



GARDEN VALLEY SCHOOL DIVISION

COMMITTED TO EXCELLENCE LEARNING TODAY BUILDING FOR TOMORROW

Box 1330, 750 Triple E Blvd, Winkler MB, R6W 4B3
Tel: (204) 325-8335 Fax: (204) 325-4132 Web: www.gvsd.ca

October 13, 2020

GISLASON TARGOWNIK PETERS

Chartered Professional Accountants

675 Norquay Drive,

Winkler, Manitoba R6W 0L1

Dear Sirs:

This representation letter is provided in connection with your audit of the financial statements of Garden Valley School Division for the period ended June 30, 2020 for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with Canadian Public Sector Accounting Board reporting standards.

We acknowledge that we are responsible for the design and implementation of internal control as we determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error. We have also communicated to you any deficiencies in the design and implementation or the maintenance of internal control over financial reporting of which management is aware.

In making the representations outlined below, we took the time necessary to appropriately inform ourselves on the subject matter through inquiries of entity personnel with relevant knowledge and experience, and, where appropriate, by inspecting supporting documentation.

We confirm that, to the best of our knowledge and belief, the following representations made to you during your audit:

Financial Statements

- We have fulfilled our responsibilities, as set out in the terms of the engagement letter, for the preparation and fair presentation of the financial statements in accordance with Canadian Public Sector Accounting Board reporting standards.
- We reviewed, approved and recorded all of your proposed adjustments (except for uncorrected misstatements, if any, which are addressed in the next bullet point) to our accounting records. This includes journal entries, changes to account coding, classification of certain transactions and preparation of, or changes to, certain accounting records.
- The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole. A list of the uncorrected misstatements, if any, is attached to this representation letter.

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- We have ensured that all transactions have been recorded in the accounting records and are reflected in the financial statements.
- Management or other appropriate persons (such as those charged with governance) have accepted responsibility for the financial statements, including the related notes.

Information Provided

- We have provided you with:
 - Access to all information of which we are aware that is relevant to the preparation and fair presentation of the financial statements, such as accounting records, supporting data and other relevant documentation;
 - Minutes of meetings (such as shareholders, board of directors and audit committees) or summaries of actions taken for which minutes have not yet been prepared;
 - Information on any other matters, of which we are aware, that is relevant to the preparation of the financial statements; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain evidence.
- We have disclosed to you:
 - The identity of the entity's related parties and all the related-party relationships and transactions of which we are aware;
 - All of our knowledge in relation to allegations of fraud or suspected fraud affecting the entity's financial statements involving: management; employees who have significant roles in internal control; or others where the fraud could have a material effect on the financial statements;
 - All of our knowledge in relation to allegations of fraud or suspected fraud communicated by employees, former employees, analysts, regulators or others;
 - The results of our risk assessments regarding possible fraud or error in the financial statements;
 - Known actual or possible non-compliance with laws and regulations for which the effects of non-compliance impact the financial statements of Garden Valley School Division;
 - Known actual or possible non-compliance with the requirements of regulatory or governmental authorities, including their financial reporting requirements.
 - All information relevant to use of the going concern assumption in the financial statements;
 - All events occurring subsequent to the date of the financial statements that may require adjustment or disclosure;
 - Material commitments, contractual obligations or contingencies that have affected or may affect the entity's financial statements, including disclosures; and
 - Material non-monetary transactions or transactions for no consideration undertaken by the entity in the financial reporting period under consideration.

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Senior Administration: Todd Monster, Janice Krahn, Joanne Derksen, Terry Penner

Board of Trustees: Garry Bueckert, Laurie Dyck, Jake Fehr, Barb Heide, John P. Klassen,
Leah Klassen, Tena Lane, Tash Olfert, Deana Wilson



Other Representations

- **Accounting policies**

All significant accounting policies are disclosed in the financial statements and are consistent with those used in the previous period.

- **Fair values of financial instruments**

We believe that the significant assumptions used in arriving at the fair values of financial instruments, as measured and disclosed in the financial statements, are reasonable and appropriate in the circumstances.

- **Material transactions**

There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements.

