

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 Chartered Professional Accountants of Canada. A summary of the significant accounting policies is 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.

Original Document Signed
Chairperson

Original Document Signed
Secretary-Treasurer

October 29, 2020

Independent Auditor's Report

To the Board of Trustees of Park West School Division:

Opinion

We have audited the accompanying consolidated financial statements of Park West School Division, which comprise the consolidated statement of financial position as at June 30, 2020, and the consolidated statements of revenue, expenses and accumulated surplus, change in net debt and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Park West School Division as at June 30, 2020 and the consolidated results of its operations and accumulated surplus, consolidated changes in net debt and its consolidated cash flow for the year then ended in accordance with Canadian generally accepted accounting principles established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Division in accordance with the ethical requirements that are relevant to our audit of the consolidated 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

Other Matters

Our audit was made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The supplementary information included in the other statements and reports is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

Responsibilities of Management for the Consolidated Financial Statement

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Division's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Division or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Division's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian 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 these consolidated 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 consolidated 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.

Independent Auditor's Report - Continued

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Division's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Division's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Division to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Division to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Brandon, Manitoba
October 29, 2020


Chartered Professional Accountants

I hereby certify that the preceding report and the statements and reports referenced herein have been presented to the members of the Board of Park West School Division.

Original Document Signed _____
Chairperson of the Board

October 29, 2020 _____
Date

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

| Notes | | 2020 | 2019 |
|-------|--|--------------------|---------------------|
| | Financial Assets | | |
| | Cash and Bank | - | - |
| | Due from - Provincial Government | 1,099,035 | 1,685,642 |
| | - Federal Government | 61,379 | 161,116 |
| | - Municipal Government | 4,598,487 | 4,453,031 |
| | - Other School Divisions | - | - |
| | - First Nations | 171,008 | 1,918,471 |
| | Accounts Receivable | 1,631,646 | 1,718,073 |
| | Accrued Investment Income | - | - |
| | Portfolio Investments | - | - |
| | | <u>7,561,555</u> | <u>9,936,333</u> |
| | Liabilities | | |
| 4 | Overdraft | 2,492,649 | 7,088,757 |
| | Accounts Payable | 1,461,211 | 493,547 |
| | Accrued Liabilities | - | - |
| | Employee Future Benefits | - | - |
| | Accrued Interest Payable | 255,611 | 264,223 |
| | Due to - Provincial Government | - | - |
| | - Federal Government | - | - |
| | - Municipal Government | - | - |
| | - Other School Divisions | - | - |
| | - First Nations | - | - |
| 5 | Deferred Revenue | 626,593 | 207,879 |
| 6 | Borrowings from the Provincial Government | 8,142,528 | 8,481,051 |
| 7 | Other Borrowings | 3,756,933 | 3,835,254 |
| | School Generated Funds Liability | - | - |
| | | <u>16,735,525</u> | <u>20,370,711</u> |
| | Net Assets (Debt) | <u>(9,173,970)</u> | <u>(10,434,378)</u> |
| | Non-Financial Assets | | |
| 8 | Net Tangible Capital Assets (TCA Schedule) | 11,838,836 | 12,267,850 |
| | Inventories | 140,319 | 143,936 |
| | Prepaid Expenses | 11,360 | 36,318 |
| | | <u>11,990,515</u> | <u>12,448,104</u> |
| 9 | Accumulated Surplus | <u>2,816,545</u> | <u>2,013,726</u> |

