# MANAGEMENT REPORT

## Management's Responsibility for the Financial Statements

The accompanying consolidated financial statements of The Winnipeg 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

Chief Financial Officer & Secretary-Treasurer

October 21, 2019

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# INDEPENDENT AUDITORS' REPORT

To the Board of Trustees

## *Opinion*

We have audited the consolidated financial statements of Winnipeg 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.

- 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 4, 2019

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

Original Document Signed

Chairperson of the Board

4/11/19

Date

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

| Notes | | 2019 | 2018 |
|---|---|---|---|
| | **Financial Assets** | | |
| | Cash and Bank | - | - |
| | Due from - Provincial Government | 12,660,583 | 12,870,867 |
| | - Federal Government | 1,748,008 | 1,983,730 |
| | - Municipal Government | 98,092,580 | 94,579,298 |
| | - Other School Divisions | 41,449 | 33,383 |
| | - First Nations | 662,507 | 611,126 |
| | Accounts Receivable | 773,721 | 1,439,463 |
| | Accrued Investment Income | 170 | 170 |
| | Portfolio Investments | 4,346,271 | 6,552,782 |
| | | 118,325,289 | 118,070,819 |
| | **Liabilities** | | |
| (3) | Overdraft | 11,613,330 | 23,212,519 |
| | Accounts Payable | 11,925,499 | 9,391,677 |
| | Accrued Liabilities | 47,218,387 | 47,607,410 |
| (4) | Employee Future Benefits | 7,540,959 | 6,886,157 |
| | Accrued Interest Payable | 2,243,868 | 2,128,805 |
| | Due to - Provincial Government | 1,400,998 | 1,381,900 |
| | - Federal Government | 5,709,488 | 6,294,327 |
| | - Municipal Government | - | - |
| | - Other School Divisions | 1,353,978 | 1,302,886 |
| | - First Nations | - | - |
| (5) | Deferred Revenue | 14,674,741 | 14,977,661 |
| (7) | Borrowings from the Provincial Government | 130,325,014 | 119,630,834 |
| | Other Borrowings | - | - |
| | School Generated Funds Liability | 3,307,394 | 2,967,202 |
| | | 237,313,656 | 235,781,378 |
| | **Net Assets (Debt)** | (118,988,367) | (117,710,559) |
| | **Non-Financial Assets** | | |
| (8) | Net Tangible Capital Assets (TCA Schedule) | 215,344,148 | 202,700,971 |
| | Inventories | 1,188,987 | 1,094,944 |
| | Prepaid Expenses | 590,626 | 4,094,626 |
| | | 217,123,761 | 207,890,541 |
| | **Accumulated Surplus** | 98,135,394 | 90,179,982 |

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 | | 259,113,895 | 258,411,183 |
| | Federal Government | | 4,600,598 | 4,253,313 |
| | Municipal Government | - Property Tax | 156,208,907 | 150,753,851 |
| | | - Other | 993,982 | 1,137,838 |
| | Other School Divisions | | 2,375,875 | 2,588,328 |
| | First Nations | | 2,022,050 | 2,048,814 |
| | Private Organizations and Individuals | | 2,346,019 | 1,098,189 |
| | Other Sources | | 1,263,751 | 891,292 |
| | School Generated Funds | | 3,261,067 | 3,420,788 |
| | Other Special Purpose Funds | | 222,455 | 248,495 |
| | | | 432,408,599 | 424,852,091 |
| | **Expenses** | | | |
| | Regular Instruction | | 217,046,231 | 211,448,104 |
| | Student Support Services | | 93,637,872 | 95,277,031 |
| | Adult Learning Centres | | 807,930 | 798,009 |
| | Community Education and Services | | 9,521,931 | 9,853,078 |
| | Divisional Administration | | 11,080,601 | 11,128,849 |
| | Instructional and Other Support Services | | 8,930,713 | 9,620,673 |
| | Transportation of Pupils | | 7,199,436 | 7,022,842 |
| | Operations and Maintenance | | 48,306,211 | 46,893,057 |
| (12) | Fiscal | - Interest | 5,668,765 | 5,520,888 |
| | | - Other | 6,912,683 | 6,965,791 |
| | Amortization | | 11,258,180 | 10,774,047 |
| | Other Capital Items | | 8,099 | 478,708 |
| | School Generated Funds | | 3,395,286 | 3,465,736 |
| | Other Special Purpose Funds | | 193,694 | 226,003 |
| | | | 423,967,632 | 419,472,816 |
| | Current Year Surplus (Deficit) before Non-vested Sick Leave | | 8,440,967 | 5,379,275 |
| (4) | Less: Non-vested Sick Leave Expense (Recovery) | | 485,555 | 306,344 |
| | Net Current Year Surplus (Deficit) | | 7,955,412 | 5,072,931 |
| | Opening Accumulated Surplus | | 90,179,982 | 85,107,051 |
| | Adjustments: | Tangible Cap. Assets and Accum. Amort. | - | - |
| | | Other than Tangible Cap. Assets | - | - |
| | | Non-vested sick leave - prior years | - | - |
| | Opening Accumulated Surplus, as adjusted | | 90,179,982 | 85,107,051 |
| | **Closing Accumulated Surplus** | | 98,135,394 | 90,179,982 |