- **Future plans**

We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities reflected in the financial statements.

- **Related-party transactions**

All related-party transactions have been appropriately measured and disclosed in the financial statements.

- **Estimates**

We acknowledge our responsibility for determining the accounting estimates required for the preparation of the financial statements in accordance with Canadian Public Sector Accounting Board reporting standards. Those estimates reflect our judgment based on our knowledge and experience of past and current events and on our assumptions about conditions we expect to exist and courses of action we expect to take. We believe that the significant assumptions and measurement methods used by us in making accounting estimates, including those measured at fair value, are reasonable. The nature of all material measurement uncertainties has been appropriately disclosed in the financial statements, including all estimates where it is reasonably possible that the estimate will change in the near term and the effect of the change could be material to the financial statements.

- **Claims**

We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.

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- **Liabilities and contingencies**

All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements. This includes liabilities arising from contract terms, illegal acts or possible illegal acts, and environmental matters that would have an impact on the financial statements.

- **Ownership**

The entity has satisfactory title, or lease interest in, to all assets, and there are no liens or encumbrances on the entity's assets, except as otherwise disclosed to you.

- **Compliance**

We have disclosed to you, and the entity has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

Other Matters

We hereby acknowledge that you have made us aware of your legal obligations under the Proceeds of Crime (Money Laundering) and Terrorist Financing Act. We hereby acknowledge that we are aware of potential conflict of interest that may arise as a result of your legal obligations under this Act and authorize your firm to release and disclose information about the entity if and when required by statute.

We have obtained all consents that are required under applicable privacy legislation for the collection, use, and disclosure to you of personal information.

- **Anticipated losses**

Adequate provisions have been recorded in the accounts for all anticipated losses.

- **All assets owned**

All assets which are owned by the entity are recorded in the accounts.

- **All sales recorded**

All goods shipped or services rendered prior to the year-end have been recorded as sales of that year except that no amount has been included in sales and accounts receivable for goods shipped on consignment, on approval, or subject to repurchase agreements.

- **Property, plant and equipment purchased**

All charges to property, plant and equipment and any additions under capital leases during the year represent actual additions and no expenditures of a capital nature have been charged to expense during the year.

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- **Property, plant and equipment sold**

All property, plant and equipment sold or dismantled and any capital lease terminations during the year have been properly accounted for in the accounts.

- **Amortization**

Capital and other assets with a limited life are being depreciated, amortized, or otherwise written off as a charge to income over their estimated useful lives in a systematic and rational manner.

- **Liabilities**

All liabilities of the entity at the year-end have been recorded in the accounts, including provisions for such items as salaries, wages and commissions, royalties, employee benefits (including pension costs), warranties, professional services, taxes, long-term debts and obligations under capital leases.

- **Unusual commitments**

At the year-end, the entity had no unusual commitments or contractual obligations of any sort which were not in the ordinary course of business and which might have an adverse effect on the entity, except as disclosed to you.

- **Contractual obligations**

The entity has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of non-compliance.

- **Environmental contingencies**

There are no commitments related to environmental matters that have not been disclosed to you.

- **Minute books**

At year-end all entries to the entity's minute book were complete. The annual return for the entity has been filed with the companies office. The appointment of an auditor has been waived. All material issues discussed at meetings of shareholders, directors and committees has been provided to you. No changes to directors or shareholders has occurred during the period.

- **Director and shareholder loans**

None of the directors, officers, or shareholders were indebted to the entity, other than in the ordinary course of business, at the year-end or at any time during the year.

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- **Insurance coverage**

The entity's insurance policies provide sufficient coverage to protect against any material insurable loss.

Acknowledged and agreed on behalf of Garden Valley School Division by:

Original Document Signed Title: Board Chair
Name of Board representative (Director), and title

Original Document Signed Title: Secretary-Treasurer
Name of management (Chief Financial Officer or equivalent), and title

Senior Administration: Todd Monster, Janice Krahn, Joanne Derksen, Terry Penner

Board of Trustees: Garry Bueckert, Laurie Dyck, Jake Fehr, Barb Heide, John P. Klassen,
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INDEPENDENT AUDITOR'S REPORT

To the board of trustees of
Garden Valley School Division

Opinion

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Garden Valley School Division as at June 30, 2020, and the results of its operations and its 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our 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.

