MANAGEMENT REPORT

Management's Responsibility for the Financial Statements

The accompanying consolidated financial statements of Pembina Trails School Division are the responsibility of the Division's management and have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards. 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. The Division's 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 KPMG 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

Original Document Signed

Secretary-Treasurer

November 14, 2019

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees

Opinion

We have audited the consolidated financial statements of Pembina Trails School Division (the Entity), which comprise the consolidated statement of financial position as at June 30, 2019, the consolidated statement of revenue, expenses, and accumulated surplus, the consolidated statement of changes in net debt, the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (hereinafter referred to as the "financial statements").

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

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

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

Management is responsible for the preparation and fair presentation of the 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 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity’s financial reporting process.

Auditors’ 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 auditors’ report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the 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 Entity'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors’ 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 auditors’ report. However, future events or conditions may cause the Entity 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.

KPMG

- 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.

KPMG LLP

Chartered Professional Accountants

Winnipeg, Canada

November 14, 2019

I hereby certify that the preceding report has been presented to the members of the Board of Trustees of Pembina Trails School Division.

Original Document Signed

Chairperson of the Board

NOVEMBER 14, 2019

Date

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2019	2018
	Financial Assets		
	Cash and Bank	16,199,386	14,101,864
	Due from - Provincial Government	5,022,304	5,527,903
	- Federal Government	216,843	185,608
11	- Municipal Government	50,470,343	48,755,144
	- Other School Divisions	4,860	7,524
	- First Nations	-	-
	Accounts Receivable	2,879,305	863,766
	Accrued Investment Income	-	-
	Portfolio Investments	-	-
		74,793,041	69,441,809
	Liabilities		
	Overdraft	-	-
	Accounts Payable	5,102,802	3,565,309
	Accrued Liabilities	15,223,018	14,766,660
4	Employee Future Benefits	2,540,475	2,179,008
	Accrued Interest Payable	1,268,994	1,288,384
	Due to - Provincial Government	2,959,251	657,867
	- Federal Government	2,146,292	2,580,038
	- Municipal Government	111,238	81,448
	- Other School Divisions	289	3,753
	- First Nations	-	-
5	Deferred Revenue	11,628,272	11,457,203
6	Borrowings from the Provincial Government	75,215,163	76,219,814
7	Other Borrowings	18,967,879	17,255,758
8	School Generated Funds Liability	1,461,056	1,261,323
		136,624,729	131,316,565
	Net Assets (Debt)	(61,831,688)	(61,874,756)
	Non-Financial Assets		
9	Net Tangible Capital Assets (TCA Schedule)	109,546,504	104,198,417
	Inventories	-	-
	Prepaid Expenses	898,149	642,627
		110,444,653	104,841,044
10	**Accumulated Surplus**	48,612,965	42,966,288

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		93,490,697	90,975,569
	Federal Government		-	-
11	Municipal Government	- Property Tax	83,806,351	81,074,089
		- Other	-	-
	Other School Divisions		531,319	594,039
	First Nations		83,500	6,719
	Private Organizations and Individuals		3,837,897	3,804,237
	Other Sources		2,969,658	1,262,695
	School Generated Funds		961,357	1,061,804
	Other Special Purpose Funds		-	-
			185,680,779	178,779,152
	Expenses			
	Regular Instruction		96,916,135	95,104,854
	Student Support Services		31,592,701	30,466,992
	Adult Learning Centres		-	-
	Community Education and Services		1,093,588	929,584
	Divisional Administration		5,989,763	5,417,859
	Instructional and Other Support Services		6,598,325	6,344,182
	Transportation of Pupils		3,707,914	3,588,731
	Operations and Maintenance		19,721,985	20,022,799
12	Fiscal	- Interest	3,108,500	3,126,910
		- Other	2,800,384	2,718,787
	Amortization		5,062,848	4,857,544
	Other Capital Items		2,410,000	-
	School Generated Funds		1,005,344	1,061,188
	Other Special Purpose Funds		-	-
			180,007,487	173,639,430
	Current Year Surplus (Deficit) before Non-vested Sick Leave		5,673,292	5,139,722
	Less: Non-vested Sick Leave Expense (Recovery)		26,615	49,595
	Net Current Year Surplus (Deficit)		5,646,677	5,090,127
	Opening Accumulated Surplus		42,966,288	37,876,161
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	-
		Other than Tangible Cap. Assets	-	-
		Non-vested sick leave - prior years	-	-
	Opening Accumulated Surplus, as adjusted		42,966,288	37,876,161
	Closing Accumulated Surplus		48,612,965	42,966,288