See accompanying notes to the Financial Statements

**CONSOLIDATED STATEMENT
OF REVENUE, EXPENSES
AND ACCUMULATED SURPLUS**

For the Year Ended June 30

| Notes | | 2020 | 2019 |
|-------|---|-------------------------|-------------------------|
| | Revenue | | |
| | Provincial Government | 14,332,010 | 14,678,799 |
| | Federal Government | 25,000 | - |
| | Municipal Government - Property Tax | 8,247,702 | 8,015,748 |
| | - Other | 7,254 | 22,825 |
| | Other School Divisions | 18,350 | 15,600 |
| | First Nations | 7,784,933 | 7,423,701 |
| | Private Organizations and Individuals | 101,639 | 102,750 |
| | Other Sources | 38,330 | 82,382 |
| | School Generated Funds | 848,267 | 1,051,795 |
| | Other Special Purpose Funds | - | - |
| | | <u>31,403,485</u> | <u>31,393,600</u> |
| | Expenses | | |
| | Regular Instruction | 17,600,232 | 17,487,321 |
| | Student Support Services | 3,561,030 | 3,495,008 |
| | Adult Learning Centres | 111,653 | 130,729 |
| | Community Education and Services | 100,448 | 119,057 |
| | Divisional Administration | 1,021,965 | 1,143,954 |
| | Instructional and Other Support Services | 641,681 | 786,295 |
| | Transportation of Pupils | 1,604,229 | 2,018,490 |
| | Operations and Maintenance | 3,209,441 | 3,487,024 |
| 11 | Fiscal - Interest | 566,780 | 617,612 |
| | - Other | 404,771 | 427,128 |
| | Amortization | 979,556 | 930,280 |
| | Other Capital Items | - | - |
| | School Generated Funds | 792,856 | 1,029,183 |
| | Other Special Purpose Funds | - | - |
| | | <u>30,594,642</u> | <u>31,672,081</u> |
| | Current Year Surplus (Deficit) before Non-vested Sick Leave | <u>808,843</u> | <u>(278,481)</u> |
| | Less: Non-vested Sick Leave Expense (Recovery) | <u>6,024</u> | <u>(16,416)</u> |
| | Net Current Year Surplus (Deficit) | <u>802,819</u> | <u>(262,065)</u> |
| | Opening Accumulated Surplus | 2,013,726 | 2,275,791 |
| | Adjustments: Tangible Cap. Assets and Accum. Amort. | - | - |
| | Other than Tangible Cap. Assets | - | - |
| | Non-vested sick leave - prior years | - | - |
| | Opening Accumulated Surplus, as adjusted | <u>2,013,726</u> | <u>2,275,791</u> |
| | Closing Accumulated Surplus | <u><u>2,816,545</u></u> | <u><u>2,013,726</u></u> |

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2020

| | 2020 | 2019 |
|--|---------------------------|----------------------------|
| Net Current Year Surplus (Deficit) | <u>802,819</u> | <u>(262,065)</u> |
| Amortization of Tangible Capital Assets | 979,556 | 930,280 |
| Acquisition of Tangible Capital Assets | (551,255) | (607,318) |
| (Gain) / Loss on Disposal of Tangible Capital Assets | 713 | - |
| Proceeds on Disposal of Tangible Capital Assets | - | - |
| | <u>429,014</u> | <u>322,962</u> |
| Inventories (Increase)/Decrease | 3,617 | 14,918 |
| Prepaid Expenses (Increase)/Decrease | 24,958 | 15,330 |
| | <u>28,575</u> | <u>30,248</u> |
| (Increase)/Decrease in Net Debt | <u>1,260,408</u> | <u>91,145</u> |
| Net Debt at Beginning of Year | (10,434,378) | (10,525,523) |
| Adjustments Other than Tangible Cap. Assets | - | - |
| | <u>(10,434,378)</u> | <u>(10,525,523)</u> |
| Net Assets (Debt) at End of Year | <u><u>(9,173,970)</u></u> | <u><u>(10,434,378)</u></u> |

