The principal and interest repayments for the debentures in the next five years are:

	Principal	Interest	Total
2020	$ 191,435	$ 42,260	$ 233,695
2021	204,596	29,099	233,695
2022	218,662	15,033	233,695
	$ 614,698	$ 86,392	$ 701,085

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 asset class. The amount of interest capitalized in the period included in Assets under Construction was $96,527 (2018 - $85,802). Included in net tangible capital assets are assets relating to obligations under capital lease for the gross amount, accumulated amortization and net book value at June 30, 2019 are $9,201,045, $4,889,834 and $4,311,211 respectively.

9. ACCUMULATED SURPLUS

The consolidated accumulated surplus is comprised of the following:

	2019	2018
Operating Fund		
Designated Surplus	**$ 1,349,380**	$ 1,281,379
Undesignated Surplus	**7,267,759**	5,753,723
Non-Vested Sick Leave	**(1,812,239)**	(1,717,972)
	$ 6,804,900	$ 5,317,130
Capital Fund		
Reserve Accounts	**$ 2,782,736**	$ 2,940,420
Equity in Tangible Capital Assets	**24,778,557**	24,034,950
	$ 27,561,293	$ 26,975,370
Special Purpose Fund		
School Generated Funds	**$ 378,443**	$ 358,027
Total Accumulated Surplus	**$ 34,744,636**	$ 32,650,527

Designated Surplus under the Operating Fund represents internally restricted amounts appropriated by the board or, in the case of school budget carryovers, by board policy. See page 5 of the audited financial statements for a detailed breakdown of the Designated Surplus.

9. ACCUMULATED SURPLUS (continued)

	2019	2018
Board approved appropriation by motion	**$ 31,647**	$ 33,815
School budget carryovers by board policy	**1,317,733**	1,247,564
Designated surplus	**$ 1,349,380**	$ 1,281,379

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 pages 24 and 24A of the audited financial statements.

School Generated Funds and Other Special Purpose Funds are externally restricted monies for school use.

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 student's resident in the division. The Municipal Government-Property Tax shown on the consolidated revenue and expense is raised over the two calendar (tax) years; 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	**$ 66,911,019**	$ 65,039,054
Receivable-Due from Municipal Government-Property Tax	**$ 40,188,366**	$ 39,052,108

11. INTEREST RECEIVED AND PAID

The Division received interest during the year of $212,988 (2018 - $131,631).

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

	2019	2018
Operating Fund		
Fiscal-Short Term Loan, Interest and Bank Charges	**$ 83,338**	$ 71,266
Capital Fund		
Debenture Debt Interest	**$ 2,374,329**	$ 2,151,831
Interest on Obligation under Capital Lease	**164,973**	101,221
Other Interest	**628**	2,475
	$ 2,539,930	$ 2,255,527
Total Fiscal – Interest	**$ 2,623,268**	$ 2,326,793

The accrued portion of debenture debt interest expense at June 30, 2019 of $1,122,538 (2018- $1,010,421) 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:

	Actual 2019	Budget 2019	Actual 2018
Salaries	**$ 155,444,646**	$153,910,106	$ 152,268,672
Employees benefits & allowances	**11,237,682**	11,308,864	10,807,464
Services	**15,032,404**	14,468,717	14,178,153
Supplies, materials, minor equipment	**7,753,125**	7,810,812	7,766,219
Payroll tax	**3,300,526**	3,350,000	3,239,179
Interest and bank charges	**2,623,268**	59,000	2,326,793
Other operating expenses	**37,265**	58,800	65,980
	195,428,886	190,966,299	190,652,460
School Divisions	**598,891**		585,239
Amortization	**7,116,825**		6,790,945
Other capital items	**9,260**		216,318
School generated funds	**810,209**		737,550
	$ 203,964,071	$190,966,299	$ 198,982,512

13. SPECIAL LEVY RAISED FOR LA DIVISION SCOLAIRE FRANCO-MANITOBAINE

In accordance with Section 190.1 of The Public Schools Act the Division is required to collect a special levy on behalf la Division scolaire franco-manitobaine. As at June 30, 2019, the amount of this special levy was $1,270,858 (2018 - $1,005,822). These amounts are not included in the Division's consolidated financial statements.

14. TRUST FUND

The Division administers the following trust funds, which are not reflected in the financial statements:

		2019		2018
Scholarship Funds				
Balance, beginning of year	**$**	**268,753**	$	268,300
Cash contributions received during the year		**13,033**		18,375
Interest income		**4,983**		3,274
Scholarships awarded		**(23,863)**		(21,196)
Balance, end of year	**$**	**262,906**	$	268,753
Assets				
Cash and investments	**$**	**276,356**	$	280,453
Accounts Payable		**(13,448)**		(11,700)
Balance end of year	**$**	**262,906**	$	268,753

15. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Division is exposed to credit, liquidity and interest rate risks in respect of its use of financial instruments.

Credit Risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to the counter party. The financial instruments that potentially subject the Division to credit risk consist principally of accounts receivable. The carrying amount of financial assets represents the maximum credit exposure. The Division's maximum possible exposure to credit risk is as follows:

		2019		2018
Cash	**$**	**1,665,436**	$	1,074,871
Due from – Provincial Government		**3,905,481**		3,802,490
– Federal Government		**386,046**		470,781
– Municipal Government		**40,188,366**		39,052,108
– Other School Divisions		**1,300**		-
– First Nations		**61,525**		86,900
Accounts Receivable		**217,594**		232,441

The Division's accounts receivable consist largely of the grants and revenues to be received from local, provincial, and federal governments. The Division is not exposed to significant credit risk as payments in full are typically collected when due.

15. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk

Liquidity risk relates to the Division's ability to access sufficient funds to meet its financial commitments. The following table details the Fund's remaining contractual maturities for its financial liabilities.

	Due < 1 year	Due > 1 year, < 2 years	Due > 2 years, < 3 years	Due > 3 years, <4 years	Due > 4 years, < 5 years	Due > 5 years
Accounts payable	$ 1,746,875	$ -	$ -	$ -	$ -	$ -
Accrued liabilities	24,051,387	-	-	-	-	-
Due to Governments	-	-	-	-	-	-
Debenture debt	6,231,828	5,953,719	5,651,826	5,460,039	5,199,671	28,748,347
Other borrowings	1,752,842	1,229,920	677,115	208,705	76,420	10,573

The Division's primary liquidity risk relates to its liability for debenture debt. The Division does not have material liabilities that can be called unexpectedly at the demand of a lender, and has no material commitments for capital expenditures, or need for same, in the normal course of business. As payment of principal and interest is funded entirely by grants from the Province of Manitoba, the Division is not exposed to significant liquidity risk.

Interest Rate Risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The interest rate exposure relates to debenture debt.