

## MANAGEMENT REPORT

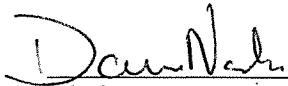
### Management's Responsibility for the Financial Statements

The accompanying consolidated financial statements of Park West 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 Canadian Institute of Chartered Accountants. 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 MNP 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.

  
Chairperson

  
Secretary-Treasurer

October 22, 2015

**PARK WEST SCHOOL DIVISION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2015**

**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), and a special levy on the property assessment included in the Division's boundaries. The Division is exempt from income tax and is a registered charity under the Income Tax Act.

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

**2. Significant Accounting Policies**

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles established by PSAB of the Canadian Institute of Chartered Accountants (CICA).

**a) Reporting Entity and Consolidation**

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the operating fund, capital fund, and special purpose fund of the Division. The Division reporting entity includes school generated funds controlled by the Division.

All inter-fund accounts and transactions are eliminated upon consolidation.

**b) Trust funds**

The Division administers various trust funds. Trust funds and their related operations are not included in the consolidated financial statements as they are not owned or controlled by the Division. A schedule of trust funds is attached as part of the notes to the consolidated financial statements.

Trust funds, under PSAB are properties assigned to a trustee (school division) under a trust agreement or statute; the trustee merely administers the terms and conditions embodied in the agreement, and it has no unilateral authority to change the conditions set out in the trust indenture.

### **c) Basis of Accounting**

Revenue and expenses are reported on the accrual basis of accounting except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable. The accrual basis of accounting recognizes 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.

### **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 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.

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. Revenue and expenses of uncontrolled school generated funds are not included in the consolidated financial statements.

### **f) Tangible Capital Assets**

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

equipment, computers, capital leases, leasehold improvements, and assets under construction.

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	25,000	10
Buildings- bricks, mortar and steel	25,000	40
Buildings – wood frame	25,000	25
School Buses	20,000	10
Vehicles	10,000	5
Equipment	10,000	5
Network Infrastructure	25,000	10
Computer Hardware, Servers & Peripherals	5,000	4
Computer Software	10,000	4
Furniture & Fixtures	5,000	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.

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. Interest on funds used to finance school buildings under construction is capitalized for the periods preceding the date of substantial completion.

**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.

**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.

**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.

**3. Conversion to PSAB**

Commencing with the 2006/07 fiscal year, the Board adopted generally accepted accounting principles established by PSAB.

The following changes were implemented to comply with the PSAB standard:

- (i) Tangible capital assets were restated and amortized over their useful lives to reflect net book value. Amortization of tangible capital assets and gain or loss

on disposal of capital assets are recorded in the Statement of Revenue, Expenses and Accumulated Surplus.

- (ii) The Operating Fund, Capital Fund and Special Purpose Fund are consolidated in the financial statements. The Special Purpose Fund was created to include school generated funds and charitable foundations controlled by the Division.
- (iii) The Employee Future Benefits Liability was established to account for the Division's commitment to pay vested future benefits to its employees.
- (iv) Accrued Interest Payable was established to account for accrual of interest on Debenture Debt and Other Borrowings from the last payment date. An equal amount is set up as due from the Province to offset the accrued interest payable on debentures.

#### 4. Overdraft

The Division has an authorized line of credit with Vanguard Credit Union of \$6,000,000 by way of overdrafts and is repayable on demand at prime less .5% paid monthly. Included in the overdraft are capital projects totaling approximately \$191,414 which will be submitted to PSFB for debenture funding. Overdrafts are secured by borrowing by-law.

#### 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, 2014	Additions in the period	Revenue recognized in the period	Balance as at June 30, 2015
Manitoba Textbook Bureau	\$ -	\$ -	\$ -	\$ -
Donated Capital Assets	-	-	-	-
Education Property Tax credit	-	1,658,199	1,619,789	38,410
	<u>\$ -</u>	<u>\$ 1,658,199</u>	<u>\$ 1,619,789</u>	<u>\$ 38,410</u>

## 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 installments and maturing at various dates from 2016 to 2035. 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 % to 8.88 %. Debenture interest expense payable as at June 30, 2015, 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
2016	\$479,237	\$307,741	\$786,978
2017	473,943	278,408	752,351
2018	502,074	250,277	752,351
2019	511,729	220,457	732,186
2020	476,537	190,101	666,638
	<u>\$2,443,521</u>	<u>\$1,246,985</u>	<u>\$3,690,507</u>

