MANAGEMENT REPORT

Management's Responsibility for the Financial Statements

The accompanying consolidated financial statements of Frontier School Division are the responsibility of the Division management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of the Chartered Professional Accountants 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 Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Division's consolidated financial statements.

Original Document Signed	Original Document Signed
Chairperson	**Treasury Secretary**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of Frontier School Division

We have audited the following financial statements of Frontier 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
Capital Fund – Schedule of Tangible Capital Assets
Capital Fund – 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 Financial Statements

In our opinion, these financial statements present fairly, in all material respects, the financial position of Frontier 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
November 7, 2019

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2019	2018
	Financial Assets		
	Cash and Bank	12,810,189	15,906,310
	Due from - Provincial Government	2,876,515	2,819,034
	- Federal Government	679,610	657,739
	- Municipal Government	2,141,651	2,099,866
	- Other School Divisions	1,446	1,610
	- First Nations	14,250,674	16,352,744
	Accounts Receivable	189,189	171,114
	Accrued Investment Income	79,950	59,918
*	Portfolio Investments	16,500,000	12,500,000
		49,529,224	50,568,335
	Liabilities		
	Overdraft	-	-
	Accounts Payable	10,774,932	11,192,503
	Accrued Liabilities	8,757,890	8,768,593
*	Employee Future Benefits	1,055,978	1,368,862
	Accrued Interest Payable	778,485	827,234
	Due to - Provincial Government	422,541	-
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	2,970	-
	- First Nations	3,548,959	2,305,096
*	Deferred Revenue	17,901,889	19,478,896
*	Borrowings from the Provincial Government	42,291,441	44,731,070
*	Other Borrowings	2,009,410	1,937,924
	School Generated Funds Liability	433,207	427,591
		87,977,702	91,037,769
	Net Assets (Debt)	(38,448,478)	(40,469,434)
	Non-Financial Assets		
*	Net Tangible Capital Assets (TCA Schedule)	77,074,671	78,275,906
	Inventories	-	-
	Prepaid Expenses	610,509	344,981
		77,685,180	78,620,887
*	**Accumulated Surplus**	39,236,702	38,151,453

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		55,123,615	55,811,061
	Federal Government		1,889,451	1,340,944
	Municipal Government	- Property Tax	2,827,160	2,653,984
		- Other	403,920	396,000
	Other School Divisions		10,400	13,650
	First Nations		80,518,140	78,718,387
	Private Organizations and Individuals		4,908,147	4,921,226
	Other Sources		2,118,830	2,014,589
	School Generated Funds		649,387	818,862
	Other Special Purpose Funds		-	-
			148,449,050	146,688,703
	Expenses			
	Regular Instruction		60,272,999	59,623,308
	Student Support Services		21,312,857	20,314,037
	Adult Learning Centres		3,976,842	3,637,187
	Community Education and Services		2,479,833	2,633,985
	Divisional Administration		7,290,505	7,046,575
	Instructional and Other Support Services		7,644,906	7,505,004
	Transportation of Pupils		11,949,484	11,723,894
	Operations and Maintenance		23,985,328	24,169,791
*	Fiscal	- Interest	2,200,117	2,232,076
		- Other	1,211,927	1,247,339
	Amortization		4,413,125	4,237,237
	Other Capital Items		-	-
	School Generated Funds		625,878	768,790
	Other Special Purpose Funds		-	-
			147,363,801	145,139,223
	Current Year Surplus (Deficit) before Non-vested Sick Leave		1,085,249	1,549,480
	Less: Non-vested Sick Leave Expense (Recovery)		0	0
	Net Current Year Surplus (Deficit)		1,085,249	1,549,480
	Opening Accumulated Surplus		38,151,453	36,601,973
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	-
		Other than Tangible Cap. Assets	-	-
		Non-vested sick leave - prior years	-	-
	Opening Accumulated Surplus, as adjusted		38,151,453	36,601,973
	Closing Accumulated Surplus		39,236,702	38,151,453