See accompanying notes to the Financial Statements

# CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2019

| | 2019 | 2018 |
|---|---|---|
| Net Current Year Surplus (Deficit) | 7,955,412 | 5,072,931 |
| Amortization of Tangible Capital Assets | 11,258,180 | 10,774,047 |
| Acquisition of Tangible Capital Assets | (23,901,357) | (13,514,245) |
| (Gain) / Loss on Disposal of Tangible Capital Assets | (16,500) | (19,194) |
| Proceeds on Disposal of Tangible Capital Assets | 16,500 | 118,153 |
| | (12,643,177) | (2,641,239) |
| Inventories (Increase)/Decrease | (94,043) | (86,835) |
| Prepaid Expenses (Increase)/Decrease | 3,504,000 | 594,298 |
| | 3,409,957 | 507,463 |
| (Increase)/Decrease in Net Debt | (1,277,808) | 2,939,155 |
| Net Debt at Beginning of Year | (117,710,559) | (120,649,714) |
| Adjustments Other than Tangible Cap. Assets | - | - |
| | (117,710,559) | (120,649,714) |
| **Net Assets (Debt) at End of Year** | (118,988,367) | (117,710,559) |

# CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2019

| | 2019 | 2018 |
|---|---|---|
| **Operating Transactions** | | |
| Net Current Year Surplus (Deficit) | 7,955,412 | 5,072,931 |
| Non-Cash Items Included in Current Year Surplus/(Deficit): | | |
| Amortization of Tangible Capital Assets | 11,258,180 | 10,774,047 |
| (Gain)/Loss on Disposal of Tangible Capital Assets | (16,500) | (19,194) |
| Employee Future Benefits Increase/(Decrease) | 654,802 | 342,014 |
| Due from Other Organizations (Increase)/Decrease | (3,126,723) | (4,326,452) |
| Accounts Receivable & Accrued Income (Increase)/Decrease | 665,742 | (740,643) |
| Inventories and Prepaid Expenses - (Increase)/Decrease | 3,409,957 | 507,463 |
| Due to Other Organizations Increase/(Decrease) | (514,649) | 80,285 |
| Accounts Payable & Accrued Liabilities Increase/(Decrease) | 2,259,862 | 75,685 |
| Deferred Revenue Increase/(Decrease) | (302,920) | 815,736 |
| School Generated Funds Liability Increase/(Decrease) | 340,192 | 3,979 |
| Adjustments Other than Tangible Cap. Assets | - | - |
| Cash Provided by (Applied to) Operating Transactions | 22,583,355 | 12,585,851 |
| **Capital Transactions** | | |
| Acquisition of Tangible Capital Assets | (23,901,357) | (13,514,245) |
| Proceeds on Disposal of Tangible Capital Assets | 16,500 | 118,153 |
| Cash Provided by (Applied to) Capital Transactions | (23,884,857) | (13,396,092) |
| **Investing Transactions** | | |
| Portfolio Investments (Increase)/Decrease | 2,206,511 | 14,866 |
| Cash Provided by (Applied to) Investing Transactions | 2,206,511 | 14,866 |
| **Financing Transactions** | | |
| Borrowings from the Provincial Government Increase/(Decrease) | 10,694,180 | 2,856,505 |
| Other Borrowings Increase/(Decrease) | - | - |
| Cash Provided by (Applied to) Financing Transactions | 10,694,180 | 2,856,505 |
| Cash and Bank / Overdraft (Increase)/Decrease | 11,599,189 | 2,061,130 |
| Cash and Bank (Overdraft) at Beginning of Year | (23,212,519) | (25,273,649) |
| **Cash and Bank (Overdraft) at End of Year** | (11,613,330) | (23,212,519) |