## 7. 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.

	Gross Amount	Accumulated Amortization	2015 Net Book Value
Owned-tangible capital assets	\$30,373,560	\$19,092,193	\$11,281,367
Capital lease	-	-	-
	<u>\$30,373,560</u>	<u>\$19,092,193</u>	<u>\$11,281,367</u>

## 8. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	<u>2015</u>
Operating Fund	
Designated Surplus	76,711
Undesignated Surplus	<u>570,041</u>
	<u>646,752</u>
Capital Fund	
Reserve Accounts	118,796
Equity in Tangible Capital Assets	<u>1,755,074</u>
	<u>1,873,870</u>
Special Purpose Fund	
School Generated Funds	255,842
Other Special Purpose Funds	<u>                    </u>
	<u>255,842</u>
	<u><u>\$2,776,464</u></u>

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.

	<u>2015</u>
Bus reserves	118,796
Other reserves	<u>                    </u>
Capital Reserve	<u><u>\$118,796</u></u>

School Generated Funds are externally restricted moneys for school use.

	<u>2015</u>
Foundation-Scholarship	-
Other – School Funds	<u>255,842</u>
Other Special Purpose Funds	<u><u>255,842</u></u>



**9. 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 students’ resident in the division. The Municipal Government-Property Tax shown on the consolidated revenue and expense statement is raised over the two calendar (tax) years; 44.4% from 2014 tax year and 55.6% from 2015 tax year. Below are the related revenue and receivable amounts:

	<u>2015</u>	<u>2014</u>
Revenue-Municipal Government-Property Tax	\$6,758,534	\$6,054,154
Receivable-Due from Municipal-Property Tax	<u>\$3,747,736</u>	<u>\$3,342,664</u>

**10. Interest Received and Paid**

The Division received interest during the year of \$1,855 (previous year \$2,442); interest paid during the year was \$482,618 (previous year \$424,979).

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

	<u>2015</u>
Operating Fund	
Fiscal-short term loan, interest and bank charges	\$52,269
Capital Fund	
Debenture debt interest	430,349
Other interest	
	<u>\$482,618</u>

The accrual portion of debenture debt interest expense of \$172,653 included under the Capital Fund-Debenture debt interest, is offset by an accrual of the debt servicing grant from the Province of Manitoba.

## 11. 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 <u>2015</u>	Budget <u>2015</u>	Actual <u>2014</u>
Salaries	\$ 19,713,240	\$ 19,680,285	\$ 19,056,309
Employees benefits & allowances	1,365,325	1,377,223	1,354,792
Services	3,914,162	3,751,487	4,045,733
Supplies, materials & minor equipment	2,037,077	2,081,894	2,089,556
Interest	482,618	39,000	424,979
Bad debts	-	-	-
Payroll tax	416,562	420,000	406,548
Amortization	875,916	-	792,950
Other capital items	-	-	-
School generated funds	1,088,163	-	1,163,202
Transfers	133,889	124,000	125,496
	<u>\$ 30,026,952</u>	<u>\$ 27,473,889</u>	<u>\$ 29,459,565</u>

## 12. 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, 2015, the amount of this special levy was \$216,813 (2014 - \$299,486). These amounts are not included in the Division's consolidated financial statements.

## 13. Additional Information

As of Nov 29, 2010 Park West School Division formed a partnership agreement with Waywayseecappo First Nations so that the education at Waywayseecappo would be shared responsibility between Waywayseecappo First Nations and Park West School Division.

#### **14. Liability for Contaminated Sites**

Effective July 1, 2014, the division has adopted the new Public Sector Accounting Board accounting standard - Liability for Contaminated Sites, Section PS3260. The standard was applied on a prospective basis and did not result in any adjustments to financial liabilities, tangible capital assets or accumulated surplus of the division at June 30, 2014.

(a) The nature and source of the liability;

Two underground furnace oil tanks

(b) The basis for the estimate of the liability;

Average of the province's estimate

(c) The estimated recoveries

Costs estimated at \$45,000 each for total of \$90,000  
(Included in accounts payable at June 30, 2015)