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)	1,085,249	1,549,480
Amortization of Tangible Capital Assets	4,413,125	4,237,237
Acquisition of Tangible Capital Assets	(3,211,890)	(3,905,977)
(Gain) / Loss on Disposal of Tangible Capital Assets	-	(3,922)
Proceeds on Disposal of Tangible Capital Assets	-	3,922
	1,201,235	331,260
Inventories (Increase)/Decrease	-	-
Prepaid Expenses (Increase)/Decrease	(265,528)	46,896
	(265,528)	46,896
(Increase)/Decrease in Net Debt	2,020,956	1,927,636
Net Debt at Beginning of Year	(40,469,434)	(42,397,070)
Adjustments Other than Tangible Cap. Assets	-	-
	(40,469,434)	(42,397,070)
Net Assets (Debt) at End of Year	(38,448,478)	(40,469,434)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2019

	2019	2018
Operating Transactions		
Net Current Year Surplus (Deficit)	1,085,249	1,549,480
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	4,413,125	4,237,237
(Gain)/Loss on Disposal of Tangible Capital Assets	-	(3,922)
Employee Future Benefits Increase/(Decrease)	(312,884)	215,970
Due from Other Organizations (Increase)/Decrease	1,981,097	2,021,678
Accounts Receivable & Accrued Income (Increase)/Decrease	(38,107)	252,672
Inventories and Prepaid Expenses - (Increase)/Decrease	(265,528)	46,896
Due to Other Organizations Increase/(Decrease)	1,669,374	(962,044)
Accounts Payable & Accrued Liabilities Increase/(Decrease)	(477,023)	373,104
Deferred Revenue Increase/(Decrease)	(1,577,007)	1,293,615
School Generated Funds Liability Increase/(Decrease)	5,616	71,135
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by (Applied to) Operating Transactions	6,483,912	9,095,821
Capital Transactions		
Acquisition of Tangible Capital Assets	(3,211,890)	(3,905,977)
Proceeds on Disposal of Tangible Capital Assets	-	3,922
Cash Provided by (Applied to) Capital Transactions	(3,211,890)	(3,902,055)
Investing Transactions		
Portfolio Investments (Increase)/Decrease	(4,000,000)	2,500,000
Cash Provided by (Applied to) Investing Transactions	(4,000,000)	2,500,000
Financing Transactions		
Borrowings from the Provincial Government Increase/(Decrease)	(2,439,629)	(2,759,214)
Other Borrowings Increase/(Decrease)	71,486	31,381
Cash Provided by (Applied to) Financing Transactions	(2,368,143)	(2,727,833)
Cash and Bank / Overdraft (Increase)/Decrease	(3,096,121)	4,965,933
Cash and Bank (Overdraft) at Beginning of Year	15,906,310	10,940,377
Cash and Bank (Overdraft) at End of Year	12,810,189	15,906,310

Frontier School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2019

	Buildings and Leasehold Improvements		School	Other	Furniture / Fixtures &	Computer Hardware &		Land	Assets Under	2019	2018
	School	Non-School	Buses	Vehicles	Equipment	Software *	Land	Improvements	Construction	TOTALS	TOTALS
Tangible Capital Asset Cost											
Opening Cost, as previously reported	137,131,872	18,259,203	12,672,532	247,770	2,502,176	-	1,462,248	-	1,684,516	173,960,317	170,932,926
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	137,131,872	18,259,203	12,672,532	247,770	2,502,176	-	1,462,248	-	1,684,516	173,960,317	170,932,926
Add:											
Additions during the year	1,475,837	263,711	1,680,936	73,271	34,112	-	-	-	(315,977)	3,211,890	3,905,977
Less:											
Disposals and write downs	-	229,170	-	19,656	562,038	-	-	-	-	810,864	878,586
Closing Cost	138,607,709	18,293,744	14,353,468	301,385	1,974,250	-	1,462,248	-	1,368,539	176,361,343	173,960,317
Accumulated Amortization											
Opening, as previously reported	72,735,858	13,275,306	7,206,416	247,770	2,219,061	-		-		95,684,411	92,325,760
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	72,735,858	13,275,306	7,206,416	247,770	2,219,061	-		-		95,684,411	92,325,760
Add:											
Current period Amortization	2,728,480	435,585	1,047,029	73,271	128,760	-		-		4,413,125	4,237,237
Less:											
Accumulated Amortization on Disposals and Writedowns	-	229,170	-	19,656	562,038	-		-		810,864	878,586
Closing Accumulated Amortization	75,464,338	13,481,721	8,253,445	301,385	1,785,783	-		-		99,286,672	95,684,411
Net Tangible Capital Asset	63,143,371	4,812,023	6,100,023	-	188,467	-	1,462,248	-	1,368,539	77,074,671	78,275,906
Proceeds from Disposal of Capital Assets	-	-	-	-	-	-				-	3,922

* Includes network infrastructure.