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2020

| | 2020 | 2019 |
|---|---------------------------|---------------------------|
| Operating Transactions | | |
| Net Current Year Surplus (Deficit) | 802,819 | (262,065) |
| Non-Cash Items Included in Current Year Surplus/(Deficit): | | |
| Amortization of Tangible Capital Assets | 979,556 | 930,280 |
| (Gain)/Loss on Disposal of Tangible Capital Assets | 713 | - |
| Employee Future Benefits Increase/(Decrease) | - | - |
| Due from Other Organizations (Increase)/Decrease | 2,288,351 | (1,686,810) |
| Accounts Receivable & Accrued Income (Increase)/Decrease | 86,427 | (1,616,645) |
| Inventories and Prepaid Expenses - (Increase)/Decrease | 28,575 | 30,248 |
| Due to Other Organizations Increase/(Decrease) | - | - |
| Accounts Payable & Accrued Liabilities Increase/(Decrease) | 959,052 | (150,837) |
| Deferred Revenue Increase/(Decrease) | 418,714 | 162,360 |
| School Generated Funds Liability Increase/(Decrease) | - | - |
| Adjustments Other than Tangible Cap. Assets | - | - |
| | <u>5,564,207</u> | <u>(2,593,469)</u> |
| Capital Transactions | | |
| Acquisition of Tangible Capital Assets | (551,255) | (607,318) |
| Proceeds on Disposal of Tangible Capital Assets | - | - |
| | <u>(551,255)</u> | <u>(607,318)</u> |
| Investing Transactions | | |
| Portfolio Investments (Increase)/Decrease | - | - |
| | <u>-</u> | <u>-</u> |
| Financing Transactions | | |
| Borrowings from the Provincial Government Increase/(Decrease) | (338,523) | (691,070) |
| Other Borrowings Increase/(Decrease) | (78,321) | 2,054,516 |
| | <u>(416,844)</u> | <u>1,363,446</u> |
| Cash and Bank / Overdraft (Increase)/Decrease | 4,596,108 | (1,837,341) |
| Cash and Bank (Overdraft) at Beginning of Year | <u>(7,088,757)</u> | <u>(5,251,416)</u> |
| Cash and Bank (Overdraft) at End of Year | <u><u>(2,492,649)</u></u> | <u><u>(7,088,757)</u></u> |

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2020

| | Buildings and Leasehold Improvements | | School Buses | Other Vehicles | Furniture / Fixtures & Equipment | Computer Hardware & Software * | Land | Land Improvements | Assets Under Construction | 2020 TOTALS | 2019 TOTALS |
|--|--------------------------------------|------------|--------------|----------------|----------------------------------|--------------------------------|---------|-------------------|---------------------------|-------------|-------------|
| | School | Non-School | | | | | | | | | |
| Tangible Capital Asset Cost | | | | | | | | | | | |
| Opening Cost, as previously reported | 27,632,997 | 172,594 | 3,403,799 | 184,595 | 3,090,348 | 189,411 | 372,988 | - | 147,238 | 35,193,970 | 34,586,652 |
| Adjustments | - | - | - | - | - | - | - | - | - | - | - |
| Opening Cost adjusted | 27,632,997 | 172,594 | 3,403,799 | 184,595 | 3,090,348 | 189,411 | 372,988 | - | 147,238 | 35,193,970 | 34,586,652 |
| Add: | | | | | | | | | | | |
| Additions during the year | 373,100 | - | 116,288 | - | 17,500 | - | - | - | 44,367 | 551,255 | 607,318 |
| Less: | | | | | | | | | | | |
| Disposals and write downs | - | - | - | - | - | - | - | - | - | - | - |
| Closing Cost | 28,006,097 | 172,594 | 3,520,087 | 184,595 | 3,107,848 | 189,411 | 372,988 | - | 191,605 | 35,745,225 | 35,193,970 |
| Accumulated Amortization | | | | | | | | | | | |
| Opening, as previously reported | 18,894,964 | 98,285 | 2,869,071 | 152,711 | 721,679 | 189,410 | | - | | 22,926,120 | 21,995,840 |
| Adjustments | - | - | - | - | - | - | | - | | - | - |
| Opening adjusted | 18,894,964 | 98,285 | 2,869,071 | 152,711 | 721,679 | 189,410 | | - | | 22,926,120 | 21,995,840 |
| Add: | | | | | | | | | | | |
| Current period Amortization | 637,907 | 6,904 | 128,922 | 11,724 | 194,099 | - | | - | | 979,556 | 930,280 |
| Less: | | | | | | | | | | | |
| Accumulated Amortization on Disposals and Writedowns | - | - | - | - | (713) | - | | - | | (713) | - |
| Closing Accumulated Amortization | 19,532,871 | 105,189 | 2,997,993 | 164,435 | 916,491 | 189,410 | | - | | 23,906,389 | 22,926,120 |
| Net Tangible Capital Asset | 8,473,226 | 67,405 | 522,094 | 20,160 | 2,191,357 | 1 | 372,988 | - | 191,605 | 11,838,836 | 12,267,850 |
| Proceeds from Disposal of Capital Assets | - | - | - | - | - | - | | | | - | - |