See accompanying notes to the Financial Statements

Pembina Trails School Division

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2019

	2019	2018
Net Current Year Surplus (Deficit)	5,646,677	5,090,127
Amortization of Tangible Capital Assets	5,062,848	4,857,544
Acquisition of Tangible Capital Assets	(10,976,674)	(6,198,586)
(Gain) / Loss on Disposal of Tangible Capital Assets	(1,874,258)	-
Proceeds on Disposal of Tangible Capital Assets	2,439,997	-
	(5,348,087)	(1,341,042)
Inventories (Increase)/Decrease	-	-
Prepaid Expenses (Increase)/Decrease	(255,522)	70,625
	(255,522)	70,625
(Increase)/Decrease in Net Debt	43,068	3,819,710
Net Debt at Beginning of Year	(61,874,756)	(65,694,466)
Adjustments Other than Tangible Cap. Assets	-	-
	(61,874,756)	(65,694,466)
Net Assets (Debt) at End of Year	(61,831,688)	(61,874,756)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2019

	2019	2018
Operating Transactions		
Net Current Year Surplus (Deficit)	5,646,677	5,090,127
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	5,062,848	4,857,544
(Gain)/Loss on Disposal of Tangible Capital Assets	(1,874,258)	-
Employee Future Benefits Increase/(Decrease)	361,467	90,590
Due from Other Organizations (Increase)/Decrease	(1,238,171)	(3,699,088)
Accounts Receivable & Accrued Income (Increase)/Decrease	(2,015,539)	(350,046)
Inventories and Prepaid Expenses - (Increase)/Decrease	(255,522)	70,625
Due to Other Organizations Increase/(Decrease)	1,893,964	28,320
Accounts Payable & Accrued Liabilities Increase/(Decrease)	1,974,461	(47,899)
Deferred Revenue Increase/(Decrease)	171,069	479,068
School Generated Funds Liability Increase/(Decrease)	199,733	15,982
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by (Applied to) Operating Transactions	9,926,729	6,535,223
Capital Transactions		
Acquisition of Tangible Capital Assets	(10,976,674)	(6,198,586)
Proceeds on Disposal of Tangible Capital Assets	2,439,997	-
Cash Provided by (Applied to) Capital Transactions	(8,536,677)	(6,198,586)
Investing Transactions		
Portfolio Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
Financing Transactions		
Borrowings from the Provincial Government Increase/(Decrease)	(1,004,651)	105,072
Other Borrowings Increase/(Decrease)	1,712,121	2,715,668
Cash Provided by (Applied to) Financing Transactions	707,470	2,820,740
Cash and Bank / Overdraft (Increase)/Decrease	2,097,522	3,157,377
Cash and Bank (Overdraft) at Beginning of Year	14,101,864	10,944,487
Cash and Bank (Overdraft) at End of Year	16,199,386	14,101,864