1. NATURE OF ORGANIZATION AND ECONOMIC DEPENDENCE

The 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), a special levy on the property assessment included in the Division's boundaries, and funding from ISC/First Nation government. The Division is exempt from income tax.

2. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles established by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants of Canada (CPA 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 and 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 Financial Reporting and Accounting in Manitoba Education (FRAME) in accordance with the purpose for which the funds have been created.

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

e) School Generated Funds

School generated funds are moneys raised by the school, or under the auspices of the school, through 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.

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. Uncontrolled school generated funds are not included in the consolidated financial statements.

f) Tangible Capital Assets

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Tangible Capital Assets (continued)

Asset Description	Capitalization Threshold	Estimated Useful Life (years)
Land improvements	$ 50,000	10
Buildings – bricks, mortar and steel	50,000	40
Buildings – wood frame	50,000	25
School buses	50,000	10
Vehicles	10,000	5
Equipment	10,000	5
Network infrastructure	25,000	10
Computer hardware, servers and peripherals	10,000	4
Computer software	10,000	4
Furniture and fixtures	10,000	10
Leasehold improvements	25,000	Over term of lease

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

With the exception of land, 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.

All land acquired prior to June 30, 2006 has been valued at $1,225,210.

Capital leases are recorded at the present value of the minimum lease payments excluding executor 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) *Tangible Capital Assets (continued)*

All tangible capital assets, except for land, capital leases, and assets under construction, are amortized on a straight-line basis over their estimated useful life.

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.

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.

However, the Division provides retirement and other future benefits to its employees. These benefits include pension, life insurance, and retirement allowances. The Division adopted the following policies with respect to accounting for these employee future benefits:

(i) Defined Contribution / Insured Benefit Plans

Frontier School Division had established a future benefit liability for life insurance premiums paid on behalf of retired employees. During the 2018 year this plan was reviewed and determined to be phased out over the next five years.

(ii) Defined Benefit / Self-Insured Employee Future 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(ii) Defined Benefit / Self-Insured Employee Future Benefit Plans (continued)

Frontier School Division has a Defined Benefit Pension Plan for non-teaching employees. Employees and Frontier School Division currently contribute equal amounts (2019 – 9.0%, 2018 – 9.0%). The plan is evaluated using both the "Going Concern Valuation" and the "Solvency Valuation". The last review was as at December 31, 2018.

The Employee contributions for 2019 were $ 2,532,211 (2018 - $2,584,767). Frontier School Division contributed an equal amount.

For self-insured employee future benefits other than pension plans, that are vesting and accumulating over the employees' length of service (e.g. vesting sick days, continuation of benefits for health care, dental or life insurance), the benefit costs are accounted for on a full accrual basis determined using actuarial valuation of salary escalation, accumulated sick days, insurance and health care costs trends, and long-term inflation rates.

For those self-insured benefit obligations that are event driven (e.g. supplemental unemployment benefits, sick time, non-vesting parental leave), the benefit costs are recognized and recorded only in the period when the event occurs.

The employee future benefits liability is the total accrued benefit obligation. The employee future benefits expense includes the Division's contribution for the period.

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 as established for PSAB 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Financial Instruments

The Division's financial instruments include cash and bank, accounts receivable, accrued investment income, due to/from governments, other schools and First Nations, accounts payable, accrued liabilities, accrued interest payable and long-term debt. The additional disclosure required due to the Division's adoption of PSA Handbook section 3450, Financial Instruments, is disclosed in Note 15.

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.

k) Non-Vested Sick Leave Benefits

Non-vested sick leave benefits are estimated using a net present value technique on the expected future utilization of sick benefits in excess of the amounts earned per year, to a maximum entitlement. The calculated dollar value of Non-vested sick time as at June 30, 2019 is $601,722 (2018 - $945,488). These amounts are disclosed for compliance with PS 2120 only and are not considered material for inclusion in the financial statements.