* Includes network infrastructure.

**PARK WEST SCHOOL DIVISION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020**

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 \$191,605 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, 2019 | Additions in the period | Revenue recognized in the period | Balance at June 30, 2020 |
|-------------------------------|--------------------------------|-------------------------------|---|--------------------------------|
| Education Property Tax Credit | 207,879 | 620,193 | 207,879 | 620,193 |
| Credit union equity payments | - | 6,400 | - | 6,400 |
| | \$207,879 | \$626,593 | \$207,879 | \$626,593 |

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 2021 to 2039. Payment of principal and interest is funded entirely by grants from the Province of Manitoba. The borrowings carry interest rates that range from 2.75% to 7.00%. Debentures/promissory notes interest expense payable as at June 30, 2020, 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 |
|------|--------------------|--------------------|--------------------|
| 2021 | 730,904 | 347,962 | 1,078,866 |
| 2022 | 726,678 | 310,881 | 1,037,559 |
| 2023 | 732,255 | 274,551 | 1,006,806 |
| 2024 | 734,856 | 238,411 | 973,267 |
| 2025 | 551,618 | 202,483 | 754,101 |
| | <u>\$3,476,311</u> | <u>\$1,374,288</u> | <u>\$4,850,599</u> |

7. Other Borrowings

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 Fusion Credit Union to pay PWSD's guaranteed share of the Park West Fibre Optics Co-op Inc.'s outstanding loan. This transaction was completed in order to limit PWSD's exposure to rising interest rates.

| Balance payable at June 30 | <u>2020</u> | <u>2019</u> |
|---|------------------|------------------|
| Loan from Province of Manitoba for investment in Park West Fibre Optics Co-op Inc. (25 year loan, 3.75% interest rate for 25 years) | 3,075,752 | 3,154,073 |
| PWSD's share of Park West Fibre Optics Co-op Inc's loan due to municipal partners (non-interest bearing, non-callable, no fixed terms of repayment) | 681,181 | 681,181 |
| | <u>3,756,933</u> | <u>3,835,254</u> |

The long-term principal and interest repayments on the 25 year \$3,075,752 loan from the Province of Manitoba in the next five years are:

| | Principal | Interest | Total |
|------|------------------|------------------|------------------|
| 2021 | 81,258 | 115,341 | 196,599 |
| 2022 | 84,305 | 112,294 | 196,599 |
| 2023 | 87,467 | 109,132 | 196,599 |
| 2024 | 90,747 | 105,852 | 196,599 |
| 2025 | 94,150 | 102,449 | 196,599 |
| | <u>\$437,927</u> | <u>\$545,068</u> | <u>\$982,995</u> |

8. Net Tangible Capital Assets

The Schedule of Tangible Capital Assets (TCA), page 23 of the audited financial statements, provides a breakdown of cost, accumulated amortization and net book value by class.

| | Gross Amount | Accumulated Amortization | 2020 Net Book Value |
|-------------------------------|---------------------|--------------------------|---------------------|
| Owned-tangible capital assets | 35,745,225 | 23,906,389 | 11,838,836 |
| Capital lease | - | - | - |
| | <u>\$35,745,225</u> | <u>\$23,906,389</u> | <u>\$11,838,836</u> |

9. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

| | <u>2020</u> |
|-----------------------------------|--------------------|
| Operating Fund | |
| Undesignated Surplus | 1,123,287 |
| Capital Fund | |
| Reserve Accounts | - |
| Equity in Tangible Capital Assets | 1,213,890 |
| Special Purpose Fund | |
| School Generated Funds | 479,368 |
| Other Special Purpose Funds | - |
| | <u>\$2,816,545</u> |

School Generated Funds are externally restricted moneys for school use.