Pembina Trails 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	146,407,732	5,303,850	5,345,654	947,298	7,704,429	1,789,081	10,753,888	5,723,374	2,167,664	186,142,970	180,681,450
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	146,407,732	5,303,850	5,345,654	947,298	7,704,429	1,789,081	10,753,888	5,723,374	2,167,664	186,142,970	180,681,450
Add: Additions during the year	3,179,469	299,337	1,082,129	151,888	264,599	177,471	3,089,889	417,935	2,313,957	10,976,674	6,198,586
Less: Disposals and write downs	794,212	-	517,407	185,640	-	-	410,995	-	-	1,908,254	737,066
Closing Cost	148,792,989	5,603,187	5,910,376	913,546	7,969,028	1,966,552	13,432,782	6,141,309	4,481,621	195,211,390	186,142,970
Accumulated Amortization											
Opening, as previously reported	64,281,071	3,401,260	3,698,415	683,454	6,450,652	1,466,955		1,962,746		81,944,553	77,824,075
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	64,281,071	3,401,260	3,698,415	683,454	6,450,652	1,466,955		1,962,746		81,944,553	77,824,075
Add: Current period Amortization	3,312,976	139,298	342,767	96,789	438,043	161,888		571,087		5,062,848	4,857,544
Less: Accumulated Amortization on Disposals and Writedowns	639,468	-	517,407	185,640	-	-		-		1,342,515	737,066
Closing Accumulated Amortization	66,954,579	3,540,558	3,523,775	594,603	6,888,695	1,628,843		2,533,833		85,664,886	81,944,553
Net Tangible Capital Asset	81,838,410	2,062,629	2,386,601	318,943	1,080,333	337,709	13,432,782	3,607,476	4,481,621	109,546,504	104,198,417
Proceeds from Disposal of Capital Assets	2,410,000	-	-	29,997	-	-				2,439,997	-

* Includes network infrastructure.

PEMBINA TRAILS SCHOOL DIVISION

Notes to Consolidated Financial Statements

Year ended June 30, 2019

1. Nature of organization and economic dependence:

The Pembina Trails School Division (Division) is a public body that provides education services to residents within its geographic location. The Division is funded by grants from the Province of Manitoba (Province) and by special levy on the property assessment included in the Division's boundaries. The Division is exempt from income tax.

The Division is economically dependent on the Province and on special levy for its revenue and capital financing requirements. Without these funding sources, 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 the Public Sector Accounting Board (PSAB).

(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 the Pembina Trails Education Support Fund, Pembina Trails Voices and InForm Net which are entities controlled by the Division. All inter-fund accounts and transactions are eliminated upon consolidation.

(b) 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.

(c) 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.

PEMBINA TRAILS SCHOOL DIVISION

Notes to Consolidated Financial Statements (continued)

Year ended June 30, 2019

2. Significant accounting policies (continued):

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 controlled by the Division.

(d) 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.

Asset description	Capitalization threshold	Estimated useful life (years)
Land improvements	$ 50,000	10
Buildings - bricks, mortar and steel	50,000	40
Building - 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, services and peripherals	10,000	4
Computer software	10,000	4
Furniture and fixtures	10,000	10
Leasehold improvements	25,000	Over term of the lease

PEMBINA TRAILS SCHOOL DIVISION

Notes to Consolidated Financial Statements (continued)

Year ended June 30, 2019

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2. Significant accounting policies (continued):

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

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

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

Capital leases are recorded at the present value of the minimum lease payments excluding executory costs (e.g. insurance, maintenance costs, etc.). The discount rate used to determine the present value of the lease payments is the lower of the Division's rate for incremental borrowing or the interest rate implicit in the lease.

Donated tangible capital assets are recorded at fair market value at the date of donation. Deferred revenue is recorded in an equivalent amount, for all donated assets except land. The deferred revenue will be recognized as revenue over the useful life of the related asset, on the same basis that the asset is amortized.

All land acquired prior to June 30, 2006 has been valued by the Crown Lands and Property Agency.

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

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal if not fully amortized. Assets under construction are not amortized until the date of substantial completion.