Winnipeg 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 | 297,657,177 | 8,831,323 | 10,300,842 | 1,202,032 | 10,832,306 | 9,424,799 | 31,835,742 | 1,863,971 | 6,851,105 | 378,799,297 | 365,950,239 |
| Adjustments | - | - | - | - | - | - | - | - | - | - | - |
| Opening Cost adjusted | 297,657,177 | 8,831,323 | 10,300,842 | 1,202,032 | 10,832,306 | 9,424,799 | 31,835,742 | 1,863,971 | 6,851,105 | 378,799,297 | 365,950,239 |
| Add: Additions during the year | 13,880,055 | 92,296 | 889,282 | 138,211 | 1,012,058 | 166,643 | 1,895,820 | 479,959 | 5,347,033 | 23,901,357 | 13,514,245 |
| Less: Disposals and write downs | - | - | 554,842 | - | - | - | - | - | - | 554,842 | 665,187 |
| Closing Cost | 311,537,232 | 8,923,619 | 10,635,282 | 1,340,243 | 11,844,364 | 9,591,442 | 33,731,562 | 2,343,930 | 12,198,138 | 402,145,812 | 378,799,297 |
| **Accumulated Amortization** | | | | | | | | | | | |
| Opening, as previously reported | 150,879,758 | 3,851,666 | 5,591,959 | 1,021,822 | 7,762,047 | 5,557,480 | | 1,433,594 | | 176,098,326 | 165,890,507 |
| Adjustments | - | - | - | - | - | - | | - | | - | - |
| Opening adjusted | 150,879,758 | 3,851,666 | 5,591,959 | 1,021,822 | 7,762,047 | 5,557,480 | | 1,433,594 | | 176,098,326 | 165,890,507 |
| Add: Current period Amortization | 8,257,619 | 231,514 | 829,351 | 79,059 | 768,516 | 949,692 | | 142,429 | | 11,258,180 | 10,774,047 |
| Less: Accumulated Amortization on Disposals and Writedowns | - | - | 554,842 | - | - | - | | - | | 554,842 | 566,228 |
| Closing Accumulated Amortization | 159,137,377 | 4,083,180 | 5,866,468 | 1,100,881 | 8,530,563 | 6,507,172 | | 1,576,023 | | 186,801,664 | 176,098,326 |
| **Net Tangible Capital Asset** | 152,399,855 | 4,840,439 | 4,768,814 | 239,362 | 3,313,801 | 3,084,270 | 33,731,562 | 767,907 | 12,198,138 | 215,344,148 | 202,700,971 |
| **Proceeds from Disposal of Capital Assets** | - | - | 16,500 | | - | - | | | | 16,500 | 118,153 |

* Includes network infrastructure.

## 1. Nature of organization and economic dependence:

The Winnipeg School Division (the "Division") is a public education system that provides educational services for students in nursery to grade 12 residing primarily within its designated boundaries.

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

The Division is exempt from income tax under the *Income Tax Act*.

## 2. Significant accounting policies:

The significant accounting policies of the Division include:

(a) Reporting entity and consolidation:

The Division's reporting entities are comprised of the Division, school generated funds and The Children's Heritage Fund.

The consolidated financial statements reflect the assets, liabilities, revenues and expenditures of the Operating Fund, Capital Fund, and Special Purpose Fund of the Division.

(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.

(i) Margaret Crawford Fund:

The Division administers the Margaret H. Crawford Trust Fund, a bequest fund that was established in 1954 which awards bursaries to students in vocational programming. Total funds under administration as at December 31, 2018 were $589,052 (2017 - $650,881).

## 2. Significant accounting principles (continued):

(b) Trust funds (continued):

(ii) School scholarship funds:

Certain schools in the Division administer trust funds for the specific purpose of awarding scholarships to students. As at June 30, 2019, funds on hand in these schools for this purpose totaled $11,985 (2018 - $16,235).

(iii) Funds under administration:

Funds held on behalf of the Winnipeg Teachers Association's dental plan totaling $1,465,524 (2018 - $1,544,547) and funds held on behalf of the Winnipeg Teachers Association extended health care plan totaling $1,953,549 (2018 - $2,104,969) are included in portfolio investments and accounts payable on the Operating Fund schedule of financial position.