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>2020</u> | |
| Bus reserves | - | |
| Other reserves | - | |
| Capital Reserve | - | |

10. Municipal Government – Property Tax and related Due from Municipal Government

Education property tax or Special Levy is raised as the Division’s contribution to the cost of providing public education for the 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 2019 tax year and 55.6% from 2020 tax year. Below are the related revenue and receivable amounts:

| | | |
|--|-------------|-------------|
| | <u>2020</u> | <u>2019</u> |
| Revenue - Municipal Government - Property Tax | \$8,247,702 | \$8,015,748 |
| Receivable - Due from Municipal - Property Tax | \$4,598,487 | \$4,453,031 |

11. Interest Received and Paid

The Division received interest during the year of \$8,390 (2019: \$347); interest paid during the year was \$566,780 (2019: \$617,612).

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

| | | |
|--|------------------|------------------|
| | <u>2020</u> | <u>2019</u> |
| Operating Fund | | |
| Fiscal - short term loan, interest and bank charges | 82,561 | 106,305 |
| Capital Fund | | |
| Debenture debt/promissory note interest | 368,441 | 397,890 |
| Interest on loan due to Province for investment in Park West Fibre Optics Co-op Inc. | 115,778 | 113,417 |
| | <u>\$566,780</u> | <u>\$617,612</u> |

The accrual portion of debenture debt/promissory note interest expense of \$144,694 (2019: \$150,806) 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.

12. 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:

| | <u>Actual</u> <u>2020</u> | <u>Budget</u> <u>2020</u> | <u>Actual</u> <u>2019</u> |
|---------------------------------------|------------------------------|------------------------------|------------------------------|
| Salaries | \$ 21,790,386 | \$ 21,469,645 | \$ 21,530,815 |
| Employees benefits & allowances | 1,482,391 | 1,577,436 | 1,515,904 |
| Services | 2,778,347 | 3,480,615 | 3,445,761 |
| Supplies, materials & minor equipment | 1,694,992 | 1,751,865 | 2,039,854 |
| Interest | 566,780 | 96,600 | 617,612 |
| Bad debts | - | - | - |
| Payroll tax | 404,771 | 414,000 | 427,128 |
| Amortization | 979,556 | - | 930,280 |
| Other capital items | - | - | - |
| School generated funds | 792,856 | - | 1,029,183 |
| Transfers | 104,563 | 155,000 | 135,544 |
| | <hr/> | <hr/> | <hr/> |
| | \$ 30,594,642 | \$ 28,945,161 | \$ 31,672,081 |

13. 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, 2020, the amount of this special levy was \$243,038 (2019 - \$265,319). These amounts are not included in the Division's consolidated financial statements.

14. 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.

15. Contingent Liability

Labour agreements with certain employee groups have expired and the Division plans to negotiate these agreements. These consolidated financial statements include an estimate of amounts expected to be settled with the employee groups.

16. 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, 2020)

17. 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 50% interest in the Fibre Co-op is accounted for as a partnership interest.

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, 2020 were \$34,376 (2019: \$49,119).

Both the levies paid to the Fibre Co-op and the debt payments made to the Province are classified as Function 100 (Regular Instruction) and Object 680 (Information Technology Services) expenses.

The levies paid by PWSD to the Fibre Co-op and received by the Fibre Co-op from PWSD have been eliminated in the consolidated financial statements.

18. Subsequent event

Subsequent to year-end, the COVID-19 (coronavirus) pandemic continues to have a significant impact on business through the restrictions put in place by the Canadian federal, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders.

At this time, it is unknown what extent the impact the COVID-19 outbreak may have on the Division as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence.

These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, the duration of the outbreak, and the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus.