

MANAGEMENT REPORT

The accompanying consolidated financial statements of the *Division scolaire franco-manitobaine* are the responsibility of the Division management and have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. A summary of the significant accounting policies is included 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 an internal audit system 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 Division's school board met with management to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to its approval of the consolidated financial statements.

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

[signed] Bernard Lesage

Chair

[signed] Alain Laberge

Secretary-Treasurer

October 29, 2018

Independent Auditor's Report

To the Chair and Trustees of the *Division scolaire franco-manitobaine*

We have audited the attached consolidated financial statements of the *Division scolaire franco-manitobaine*, which include the consolidated statement of financial position as at June 30, 2018, and the consolidated statements of revenue, expenses and accumulated surplus, change in net debt, and cash flow for the period then ended, as well as a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion respecting these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the organization's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the Division's financial position as at June 30, 2018 and the results of its operations and cash flow for the year then ended, in accordance with Canadian public sector accounting standards.

"BDO Canada s.r.l./LLP"

Chartered Professional Accountants

Winnipeg, Manitoba
October 29, 2018

I hereby certify that this report as well as the audited consolidated financial statements and the supplementary information were presented to the trustees of the *Division scolaire franco-manitobaine*.

November 28, 2018

Date

[signed] "Bernard Lesage"

Chair of the School Board

Independent Auditor's Report on Enrolment

To the Chair and Trustees of the *Division scolaire franco-manitobaine*

We have audited the EIS Enrolment File Verification Report, prepared in accordance with Part 1, Sections 1.1 and 1.2 of *Public Schools Enrolment and Categorical Grants Reporting for the 2017/2018 School Year*, of the *Division scolaire franco-manitobaine* as at September 30, 2017. This enrolment information is the responsibility of the *Division scolaire franco-manitobaine* management. Our responsibility is to express an opinion on this enrolment information based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. These standards require that we plan and perform an audit to obtain reasonable assurance whether the enrolment information is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the enrolment information.

In our opinion, this report presents fairly, in all material respects, the enrolment of the *Division scolaire franco-manitobaine* as at September 30, 2017, in accordance with Part 1, Sections 1.1 and 1.2 of *Public Schools Enrolment and Categorical Grants Reporting for the 2017/2018 School Year* as referred to above.

“BDO Canada s.r.l./LLP”

Chartered Professional Accountants

Winnipeg, Manitoba
October 29, 2018

I hereby certify that the preceding report was presented to the trustees of the *Division scolaire franco-manitobaine*.

November 28, 2018

Date

“Bernard Lesage”

Chair of the School Board

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2018	2017
	Financial Assets		
	Cash and Bank	2,074,370	-
	Due from - Provincial Government	2,996,990	3,352,099
	- Federal Government	746,622	429,863
	- Municipal Government	14,969,789	14,009,681
	- Other School Divisions	-	-
	- First Nations	-	-
	Accounts Receivable	105,349	59,017
	Accrued Investment Income	-	-
*	Portfolio Investments	52,583	51,755
		<u>20,945,703</u>	<u>17,902,415</u>
	Liabilities		
	Overdraft	-	2,329,926
	Accounts Payable	4,693,509	3,696,500
	Accrued Liabilities	782,393	556,208
*	Employee Future Benefits	1,113,610	1,089,697
	Accrued Interest Payable	859,911	935,130
	Due to - Provincial Government	335,443	304,229
	- Federal Government	3,316,724	64,289
	- Municipal Government	6,130	42,011
	- Other School Divisions	134,244	164,720
	- First Nations	-	-
*	Deferred Revenue	2,505,044	2,422,811
*	Borrowings from the Provincial Government	45,754,356	47,565,796
*	Other Borrowings	1,684,433	1,964,350
	School Generated Funds Liability	266,558	244,839
		<u>61,452,355</u>	<u>61,380,506</u>
	Net Debt	<u>(40,506,652)</u>	<u>(43,478,091)</u>
	Non-Financial Assets		
*	Net Tangible Capital Assets (TCA Schedule)	82,014,816	82,567,601
	Inventories	-	-
	Prepaid Expenses	1,658,156	1,900,113
		<u>83,672,972</u>	<u>84,467,714</u>
*	Accumulated Surplus	<u>43,166,320</u>	<u>40,989,623</u>

See accompanying notes to the Financial Statements

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

For the Year Ended June 30

Notes	2018	2017
Revenue		
Provincial Government	69,855,465	67,333,385
Federal Government	156,278	624,603
Municipal Government	24,307,644	22,515,975
- Property Tax		
- Other	-	-
Other School Divisions	1,963,968	1,794,065
First Nations	-	-
Private Organizations and Individuals	155,979	173,222
Other Sources	338,084	366,690
School Generated Funds	1,257,412	1,379,907
Other Special Purpose Funds	38,937	36,135
	<u>98,073,767</u>	<u>94,223,982</u>
Expenses		
Regular Instruction	49,872,089	47,233,080
Student Support Services	10,381,241	9,550,125
Adult Learning Centres	251,299	255,289
Community Education and Services	1,225,901	1,340,304
Divisional Administration	3,334,580	3,050,800
Instructional and Other Support Services	3,128,441	3,055,675
Transportation of Pupils	9,377,120	8,612,735
Operations and Maintenance	10,036,208	9,339,251
* Fiscal	2,165,580	2,302,269
- Interest		
- Other	1,282,505	1,221,842
Amortization	3,179,192	3,083,840
Other Capital Items	327,048	13,760
School Generated Funds	1,264,587	1,369,942
Other Special Purpose Funds	68,239	20,004
	<u>95,894,030</u>	<u>90,448,916</u>
Current Year Surplus (Deficit) before Non-vested Sick Leave	<u>2,179,737</u>	<u>3,775,066</u>
Less: Non-vested Sick Leave Expense (Recovery)	<u>3,040</u>	<u>(22,959)</u>
Net Current Year Surplus (Deficit)	<u>2,176,697</u>	<u>3,798,025</u>
Opening Accumulated Surplus	40,989,623	37,191,598
Adjustments:		
Tangible Cap. Assets and Accum. Amort.	-	-
Other than Tangible Cap. Assets	-	-
Non-vested sick leave - prior years	-	-
Opening Accumulated Surplus, as adjusted	<u>40,989,623</u>	<u>37,191,598</u>
Closing Accumulated Surplus	<u>43,166,320</u>	<u>40,989,623</u>

See accompanying notes to the Financial Statements

* NOTE REQUIRED

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2018

	2018	2017
Net Current Year Surplus (Deficit)	2,176,697	3,798,025
Amortization of Tangible Capital Assets	3,179,192	3,083,840
Acquisition of Tangible Capital Assets	(2,626,407)	(2,323,197)
(Gain) / Loss on Disposal of Tangible Capital Assets	-	-
Proceeds on Disposal of Tangible Capital Assets	-	-
	552,785	760,643
Inventories (Increase)/Decrease	-	-
Prepaid Expenses (Increase)/Decrease	241,957	267,840
	241,957	267,840
(Increase)/Decrease in Net Debt	2,971,439	4,826,508
Net Debt at Beginning of Year	(43,478,091)	(48,304,599)
Adjustments Other than Tangible Cap. Assets	-	-
	(43,478,091)	(48,304,599)
Net Debt at End of Year	(40,506,652)	(43,478,091)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2018

