PARK WEST SCHOOL DIVISION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2018

1. Nature of Organization and Economic Dependence

The School Division (Division) is a public body that provides education services to residents within its geographic location. The Division is funded mainly by grants from the Province of Manitoba (Province), a special levy on the property assessment included in the Division's boundaries, and tuition from First Nations. 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 the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants (CPA) of Canada.

a) Reporting Entity and Consolidation

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the operating fund, capital fund, and special purpose fund of the Division. The Division reporting entity includes school generated funds controlled by the Division, as well as the Division's interest in a government partnership.

All inter-fund and inter-entity 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	50,000	10
Buildings- bricks, mortar and steel	50,000	40
Buildings – wood frame	50,000	25
School Buses	50,000	10
Vehicles	10,000	5
Equipment	10,000	5
Network Infrastructure	25,000	10
Computer Hardware, Servers & Peripherals	10,000	4
Computer Software	10,000	4
Furniture & Fixtures	10,000	10
Leasehold Improvements	25,000	Over term of lease

Grouping of assets is not permitted except for computer work stations.
With the exception of land, donated capital assets and capital leases, all tangible capital assets, are recorded at historical cost, which includes purchase price, installation costs and other costs incurred to put the asset into service.

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

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 Borrowings from the Provincial Government from the last payment date. An equal amount is set up as due from the Province to offset the accrued interest payable on debentures/promissory notes.

4. Overdraft

The Division has an authorized line of credit with Vanguard Credit Union of $8,000,000 by way of overdrafts and is repayable on demand at prime less .5% paid monthly. Included in the overdraft are capital projects totaling $57,262 which will be submitted to PSFB for promissory note 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 at June 30, 2017	Additions in the period	Revenue recognized in the period	Balance at June 30, 2018
Education Property Tax Credit	143,836	45,469	143,836	45,469
2018-19 Career Fair donation	-	50	-	50
	$143,836	**45,519**	**$143,836**	**$45,519**

6. Borrowings from the Provincial Government

The long-term debt of the Division is in the form of twenty-year debentures/promissory notes payable, principal and interest, in twenty equal yearly installments and maturing at various dates from 2019 to 2038. Payment of principal and interest is funded entirely by grants from the Province of Manitoba. The borrowings carry interest rates that range from 3.00% to 7.00%. Debentures/promissory notes interest expense payable as at June 30, 2018, is accrued and recorded in Accrued Interest Payable, and a grant in an amount equal to the interest accrued on provincially funded debentures/promissory notes is recorded in Due from the Provincial Government. The long-term principal and interest repayments in the next five years are:

	Principal	Interest	Total
2019	736,970	411,525	1,148,495
2020	710,000	372,947	1,082,947
2021	714,983	336,152	1,051,135
2022	710,306	299,522	1,009,828
2023	715,419	263,655	979,074
	3,587,678	1,683,801	5,271,479

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	2018 Net Book Value
Owned-tangible capital assets	$34,586,652	$21,995,840	$12,590,812
Capital lease	-	-	-
	$34,586,652	$21,995,840	$12,590,812

8. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2018
Operating Fund	
Designated Surplus	66,711
Undesignated Surplus	227,043
	293,754
Capital Fund	
Reserve Accounts	-
Equity in Tangible Capital Assets	1,580,692
	1,580,692
Special Purpose Fund	
School Generated Funds	401,345
Other Special Purpose Funds	-
	401,345
	$2,275,791

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.

	2018
Bus reserves	-
Other reserves	-
Capital Reserve	-

School Generated Funds are externally restricted moneys for school use.

	2018
Special Purpose Funds	$401,345

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 2017 tax year and 55.6% from 2018 tax year. Below are the related revenue and receivable amounts:

	2018	2017
Revenue - Municipal Government - Property Tax	$7,795,984	$7,373,514
Receivable - Due from Municipal - Property Tax	$4,347,003	$4,079,886

10. Interest Received and Paid

The Division received interest during the year of $656 (2017: $2,486); interest paid during the year was $497,257 (2017: $494,181).

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

	2018
Operating Fund	
Fiscal - short term loan, interest and bank charges	61,352
Capital Fund	
Debenture debt/promissory note interest	435,905
Other interest	-
	$497,257

The accrual portion of debenture debt/promissory note interest expense of $164,441 (2017: $177,810) included under the Capital Fund-Interest on Borrowings from the Provincial Government, 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 2018	Budget 2018	Actual 2017
Salaries	$ 21,612,524	$ 21,382,704	$ 20,892,204
Employees benefits & allowances	1,465,994	1,524,032	1,483,122
Services	3,406,973	3,750,372	3,482,118
Supplies, materials & minor equipment	1,927,760	1,796,873	1,897,610
Interest	497,257	42,000	494,181
Bad debts	-	-	-
Payroll tax	422,160	400,000	407,780
Amortization	1,037,236	-	938,128
Other capital items	-	-	-
School generated funds	922,830	-	971,532
Transfers	131,514	150,000	150,133
	$ 31,424,248	$ 29,045,981	$ 30,716,808

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, 2018, the amount of this special levy was $234,569 (2017 - $208,843). 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 Nation so that the education at Waywayseecappo would be a shared responsibility between Waywayseecappo First Nation 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, 2017)

15. Related party transactions

In April 2016, the Park West Fibre Optics Co-op Inc. ("the Fibre Co-op") was formed, with its mission being: Communities partnering to own and operate a world class, state of the art, affordable and sustainable broadband network. The fibre network was installed in summer 2017 and connects all schools in Park West School Division ("PWSD"). PWSD's 40% interest in the Fibre Co-op is accounted for as a partnership interest.

In June 2016, PWSD guaranteed $3,290,000 of the Fibre Co-op's twenty year term promissory note. The balance at June 30, 2018 of the guaranteed portion of the promissory note was $3,154,073. The government partnership's share of principal payments required on the promissory note in each of the next five years are as follows:

	Principal
2019	118,174
2020	122,012
2021	125,974
2022	130,065
2023	134,288
	$630,513

In June 2016, PWSD began making levy payments to the Fibre Co-op to support its operations. PWSD funds these levies from its regular operating budget. Levies paid in the year ended June 30, 2018 were $302,858 (2017: $10,500). The levies paid by PWSD and received by the Fibre Co-op have been eliminated in the consolidated financial statements.

16. Subsequent event

On July 19, 2018, PWSD received a 25 year loan from the Province of Manitoba for $3,154,073 at a fixed interest rate of 3.75% for the full term of the loan. These funds were transferred on the same day to Vanguard Credit Union to pay PWSD's guaranteed share of the Fibre Co-op's outstanding loan. This transaction was completed in order to limit PWSD's exposure to rising interest rates.