(c) Basis of accounting:

These consolidated financial statements are prepared by management in accordance with generally accepted accounting principles established by the Canadian Public Sector Accounting Board (PSAB). Revenues and expenditures are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they are earned and measurable; expenditures are recognized as they are incurred and measurable as a result of the receipt of goods and services acquired in the period.

(d) Fund accounting:

The Division records financial transactions in separate funds as defined by Financial Reporting and Accounting in Manitoba Education (FRAME).

The Operating Fund is maintained to record all the day to day operating revenues and expenditures. 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 Children's Heritage Fund controlled by the Division.

2. **Significant accounting principles (continued):**

(e) Deferred revenue:

Certain amounts are received pursuant to legislation, regulation or agreement and may only be used in the delivery of certain programs and services 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.

(f) Tangible capital assets:

Tangible capital assets are non-financial assets that are used by the Division in operations 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 a tangible capital asset, each asset, other than land, must 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 |
| Network infrastructure | 25,000 | 10 |
| Leasehold improvements | 25,000 | Over term of the lease |
| School buses | 50,000 | 10 |
| Vehicles | 10,000 | 5 |
| Computer software | 10,000 | 4 |
| Equipment | 10,000 | 5 |
| Computer hardware, services and peripherals | 10,000 | 4 |
| Furniture and fixtures | 10,000 | 10 |

With the exception of buildings, all tangible capital assets are recorded at historical cost.

Buildings are recorded at historical cost. 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.

Tangible capital assets are amortized on a straight-line basis over their estimated useful lives as prescribed by FRAME. Land is not 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.

**2. Significant accounting principles (continued):**

(g) Employee future benefits:

The Division provides a contributory defined benefit pension plan and Disability Income Plan (benefit plans) and other negotiated future benefits to employees. The costs of the Division's benefit plans are recognized over the period in which the related employees render their service. The Division adopted the following PSAB reporting standards with respect to accounting for these employee future benefits:

(i) Benefit plans:

A discount rate is used to measure benefit obligations. The expected return on pension plan assets is calculated on the fair value of the assets as of the year end date.

These costs are actuarially determined using the accrued benefit actuarial cost method with salary projection and management's best estimate of expected plan investment performance, salary escalation and retirement ages of employees.

Current service costs and interest costs on the benefit obligation are charged to income as they accrue. Actuarial gains and losses are amortized to the liability or asset and the related expenditure over the expected average remaining service life of active plan members.

The cost of the benefit plan amendments related to prior period employee services is accounted for in the period of the plan amendment.

(ii) Non-vesting accumulating sick days:

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

(iii) Other future benefits:

Other future benefits are currently under-written on an experience-rated non-refundable basis. Should the rates established be inadequate or excessive, any deficit or surplus which develops in the account is absorbed by the insurer.

## 2. Significant accounting principles (continued):

(h) Capital reserve:

Certain amounts approved by the Board of Trustees and the Public Schools Finance Board 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) Government transfers:

Government transfers, including legislative grants, are recognized in the consolidated financial statements in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met and reasonable estimates of the amount can be made.

(j) Investment income:

Investment income is reported as revenue in the period earned.

(k) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenditures and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements during the reporting period. Significant items subject to estimates include the carrying amount of capital assets and employee future benefits. Actual subsequent results could differ from these estimates.

(l) 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 and 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) It is expected that the future economic benefits will be given up; and

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

## 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 overdraft limit with a chartered bank of $64,000,000 for operating expenses and an additional overdraft limit of $10,000,000 for approved building and infrastructure projects. As at June 30, 2019, $25,000,000 of the authorized operating overdraft has been utilized in the form of fixed rate promissory notes, bearing interest at 3.15 percent. These promissory notes were repaid on July 31, 2019. Overdrafts are secured by borrowing By-Law No. 1271.

Included in the overdraft are funding of capital projects totaling approximately $6,225,180 which has been submitted to PSFB for debenture funding (note 7).

## 4. Employee future benefits:

The Division sponsors a contributory defined benefit pension plan and other future benefits for certain employees.