	2018	2017
Operating Transactions		
Net Current Year Surplus (Deficit)	2,176,697	3,798,025
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	3,179,192	3,083,840
(Gain)/Loss on Disposal of Tangible Capital Assets	-	-
Employee Future Benefits Increase/(Decrease)	23,913	37,600
Due from Other Organizations (Increase)/Decrease	(921,758)	(905,831)
Accounts Receivable & Accrued Income (Increase)/Decrease	(46,332)	83,106
Inventories and Prepaid Expenses - (Increase)/Decrease	241,957	267,840
Due to Other Organizations Increase/(Decrease)	3,217,292	12,100
Accounts Payable & Accrued Liabilities Increase/(Decrease)	1,147,975	(890,314)
Deferred Revenue Increase/(Decrease)	82,233	55,022
School Generated Funds Liability Increase/(Decrease)	21,719	2,444
Adjustments Other than Tangible Cap. Assets	-	-
	<u>9,122,888</u>	<u>5,543,832</u>
Cash Provided by (Applied to) Operating Transactions		
Capital Transactions		
Acquisition of Tangible Capital Assets	(2,626,407)	(2,323,197)
Proceeds on Disposal of Tangible Capital Assets	-	-
	<u>(2,626,407)</u>	<u>(2,323,197)</u>
Cash Provided by (Applied to) Capital Transactions		
Investing Transactions		
Portfolio Investments (Increase)/Decrease	(828)	(819)
	<u>(828)</u>	<u>(819)</u>
Cash Provided by (Applied to) Investing Transactions		
Financing Transactions		
Borrowings from the Provincial Government Increase/(Decrease)	(1,811,440)	(1,532,802)
Other Borrowings Increase/(Decrease)	(279,917)	(267,991)
	<u>(2,091,357)</u>	<u>(1,800,793)</u>
Cash Provided by (Applied to) Financing Transactions		
Cash and Bank / Overdraft (Increase)/Decrease	4,404,296	1,419,023
Cash and Bank (Overdraft) at Beginning of Year	(2,329,926)	(3,748,949)
Cash and Bank (Overdraft) at End of Year	<u><u>2,074,370</u></u>	<u><u>(2,329,926)</u></u>

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2018

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	2018 TOTALS	2017 TOTALS
	School	Non-School									
Tangible Capital Asset Cost											
Opening Cost, as previously reported	101,541,259	497,951	-	334,594	2,668,452	1,378,663	13,042,737	1,501,371	1,924,679	122,889,706	120,594,723
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	101,541,259	497,951	-	334,594	2,668,452	1,378,663	13,042,737	1,501,371	1,924,679	122,889,706	120,594,723
Add:											
Additions during the year	1,704,565	482,520	126,201	-	235,907	45,656	-	76,708	(45,150)	2,626,407	2,323,197
Less:											
Disposals and write downs	-	-	-	-	-	-	-	-	-	-	28,214
Closing Cost	103,245,824	980,471	126,201	334,594	2,904,359	1,424,319	13,042,737	1,578,079	1,879,529	125,516,113	122,889,706
Accumulated Amortization											
Opening, as previously reported	36,602,836	314,314	-	172,593	1,591,804	808,539		832,019		40,322,105	37,266,479
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	36,602,836	314,314	-	172,593	1,591,804	808,539		832,019		40,322,105	37,266,479
Add:											
Current period Amortization	2,516,162	22,813	6,310	52,115	242,113	225,191		114,488		3,179,192	3,083,840
Less:											
Accumulated Amortization on Disposals and Writedowns	-	-	-	-	-	-		-		-	28,214
Closing Accumulated Amortization	39,118,998	337,127	6,310	224,708	1,833,917	1,033,730		946,507		43,501,297	40,322,105
Net Tangible Capital Asset	64,126,826	643,344	119,891	109,886	1,070,442	390,589	13,042,737	631,572	1,879,529	82,014,816	82,567,601
Proceeds from Disposal of Capital Assets	-	-	-	-	-	-				-	-

* Includes network infrastructure.

Division scolaire franco-manitobaine
Notes to the Consolidated Financial Statements
For the year ended June 30, 2018

1. Nature of Organization and Economic Dependence

The *Division scolaire franco-manitobaine* (the "Division") is a public body that provides education services to the Francophone student population of Manitoba. The Division is funded mainly by grants from the Province of Manitoba (the "Province") and special levies. The Division and each provider school division share the tax levies based on the proportion that their respective number of students represents in relation to the total of all students living within the provider school division's boundaries.

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

2. Significant Accounting Policies

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

Reporting Entity and Consolidation

The consolidated financial statements include the assets, liabilities, revenue 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 balances and transactions were eliminated upon consolidation.

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 standards, are assets under the custody of a trustee (the Division) pursuant to a trust agreement or under the law. The trustee merely administers the terms and conditions of the trust agreement, and has no unilateral authority to change them.

Basis of Accounting

Revenue 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 revenue as it is 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 used 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 revenue 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 the assets of charitable foundations controlled by the Division.