3. OVERDRAFT

The Division has an authorized Line of Credit with the Royal Bank of $35,000,000 by way of overdrafts and is repayable on demand; rates are related to prime, payable monthly. Any overdrafts are secured through a Borrowing By-Law.

4. EMPLOYEE FUTURE BENEFITS

Employee future benefits are benefits earned by employees in the current period, but will not be paid out until future periods. Employee future benefits are comprised of future insurance payments to retired employees, provision for teacher special leave, and a provision for Superintendents retirement, as follows:

	2019	2018
Employee Future Benefit Liability (EFBL)		
Retirement Insurance Plan	**$ 0**	$ 42,187
Superintendent Retirement	**623,272**	701,790
Special Leave	**432,706**	624,885
	$ 1,055,978	$ 1,368,862

4. EMPLOYEE FUTURE BENEFITS (continued)

The defined benefit plan provided to non-teaching staff is actuarially valuated using a number of assumptions about future events, including interest rates, wage and salary increases, employee turnover and mortality to determine the accrued benefit obligation. The most recent actuarial report was prepared as at December 31, 2018. The net unamortized actuarial gain is amortized on a straight-line basis over the expected average remaining service life of the related employee groups. Pension plan assets are valued at market values and the expected rate of return is 5.75% (2018 – 5.75%).

See Appendix 1 for disclosure information on the pension plan.

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

Continuation of benefits for life insurance are defined benefits and vesting to certain employees at or after retirement. The related benefit costs and liabilities are included in the financial statements.

Supplemental unemployment benefits are defined benefits that are recognized and recorded only in the period when the events occur (e.g. maternity top up).

The employee future benefit expense is a part of the Employee Benefits and Allowances expense account. It includes the Division's contribution and amortized actuarial gains for the period. Any related pension interest expense is recorded under the Interest and Bank Charges account of the Operating Fund.

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 $ 433,207 (2018 $ 427,591).

	2019	2018
Student Council funds	**$ 58,655**	$ 60,913
Travel	**74,198**	66,610
Graduation	**50,558**	48,016
Music Enhancement	**15,490**	14,867
Community Development	**72,200**	61,336
Other	**162,106**	175,849
	$ 433,207	$ 427,591

6. DEBENTURE DEBT

The debenture debt of the Division is in the form of twenty-year debentures payable, principal and interest, in twenty equal yearly 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 carry interest rates that range from 3.00% to 7.250%. 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	$ 3,207,814	$ 1,946,907	$ 5,154,721
2021	3,261,241	1,785,537	5,046,778
2022	3,344,082	1,623,334	4,967,416
2023	3,348,993	1,458,292	4,807,285
2024	3,435,712	1,295,692	4,731,404
Thereafter	25,693,599	5,671,048	31,364,647
	$ 42,291,441	$ 13,780,810	$ 56,072,251

7. OTHER BORROWINGS

Other borrowings are debts other than overdrafts or debentures and include obligations related to capital leases.

Capital lease loans on buses and copiers have interest rates ranging from 2.73% to 3.98% per annum, due between 2020 and 2024. Payments are monthly, quarterly and annually and include principal and interest.

Principal and interest repayments, of Other Borrowings in the next five years are:

	Principal	Interest	Total
2020	$ 750,353	$ 62,427	$ 812,780
2021	528,722	39,730	568,452
2022	410,626	21,858	432,484
2023	246,198	8,271	254,469
2024	73,511	992	74,503
	$ 2,009,410	$ 133,278	$ 2,142,688

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.