(i) Defined benefit pension plan:

Employees eligible for The Winnipeg School Division Pension Fund for Employees Other Than Teachers (the pension plan) are required to contribute a percentage of earnings in accordance with the following schedule:

| Year | Pensionable salary | Excess pensionable salary |
|---|---|---|
| 2009 to 2011 | 7.00% | 8.20% |
| 2012 | 7.40% | 8.70% |
| 2013 | 7.80% | 9.10% |
| 2014 to 2019 | 8.10% | 9.50% |

**4. Employee future benefits (continued):**

The Division is required to contribute an amount each year equal to 127.4 percent of employees' required pension contributions.

The pension plan is actuarially valued annually. The most recent actuarial report was prepared on December 31, 2018 and extrapolated to June 30, 2019. Information about the Division's pension plan is as follows:

| | 2019 | 2018 |
|---|---|---|
| Pension plan assets: | | |
| Fair value, beginning of year | $ 365,784,919 | $ 349,359,293 |
| Expected return | 20,946,431 | 19,992,607 |
| Actuarial investment gain (loss) | 1,941,498 | (243,413) |
| Employer contributions | 7,916,108 | 7,808,022 |
| Employee contributions | 7,042,795 | 7,148,498 |
| Pension paid | (17,957,213) | (18,280,088) |
| Fair value, end of year | $ 385,674,538 | $ 365,784,919 |
| Accrued pension plan obligations: | | |
| Balance, beginning of year | $ 370,498,279 | $ 354,688,845 |
| Current service costs | 12,729,852 | 13,417,731 |
| Interest costs | 21,526,563 | 20,647,921 |
| Pension paid | (17,957,213) | (18,280,088) |
| Actuarial loss (gain) | (1,734,855) | 23,870 |
| Balance, end of year | $ 385,062,626 | $ 370,498,279 |

| | 2019 | 2018 |
|---|---|---|
| Surplus (deficit) of plan assets versus plan obligations | $ 611,912 | $ (4,713,360) |
| Net pension plan asset (liability) | 611,912 | (4,713,360) |
| Less: net unamortized actuarial (gain) loss | (611,912) | 4,713,360 |
| Net accrued pension asset (liability) | $ – | $ – |

As the Division's contribution to the plan each year is equal to its pension expense, no accrued pension asset or liability is reflected in the consolidated statement of financial position. The pension plan provides that within certain prescribed constraints, in the event of a funding deficiency, amendments to the pension plan will be utilized to resolve the deficiency.

## 4. Employee future benefits (continued):

The total net cost for the Division's pension plan is as follows:

| | 2019 | 2018 |
|---|---|---|
| Net defined pension plan cost: | | |
| Current service cost less employee contributions | $ 5,687,057 | $ 6,269,233 |
| Interest on plan obligations | 21,526,563 | 20,647,921 |
| Expected return on plan assets | (20,946,431) | (19,992,607) |
| Actuarial loss (gain) | (3,676,353) | 267,283 |
| Valuation allowance increase | 5,325,272 | 616,192 |
| Net defined benefit plans cost | $ 7,916,108 | $ 7,808,022 |

The significant actuarial assumptions adopted in measuring the Division's pension cost and accrued benefit obligations are as follows:

| | 2019 | 2018 |
|---|---|---|
| Discount rate | 5.75% | 5.75% |
| Rate of compensation increase | 2.5% plus merit | 2.5% plus merit |
| Rate of inflation | 2.5% | 2.5% |

The expected rate of return on plan assets was 5.75 percent. The actual rate of return, net of investment expenses, on the fair value of Plan assets in 2018 was 3.46 percent.

The pension plan assets are held in trust and the investment portfolio allocation by asset type is indicated below in market values:

| | 2019 | 2018 |
|---|---|---|
| Equities | 59% | 61% |
| Bonds | 40% | 39% |
| Cash and cash equivalents | 1% | – % |

## 4. Employee future benefits (continued):

(ii) Non-vested accumulated sick leave benefits:

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 earned per year, to maximum entitlement. The impact of the estimated non-vested sick leave benefit cost for the year ended June 30, 2019 is $485,555 (2018 - $306,344). At June 30, 2019, the Division has recorded an estimated liability of $3,335,026 (2018 - $2,849,471) 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 (June 30, 2018 - 4 percent) and a rate of salary increase of 0 percent (June 30, 2018 - 2 percent to 3 percent).

(iii) Disability income plan:

The Division provides a disability income plan for permanent full-time employees who have been employed in the service of the Division for at least two consecutive years and are members of the pension plan.

An actuarial valuation is required every two years. The most recent actuarial report was prepared on December 31, 2018, at which date the disability income plan had net assets in excess of the benefit obligation recorded of $1,221,842 (2018 - $1,026,775). Pursuant to the Division's by-laws it does not have any access to the disability income plan's surplus and as such, no benefit plan asset relating to this plan is recorded in the Division's consolidated statement of financial position.

(iv) Other future benefits:

The Division provides other negotiated future benefits to employees, the costs of which are recognized over the period in which these employees render their service. At June 30, 2019, the Division has recorded an estimated liability of $4,205,933 (2018 - $4,036,686) in respect of these benefits. The significant actuarial assumption used in measuring the Division's estimated liability is a discount rate of 5.75 percent (June 30, 2018 - 5.75 percent).

## 5. Deferred revenue:

| | Balance as at June 30, 2018 | Additions in the period | Revenue recognized in the period | Balance as at June 30, 2019 |
|---|---|---|---|---|
| Educational property tax credit | $ 12,293,290 | $ 30,718,717 | $ 30,863,745 | $ 12,148,262 |
| Special purpose funds and other | 2,684,371 | 2,419,147 | 2,577,039 | 2,526,479 |
| | $ 14,977,661 | $ 33,137,864 | $ 33,440,784 | $ 14,674,741 |

## 6. School generated funds:

School generated funds are monies raised by the school, or under the auspices of the school, which each school's principal may raise, hold, administer or expend subject to the rules of the Division. At June 30, 2019, school funds held totaled $3,108,771 (2018 - $2,902,798).

The school generated funds liability of $3,307,394 (2018 - $2,967,202) comprises the portion of school generated funds that are not controlled and included in the cash and bank balances noted above.

## 7. 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 fiscal 2020 to 2039. Payment of principal and interest is funded entirely by grants from the Province of Manitoba. The debentures carry interest rates that range from 3.0 percent to 7.25 percent. The debenture principal and interest repayments in the next five years and thereafter are:

| | Principal | Interest | Total |
|---|---|---|---|
| 2019/20 | $ 9,279,420 | $ 5,522,330 | $ 14,801,750 |
| 2020/21 | 8,943,875 | 5,059,958 | 14,003,832 |
| 2021/22 | 8,867,670 | 4,628,000 | 13,495,670 |
| 2022/23 | 8,838,467 | 4,208,527 | 13,046,994 |
| 2023/24 | 8,491,643 | 3,798,227 | 12,289,871 |
| Thereafter | 85,903,939 | 21,193,176 | 107,097,116 |
| Total | $ 130,325,014 | $ 44,410,218 | $ 174,735,233 |

As at June 30, 2019, the Division has submitted claims for capital projects to the Public Schools Finance Board totaling $6,225,180 (2018 - $4,019,500).

## 8. Net tangible capital assets:

The schedule of tangible capital assets (TCA) on page 23 of the consolidated financial statements provides a breakdown of cost, accumulated amortization and net book value by class.

| | Gross amount | Accumulated amortization | Net book value |
|---|---|---|---|
| Tangible capital assets | $ 402,145,812 | $ 186,801,664 | $ 215,344,148 |

## 9. Expenditures by type:

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

## 10. Contractual obligations and contingencies:

The Division is committed to payments under operating leases for equipment and building rentals through 2030 in the amount of $2,663,088. Annual payments for these commitments are as follows:

| | |
|---|---|
| 2020 | $ 945,595 |
| 2021 | 300,131 |
| 2022 | 294,411 |
| 2023 | 200,733 |
| 2024 | 139,290 |
| 2025 and thereafter | 782,928 |
| | $ 2,663,088 |

The Division is involved in various legal matters arising in the ordinary course of business. Management believes the resolution of these matters is not likely to have a material adverse effect on the Division's financial position, results of operations or cash flows.

## 11. 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. As at June 30, 2019, the amount of this special levy was $2,133,166 (2018 - $1,966,608). These amounts are not included in the Division's consolidated financial statements.

## 12. Interest paid:

Interest paid during the fiscal year is comprised of the following:

| | 2019 | 2018 |
|---|---|---|
| Operating Fund: | | |
| Interest and bank charges | $ 301,577 | $ 270,752 |
| Capital Fund: | | |
| Debenture bank interest | 5,367,188 | 5,250,136 |
| | $ 5,668,765 | $ 5,520,888 |