School Generated Funds

School generated funds are monies which are collected by a school or under its auspices through extra-curricular activities conducted for its sole benefit, and which the principal of the school may, subject to the rules of the school board, raise, hold, administer and expend for the purposes of the school.

Division scolaire franco-manitobaine
Notes to the Consolidated Financial Statements
For the year ended June 30, 2018

School Generated Funds (cont'd)

Only revenue and expenses of school generated funds controlled by the Division are included in the Consolidated Statement of Revenue, Expenses and Accumulated Surplus. For funds to be deemed as controlled, a school must have the unilateral authority to make the decisions as to when, how and for what purpose they are to be spent. The balances of cash monies and short-term investments of all school generated funds are included in the Consolidated Statement of Financial Position. The non-controlled portion of this amount is reflected in the School Generated Funds Liability item. Examples of non-controlled school generated funds are parent committee funds, student association funds and travel club funds. Revenue and expenses of non-controlled school generated funds are not included in the consolidated financial statements.

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, land improvements, school buses, other vehicles, furniture, fixtures and equipment, computer hardware and software, leasehold improvements, capital leases, 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>(\$)</u>	<u>Useful Life</u>
Land improvements	50,000	10 years
Building – bricks, mortar and 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	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.

Land is recorded at historical cost, which includes purchase price, installation costs and other costs incurred to put the asset into service. All land acquired prior to June 30, 2006 has been valued by the Crown Lands and Property Agency.

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, based on Southam and CanaData construction cost indices.

With the exception of 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.

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 as when an asset is amortized.

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.

Division scolaire franco-manitobaine
Notes to the Consolidated Financial Statements
For the year ended June 30, 2018

Net Tangible Capital Assets (cont'd)

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

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

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

Employee Future Benefits

The Province 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 consolidated financial statements.

However, the Division provides retirement and other future benefits to its support staff. These benefits include a defined contribution pension plan, parental leave and early retirement benefit. The Division adopted the following accounting policies with respect to these employee future benefits:

Defined Contribution Pension Plan

The Division pays the employer portion to the defined contribution pension plan administered by the Manitoba School Boards Association (MSBA) for its support staff. Under this plan, specific fixed amounts are contributed by the Division each period for services rendered by the employees and are equal to the contributions made by the employees. No responsibility is assumed by the Division to make any subsequent contribution.

Defined Benefit/Self-Managed Employee Future Benefit Plans

For defined benefit/self-managed benefit obligations that are event driven such as non-vesting parental leave, the benefit costs are recognized and recorded only in the period when the event occurs. For complementary payment obligations related to possible early retirement that are also event driven, the cost of benefits is recognized for the period in relation to which the commitment to pay benefits is approved by the school board.

With respect to sick leave that accrues without being vested, the liability is recorded, when deemed significant, based on the likelihood that the accrued sick leave will be used by the employees. The calculated amount is adjusted using present value methods.

Reserve Fund

Certain amounts approved by the Board and the Public Schools Finance Board have been set aside in reserve funds for future capital projects. These are internally restricted and part of the accumulated surplus reported in the Consolidated Statement of Financial Position.

Use of Estimates

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from the most accurate projections of management as additional information becomes available.

Division scolaire franco-manitobaine
Notes to the Consolidated Financial Statements
For the year ended June 30, 2018

3. Overdraft

The Division has an authorized line of credit with the Caisse Financial Group of \$13,450,000 to fund its operations. The line of credit is repayable on demand at prime less 0.75%, (2.95% as at June 30, 2018) with interest payable monthly. It was unused as at June 30, 2018.

4. Employee Future Benefits

The Division participates in a defined contribution pension plan administered by the MSBA. The defined contribution plan is provided to support staff based on their age at the beginning of the year and on rates of pay. Under the MSBA pension plan, employee contributions are determined according to a specific percentage based on their age group. The Division's contributions equal the employee's contributions to the plan. Pension liability is included in the consolidated financial statements under Accounts Payable.

The employee future benefit expense is included under the Employee Benefits and Allowances item. Total contributions to the defined contribution pension plan for the period ended June 30, 2018, amount to \$812,398 (\$768,624 in 2017).

Fringe benefits, such as sick leave, which accumulate without vesting, are evaluated in accordance with the present value method taking into account the extent to which accumulated sick leave credits are expected to exceed the number of vested days. The evaluation of the cost of sick leave benefits for the 2017/18 period has resulted in a recovery of \$3,040.

5. Deferred Revenue

The deferral method of accounting is used for revenue received that, pursuant to statutes, regulations or agreements, may only be used for specific purposes. These amounts are recognized as revenue in the fiscal year the related expenses are incurred or services performed. The following is a breakdown of the account balance:

	Balance as at June 30, 2017	Amounts received in the period	Recognized in the period	Balance as at 30/06/2018
	\$	\$	\$	\$
Administration – Healthy Schools	-	14,834	13,025	1,809
Other (EPTC)	2,315,382	2,418,801	2,315,382	2,418,801
Healthy Baby	12,368	76,570	70,404	18,534
C.T.I. Central and C.T.I Urban	-	105,655	105,655	-
Coalition petite enfance	30,885	530,423	529,844	31,464
Growing with Mom	-	3,576	2,236	1,340
Parlons petite enfance	33,270	-	-	33,270
Other deferred revenue	31,080	-	31,080	-
	<u>2,422,985</u>	<u>3,149,859</u>	<u>3,067,626</u>	<u>2,505,218</u>

Division scolaire franco-manitobaine
Notes to the Consolidated Financial Statements
For the year ended June 30, 2018

6. School Generated Funds Liability

Liability pertaining to school generated funds not controlled by the school division includes a cash amount of \$266,558 as at June 30, 2018 (\$244,839 as at June 30, 2017), which is recorded in the Consolidated Statement of Financial Position as the School Generated Funds Liability.

7. Debenture Debt

The Division's debenture is in the form of twenty-year debentures payable, principal and interest, in twenty equal yearly installments and maturing at various dates from 2019 to 2038. Payment of principal and interest is funded entirely by grants from the Province. The debentures carry interest rates that range from 3.250% to 7.250%. Debenture interest expense payable as at June 30, 2018 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 (\$)
2019	3,447,312	2,023,802	5,471,114
2020	3,593,355	1,842,881	5,436,236
2021	3,684,784	1,653,968	5,338,752
2022	3,350,192	1,461,294	4,811,486
2023	2,954,041	1,293,830	4,241,871

8. Other Borrowings

Other borrowings include debts other than overdrafts or debentures. They include loans for child care facility improvement and capital leases on photocopiers.

	2018	2017
	\$	\$
Child care facility improvement	142,182	177,641
Connectivity project	1,542,251	1,786,709
	1,684,433	1,964,350

Loans for the connectivity project and improvements to child care facilities bear interest at rates of 4.46 % and 3.69 % respectively, due on demand, and the monthly payments are \$26,600 and \$3,452 respectively, including the principal and interest, as at June 30, 2018.

These loans are secured by way of a security agreement and borrowing by-law.

Principal and interest repayment of total other loans in the next five years are:

	Principal (\$)	Interest (\$)	Total (\$)
2019	292,376	68,243	360,619
2020	305,247	55,372	360,619
2021	318,983	41,636	360,619
2022	319,726	27,492	347,219
2023	305,396	13,804	319,200

9. Net Tangible Capital Assets

The Schedule of Tangible Capital Assets on 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 ended June 30, 2018 was nul (\$2,037 in 2017).

Division scolaire franco-manitobaine
Notes to the Consolidated Financial Statements
For the year ended June 30, 2018

10. Accumulated Surplus

The consolidated accumulated surplus as at June 30, 2018 is comprised of the following:

	2018	2,017
	\$	\$
Operating fund		
Designated surplus	965,249	1,060,475
Undesignated surplus	2,550,669	2,139,624
Sick leave	(349,671)	(346,631)
	<u>3,166,247</u>	<u>2,853,468</u>
Capital fund		
Reserve accounts	4,313,799	3,340,000
Equity in tangible capital assets	34,895,192	33,968,596
	<u>39,208,991</u>	<u>37,308,596</u>
Special purpose fund		
School generated funds	663,909	671,085
Other special purpose funds	127,173	156,474
	<u>791,082</u>	<u>827,559</u>
Consolidated accumulated surplus	<u>43,166,320</u>	<u>40,989,623</u>

11. Municipal Governments – Property Tax and related Due from Municipal Governments

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 statement of revenue, expenses and accumulated surplus is raised over the two calendar (tax) years; 40% from 2017 tax year and 60% from 2018 tax year. Below are the revenue and related receivable amounts:

	2018	2017
	\$	\$
Revenue - Municipal Government - Property Tax	<u>24,307,644</u>	<u>22,515,975</u>
Due from Municipal – Property Tax	<u>14,969,789</u>	<u>14,009,681</u>

12. Interest Received and Paid

The Division received interest in the amount of \$119,608 during the year ending June 30, 2018 (\$64,138 in 2017); interest paid during the year was \$2,165,580 (\$2,302,269 in 2017).

Interest expense is included in Fiscal for the period ended June 30, 2018 and is comprised of the following:

	2018	2017
	\$	\$
Operating fund		
Fiscal – short term loan, interest and bank charges	87,995	94,483
Capital fund		
Debenture debt interest	2,071,625	2,200,543
Other interest	5,960	7,243
	<u>2,077,585</u>	<u>2,207,786</u>
	<u>2,165,580</u>	<u>2,302,269</u>

The accrual portion of the debenture debt interest expense of \$859,911 as at June 30, 2018 (\$935,130 as at June 30, 2017) included under Capital Fund – Debenture Debt Interest is offset by an accrual of the debt servicing grant from the Province.

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Notes to the Consolidated Financial Statements
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13. Allowance for doubtful accounts

All receivables presented on the Consolidated Statement of Financial Position are net of an allowance for specific doubtful accounts. Below is the total allowance for doubtful accounts as at June 30, 2018:

	2018	2017
	\$	\$
Allowance for doubtful accounts (recovery) deducted from Receivables	-	-
Bad debts (recovery) (included in Fiscal)	-	-

14. 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 2018	Budget 2018	Actual 2017
	\$	\$	\$
Salaries	60,079,821	60,365,945	57,279,079
Employee benefits and allowances	4,322,969	4,912,616	4,193,478
Services	18,055,748	19,535,717	16,639,256
Supplies, materials & minor equipment	4,234,469	4,071,956	3,973,220
Interest and bank charges	2,165,580	94,742	2,302,269
Bad debts (recovery)	-	-	-
Payroll tax	1,282,505	1,294,472	1,221,842
Transfers	913,872	937,274	352,226
Amortization	3,179,192	-	3,083,840
Other capital items	327,048	-	13,760
School generated funds	1,264,587	-	1,369,942
Other special purpose funds	68,239	-	20,004
	<u>95,894,030</u>	<u>91,212,722</u>	<u>90,448,916</u>

15. Contractual Obligations

Agreements respecting student transportation were entered into until June 2019. The annual costs for these services are approximately \$7,300,000.

Lease agreements for school buildings were entered into with various school divisions and organizations. An estimated amount was recorded as a payable amount and as an expense for the current fiscal year given that the rental rates have not yet been finalized. All retroactive adjustments will be recorded in the year when their specific amount is determined.

16. Financial instruments

The Division's financial instruments include cash and bank deposits, portfolio investments, amounts due from and due to (provincial, federal and municipal governments, other school divisions and First Nations), accounts receivable, receivable investment income, overdraft, accounts payable, accrued liabilities, employee future benefits, accrued interest payable, debenture debt and other borrowings.

Unless otherwise noted, it is management's opinion that these financial instruments do not expose the Division to significant interest, exchange or credit risk.

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Notes to the Consolidated Financial Statements
For the year ended June 30, 2018

17. Trust Funds

During the year, the Division made no holdback payments (\$0 in 2017) for construction projects. These payments are held in a bank account in the Division's name but the funds are to be transferred to the contractor once the projects have been completed. The funds held in this bank account and the accrued liability with respect to the holdback have not been included in the consolidated financial statements.

18. Controlled Corporation

The Division controls a charitable organization. The assets, liabilities and accumulated surplus of the charitable organization are recorded in the Special Purpose Fund Schedule of Financial Position. The revenue, expenses and restated opening accumulated surplus of the charitable organization are recorded in the Special Purpose Fund Schedule of Revenue, Expenses and Accumulated Surplus.