	2019			2018
	Gross Amount	Accumulated Amortization	Net Book Value	Net Book Value
Owned Tangible Capital Assets	**$** 166,821,482	**$** 93,763,503	**$** 73,057,979	$ 74,469,990
Capital lease	9,539,861	5,523,169	4,016,692	3,805,916
	$ 176,361,343	$99,286,672	**$** 77,074,671	**$** 78,275,906

9. ACCUMULATED FUNDS

The consolidated accumulated surplus is comprised of the following:

	2019	2018
Operating Fund		
- Undesignated	**$ 5,008,332**	$ 5,318,957
Capital Fund		
- Reserve Account	**3,440,583**	3,219,719
- Equity in Tangible Assets	**30,584,600**	29,423,099
Special Purpose Funds	**203,187**	179,678
Total Accumulated Surplus	**$ 39,236,702**	$ 38,141,453

Reserve Accounts under the Capital Fund represents internally restricted reserves for specific purposes approved by the Board of Trustees and PSFB. A Schedule of Capital Reserve Accounts is provided on page 24 of the audited financial statements.

	2019	2018
Bus Reserves	**$ 1,230,159**	$ 1,729,719
Teacherages	**2,210,424**	1,500,000

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 Statement of Revenue, Expense and Accumulated Surplus is raised over the two calendar (tax) years; 60% from 2017 tax year and 40% from 2018 tax year. Below are the related revenue and receivable amounts:

	2019	2018
Revenue – Municipal Government – Property Tax	**$ 2,827,160**	$ 2,653,984
Receivable – Due from Municipal – Property Tax	**2,141,651**	2,099,866

11. INTEREST RECEIVED AND PAID

The Division received interest during the year of $307,247 (2018 - $279,808); interest paid during the year was $2,200,171 (2018 - $2,232,076). Interest expense is included in Fiscal and is comprised of the following:

	2019	2018
Operating Fund		
Fiscal – short term loan, interest and bank charges	**$ 3,278**	$ 3,332
Capital Fund		
Debenture debt interest	**2,127,075**	2,163,021
Other interest	**69,764**	65,723
	$ 2,200,171	$ 2,232,076

The accrual portion of debenture debt interest expense of $778,485 (2018 - $827,234) included under the Capital Fund-Debenture debt interest is offset by an accrual of the debt servicing grant from the Province of Manitoba.

12. ALLOWANCE FOR DOUBTFUL ACCOUNTS

All receivables presented on the Consolidated Statement of Financial Position are net of an allowance for doubtful accounts in the amount of $124,861 (2018 - $124,861).

13. 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	**$ 87,409,118**	$ 90,016,213	$ 87,655,154
Employees benefits & allowances	**8,435,835**	9,077,095	8,507,833
Services	**22,303,683**	20,845,754	21,300,444
Supplies, materials & minor equipment	**15,145,903**	13,498,421	14,359,504
Interest	**3,278**	35,000	3,332
Bad debts	**-**	-	-
Payroll tax & Transfers	**6,830,142**	6,151,943	6,078,185
	$ 140,127,959	$ 139,624,426	$ 137,904,452
Amortization	**4,413,125**		4,227,237
Other capital items	**2,196,839**		2,228,744
School generated funds	**625,878**		768,790
Other special purpose funds	**-**		-
	$ 147,363,801		$ 145,139,223

14. 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.

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.

15. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

The Division's maximum possible exposure to credit risk is as follows:

	2019	2018
Cash / (Bank Overdraft)	**$ 12,810,189**	$ 15,906,310
Due from - Provincial Government	**2,876,515**	3,219,034
- Federal Government	**679,610**	657,739
- Municipal Government	**2,141,651**	2,099,866
- Other School Division - First Nations	**1,446** **14,250,674**	1,610 16,352,744
Accounts Receivable	**189,188**	171,114
Accrued Investment Income	**79,950**	59,918
Portfolio Investment	**16,500,000**	12,500,000

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.

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.

Liquidity Risk	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	$10,774,932	$ -	$ -	$ -	$ -	$ -
Accrued Liabilities	8,757,890	-	-	-	-	-
Due to Governments Due to Other School Divisions Due to First Nations	422,451 2,970 3,548,959	-	-	-	-	-
Debenture Debt	5,154,721	5,046,778	4,967,416	4,807,285	4,731,404	31,364,647
Other Borrowings	812,780	568,452	432,484	254,469	74,503	

15. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

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.

16. PORTFOLIO INVESTMENT

The Division has made use of surplus funds on April 18, 2019 and invested $16,500,000 (2018 - $12,500,000) with the Scotia Bank for a period of 180 days at an interest rate of 2.39 %.