PEMBINA TRAILS SCHOOL DIVISION

Notes to Consolidated Financial Statements (continued)

Year ended June 30, 2019

2. Significant accounting policies (continued):

(e) 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 the Manitoba School Board Association (MSBA) Pension Plan, Maternity and Parental Leave, Vacation Days, Sick Leave, Retirement Benefit and Non-Vested Sick Leave. The Division adopted the following policies with respect to accounting for these employee future benefits:

(i) MSBA Pension Plan:

The Division sponsors a defined contribution pension plan provided to non-teaching employees, which is run by the MSBA. Prior to January 1, 2019, the defined contribution plan was based on employee ages at the beginning of the year and rates of pay, with each age group having a specific percentage for the employee to contribute, which was matched by the Division. Effective January 1, 2019 the employee contribution changed to a standard rate of 8% of gross earnings for all non-teaching employees in the plan. The Division contributions equal the employee contributions to the plan.

The employee future benefits liability is the difference between the contribution owing for the period and what has been paid; while the employee future benefits expense is the Division's fixed contribution for the period.

(ii) Maternity and Parental Leave:

For benefit obligations that are event driven (non-vesting maternity and 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; while the employee future benefit expense is the Division's contribution for the period.

(iii) Accumulated Vacation Days and Sick Leave Retirement Benefit:

For benefit obligations that are vested and accumulate over the employees' length of service (vacation days and sick leave retirement benefit), the benefit costs are recognized and recorded as service is rendered by employees. The employee future benefits liability is the total accrued benefit obligation; while the employee future benefit expense is the Division's contribution for the period.

PEMBINA TRAILS SCHOOL DIVISION

Notes to Consolidated Financial Statements (continued)

Year ended June 30, 2019

2. Significant accounting policies (continued):

(iv) Non-Vested Sick Leave:

For non-vesting accumulating sick days, the benefit costs are recognized based on a projection of expected future utilization of sick time (excess of days used over earned per year, to a maximum entitlement), discounted using net present value techniques. The employee future benefits liability is the total accrued benefit obligation; while the employee future benefit expense is the Division's contribution for the period.

(f) School generated funds:

School generated funds are monies raised by the school, or under the auspices of the school, through extra-curricular activities for the sole use of the school that the principal of each school, subject to the rules of the school board, may raise, hold, administer and expend for the purposes of the school.

Only revenue and expenses of school generated funds controlled by the Division are included in the Consolidated Statement of Revenue, Expenses and Accumulated Surplus. To be deemed as controlled, a school must have the unilateral authority to make the decisions as to when, how and on what the funds are to be spent.

Cash balances of all school generated funds at year-end 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 specific purpose student fees and fund raising, school meal programs, scholarship funds, and parent or student council funds. Revenues and expenses of uncontrolled school generated funds are not included in the consolidated financial statements.

(g) Capital reserve:

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

PEMBINA TRAILS SCHOOL DIVISION

Notes to Consolidated Financial Statements (continued)

Year ended June 30, 2019

2. Significant accounting principles (continued):

(h) Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant items subject to estimates includes employee future benefits. Actual results could differ from those estimates.

(i) Financial instruments:

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

(j) Deferred revenue:

Certain amounts are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the delivery of specific services and transactions. These amounts are recognized as revenue in the fiscal year the related expenditures are incurred or services performed.

(k) Liability for contaminated sites:

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of contaminated sites is recognized when a site is not in productive use all the following criteria are met:

(i) An environmental standard exists;

(ii) Contamination exceeds the environmental standard;

(iii) The Division is directly responsible or accepts responsibility;

(iv) Is expected that the future economic benefits will be given up; and

(v) A reasonable estimate of the amount can be made.

PEMBINA TRAILS SCHOOL DIVISION

Notes to Consolidated Financial Statements (continued)

Year ended June 30, 2019

2. Significant accounting principles (continued):

The liability is recognized as management's estimate of the cost of post-remediation including operation, maintenance and monitoring that are an integral part of the remediation strategy for a contaminated site.

3. Overdraft:

The Division has an authorized line of credit with The Toronto-Dominion Bank of $40 million by way of overdrafts and bankers acceptances (note 7) and are repayable on demand at the bank's prime interest rate minus 1.69 percent. Overdrafts are secured by borrowing By-Law No. 1250.

4. Employee future benefits:

The following employee future benefits are benefits earned by employees in the current period, but will not be paid out until future periods.

	2019	2018
Accumulated vacation days	$ 1,147,576	$ 1,090,166
Non-vested sick leave	929,076	902,461
Maternity and parental leave	420,071	140,457
Sick leave retirement benefit	43,752	45,924
	$ 2,540,475	$ 2,179,008

Non-vested accumulated sick leave benefits are measured using net present value techniques on the expected future utilization of excess of sick benefits used over earner per year, to maximum entitlement. The impact of the estimated non-vested sick leave benefit cost for the year ended June 30, 2019 is an increase of $26,615 (2018 - an increase of $49,595). At June 30, 2019, the Division has recorded an estimated liability of $929,076 (2018 - $902,461) in respect of these benefits. The significant assumptions adopted in measuring the non-vested accumulated sick leave benefit liability include a discount rate of 4 percent (2018 - 4 percent) and a rate of salary increase of approximately 1 percent (2018 - 1 percent).

PEMBINA TRAILS SCHOOL DIVISION

Notes to Consolidated Financial Statements (continued)

Year ended June 30, 2019

4. Employee future benefits (continued):

As at June 30, 2019, no pension liability is included in the financial statements related to the MSBA defined contribution plan. The employee benefit expense is part of the employee benefits and allowances expense account. It includes the Division's contribution of $2,066,570 for fiscal 2019 (2018 - $1,881,154).

5. Deferred revenue:

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

	Balance as at June 30, 2018	Additions in the period	Revenue recognized in the period	Balance as at June 30, 2019
Education Property Tax Credit	$ 8,764,203	$ 21,932,395	$ 21,923,639	$ 8,772,959
International Student Program fees	1,576,774	1,642,716	1,576,774	1,642,716
Fibre access agreements	44,365	749	8,049	37,065
Externally funded programs	303,161	299,872	303,161	299,872
Donated capital assets	768,700	271,133	164,173	875,660
	$ 11,457,203	$ 24,146,865	$ 23,975,796	$ 11,628,272

PEMBINA TRAILS SCHOOL DIVISION

Notes to Consolidated Financial Statements (continued)

Year ended June 30, 2019

6. Debenture debt:

The debenture debt of the Division is in the form of twenty-year debentures payable in twenty equal yearly installments of principal and interest and maturing at various dates from fiscal 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 3.00 percent to 7.25 percent. 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 and thereafter are as follows:

	Principal	Interest	Total
2020	$ 4,002,197	$ 2,875,891	$ 6,878,088
2021	4,107,846	2,709,165	6,817,011
2022	4,153,505	2,539,326	6,692,831
2023	4,225,557	2,373,646	6,599,203
2024	4,239,198	2,201,272	6,440,470
Thereafter	54,486,860	13,172,602	67,659,462
	$ 75,215,163	$ 25,871,902	$101,087,065

7. Other borrowings:

Other borrowings are debts other than overdrafts or debentures. The following borrowings include short term borrowings by way of bankers acceptances and obligations related to capital leases.

	2019	2018
Bankers acceptance	$ 18,967,879	$ 16,975,036
Obligations under capital leases	–	280,722
	$ 18,967,879	$ 17,255,758

Bankers acceptance bear interest at a rate of prime minus 0.75 percent and have a settlement date of July 31, 2019.

PEMBINA TRAILS SCHOOL DIVISION

Notes to Consolidated Financial Statements (continued)

Year ended June 30, 2019

8. 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 $ 1,461,056. The following is a breakdown of the account balance:

	2019	2018
Breakfast and lunch programs	$ 254,870	$ 215,386
Student fees - activities, clubs and trips	1,028,143	855,594
Parent/student council funds	62,232	64,286
Specific purpose fund raising	59,730	67,631
Student fees for yearbooks/ agendas and other	56,081	58,426
	$ 1,461,056	$ 1,261,323

9. Net tangible capital assets:

The Schedule of Tangible Capital Assets (TCA), page 23 of the financial statements, provides a breakdown of cost, accumulated amortization and net book value by class. The breakdown of the owned and leased capital assets as at June 30, 2019 is as follows:

	Gross amount	Accumulated amortization	Net book value
Owned tangible capital assets	$ 193,886,342	$ 84,472,343	$ 109,413,999
Leased tangible capital assets	1,325,048	1,192,543	132,505
	$ 195,211,390	$ 85,664,886	$ 109,546,504

PEMBINA TRAILS SCHOOL DIVISION

Notes to Consolidated Financial Statements (continued)

Year ended June 30, 2019

10. Accumulated surplus:

The consolidated accumulated surplus is comprised of the following:

	2019	2018
Operating Fund:		
Designated surplus	$ 1,243,617	$ 1,128,433
Undesignated surplus	5,098,973	5,102,455
Non-Vested Sick Leave	(929,076)	(902,461)
	5,413,514	5,328,427
Related entities:		
Pembina Trails Education Support Fund	278,573	342,873
Pembina Trails Voices	50,482	52,774
InForm Net	5,235	16,582
	334,290	412,229
Capital Fund:		
Reserve accounts	15,717,004	12,708,367
Equity in tangible capital assets	26,716,734	24,041,855
	42,433,738	36,750,222
Special Purpose Fund:		
School generated funds	431,423	475,410
Total accumulated surplus	$ 48,612,965	$ 42,966,288

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 consolidated financial statements for a breakdown of the designated surplus. Related entities are entities that are controlled by the Division and consolidated into the Operating Fund.

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 financial statements.

School Generated Funds are externally restricted monies for school use.

PEMBINA TRAILS SCHOOL DIVISION

Notes to Consolidated Financial Statements (continued)

Year ended June 30, 2019

11. 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 resident students in the Division. The Municipal Government-Property Tax shown on the consolidated revenue and expense is raised over the two calendar (tax) years; 60 percent from 2018 tax year and 40 percent from 2019 tax year. Below are the related revenue and receivable amounts:

	2019	2018
Municipal government property tax revenue	$ 83,806,351	$ 81,074,089
Receivable - due from municipal government property tax	50,470,343	48,755,144

12. Interest received and paid:

The Division received and paid interest during the year as follows:

	2019	2018
Interest received		
Operating fund - interest earned	$ 213,759	$ 154,399
Interest paid		
Operating Fund - interest and bank charges	189,750	158,057
Capital Fund - debenture debt interest, Other	2,918,750	2,968,853
	$ 3,108,500	$ 3,126,910

13. Contractual obligations:

The Division has an agreement with First Student Canada for student transportation services for a term of 5 years ending in June 2021. The specific costs for these services are approximately $1,517,000 for 2019/20.

The Division has, as part of its Collective Agreement with the Pembina Trails Teachers' Association, a provision for a Professional Development Fund. The Collective Agreement provides that where the allocation for the fund is not wholly spent by June 30 of any fiscal year, that the unspent balance is carried forward for expenditure in future fiscal years. The total balance of this carry forward as at June 30, 2019 is $356,792.

PEMBINA TRAILS SCHOOL DIVISION

Notes to Consolidated Financial Statements (continued)

Year ended June 30, 2019

14. 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 of la Division scolaire franco-manitobaine. The special levy for 2019 was $1,216,479 (2018 - $1,248,841). These amounts are not included in the Division's consolidated financial statements.

15. Expenditures by type:

Expenditures by type not otherwise disclosed in these consolidated financial statements are listed on page 11.