Other Matters

Our audit was conducted for the purposes of forming an opinion on the consolidated financial statements taken as a whole. The current year's supplementary information included in the other statements, schedules and reports is presented for purposes of additional analysis. Such supplemental information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements taken as a whole. Budgeted figures provided for information purposes are unaudited.

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

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated 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.

Auditor's Responsibilities for the Audit of the 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

Partners Dale R. Gislason, FCPA, FCGA* Robert J. Friesen, B. Comm. (Hons.), FCPA, FCGA Kenton Doerksen, BA, CPA, CGA*
Saul Targownik, CPA, CMA, CGA* Darren Funk, CPA, CGA* Sarah Beaver, BA (Hons.), CPA, CGA*
Mel L. Verin, BA, FCPA, FCA* Brian K. Derksen, BA, CPA, CGA* **Retired:** Ernest Peters, FCPA, FCGA
*Professional Corporation

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.
- 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 cause 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 auditor's report to the related disclosures in the financial statements or, if such disclosure 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 entity 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.

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.

Gislason Targownik Peters

CHARTERED PROFESSIONAL ACCOUNTANTS

Winkler, Manitoba
October 13, 2020

I hereby certify that this report and the statements and reports referenced herein have been presented to the members of the board of the above mentioned School Division.

Oct 13, 2020
Date

Original Document Signed
Chairperson

gtp Gislason Targownik Peters

Certified General Accountants

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2020	2019
	Financial Assets		
	Cash and Bank	2,443,731	1,581
	Due from - Provincial Government	2,164,250	2,196,035
	- Federal Government	50,764	262,512
	- Municipal Government	8,270,698	8,051,780
	- Other School Divisions	323,560	380,101
	- First Nations	-	-
	Accounts Receivable	106,659	442,397
	Accrued Investment Income	-	-
	Portfolio Investments	-	-
		<u>13,359,662</u>	<u>11,334,406</u>
	Liabilities		
	Overdraft	-	-
	Accounts Payable	2,232,979	3,075,125
	Accrued Liabilities	4,633,291	3,625,992
	Employee Future Benefits	-	-
	Accrued Interest Payable	1,256,976	1,187,058
	Due to - Provincial Government	97,818	172,096
	- Federal Government	1,557,463	2,013,763
	- Municipal Government	248,178	211,605
	- Other School Divisions	284,846	415,167
	- First Nations	-	-
5	Deferred Revenue	1,759,507	1,750,090
6	Borrowings from the Provincial Government	77,650,905	72,530,452
7	Other Borrowings	73,784	233,117
	School Generated Funds Liability	-	-
		<u>89,795,747</u>	<u>85,214,465</u>
	Net Assets (Debt)	<u>(76,436,085)</u>	<u>(73,880,059)</u>
	Non-Financial Assets		
8	Net Tangible Capital Assets (TCA Schedule)	104,159,232	99,434,583
	Inventories	-	-
	Prepaid Expenses	128,076	150,652
		<u>104,287,308</u>	<u>99,585,235</u>
9	Accumulated Surplus	<u>27,851,223</u>	<u>25,705,176</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	42,308,443	40,952,556
	Federal Government	-	-
	Municipal Government - Property Tax	16,434,259	16,003,003
	- Other	-	-
	Other School Divisions	355,961	421,052
	First Nations	-	-
	Private Organizations and Individuals	20,865	28,300
	Other Sources	612,911	717,789
	School Generated Funds	162,476	156,339
	Other Special Purpose Funds	-	-
		<u>59,894,915</u>	<u>58,279,039</u>
	Expenses		
	Regular Instruction	29,228,287	29,954,255
	Student Support Services	9,391,120	9,277,267
	Adult Learning Centres	-	-
	Community Education and Services	102,798	99,642
	Divisional Administration	1,397,376	1,397,883
	Instructional and Other Support Services	1,513,841	1,692,639
	Transportation of Pupils	2,855,865	3,075,902
	Operations and Maintenance	4,818,198	4,316,224
11	Fiscal - Interest	3,164,445	2,852,865
	- Other	808,396	825,596
	Amortization	4,309,124	3,887,674
	Other Capital Items	-	-
	School Generated Funds	159,416	164,707
	Other Special Purpose Funds	-	-
		<u>57,748,866</u>	<u>57,544,654</u>
	Current Year Surplus (Deficit) before Non-vested Sick Leave	<u>2,146,049</u>	<u>734,385</u>
	Less: Non-vested Sick Leave Expense (Recovery)	<u>0</u>	<u>0</u>
	Net Current Year Surplus (Deficit)	<u>2,146,049</u>	<u>734,385</u>
	Opening Accumulated Surplus	25,705,174	24,970,789
	Adjustments: Tangible Cap. Assets and Accum. Amort.	-	-
	Other than Tangible Cap. Assets	-	-
	Non-vested sick leave - prior years	-	-
	Opening Accumulated Surplus, as adjusted	<u>25,705,174</u>	<u>24,970,789</u>
	Closing Accumulated Surplus	<u>27,851,223</u>	<u>25,705,174</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)	2,146,049	734,385
Amortization of Tangible Capital Assets	4,309,124	3,887,674
Acquisition of Tangible Capital Assets	(9,033,773)	(15,598,911)
(Gain) / Loss on Disposal of Tangible Capital Assets	(4,794)	(3,381)
Proceeds on Disposal of Tangible Capital Assets	4,794	3,381
	<u>(4,724,649)</u>	<u>(11,711,237)</u>
Inventories (Increase)/Decrease	-	-
Prepaid Expenses (Increase)/Decrease	22,576	(12,233)
	<u>22,576</u>	<u>(12,233)</u>
(Increase)/Decrease in Net Debt	<u>(2,556,024)</u>	<u>(10,989,085)</u>
Net Debt at Beginning of Year	(73,880,059)	(62,890,976)
Adjustments Other than Tangible Cap. Assets	-	-
	<u>(73,880,059)</u>	<u>(62,890,976)</u>
Net Assets (Debt) at End of Year	<u><u>(76,436,083)</u></u>	<u><u>(73,880,061)</u></u>

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2020

	2020	2019
Operating Transactions		
Net Current Year Surplus (Deficit)	2,146,049	734,385
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	4,309,124	3,887,674
(Gain)/Loss on Disposal of Tangible Capital Assets	(4,794)	(3,381)
Employee Future Benefits Increase/(Decrease)	-	-
Due from Other Organizations (Increase)/Decrease	81,156	(266,239)
Accounts Receivable & Accrued Income (Increase)/Decrease	335,738	(267,108)
Inventories and Prepaid Expenses - (Increase)/Decrease	22,576	(12,233)
Due to Other Organizations Increase/(Decrease)	(624,326)	(6,765)
Accounts Payable & Accrued Liabilities Increase/(Decrease)	235,071	(207,781)
Deferred Revenue Increase/(Decrease)	9,417	9,226
School Generated Funds Liability Increase/(Decrease)	-	-
Adjustments Other than Tangible Cap. Assets	-	-
	<u>6,510,011</u>	<u>3,867,778</u>
Capital Transactions		
Acquisition of Tangible Capital Assets	(9,033,773)	(15,598,911)
Proceeds on Disposal of Tangible Capital Assets	4,794	3,381
	<u>(9,028,979)</u>	<u>(15,595,530)</u>
Investing Transactions		
Portfolio Investments (Increase)/Decrease	-	-
	<u>-</u>	<u>-</u>
Financing Transactions		
Borrowings from the Provincial Government Increase/(Decrease)	5,120,453	9,075,582
Other Borrowings Increase/(Decrease)	(159,333)	(284,877)
	<u>4,961,120</u>	<u>8,790,705</u>
Cash and Bank / Overdraft (Increase)/Decrease	2,442,152	(2,937,047)
Cash and Bank (Overdraft) at Beginning of Year	1,581	2,938,626
Cash and Bank (Overdraft) at End of Year	<u><u>2,443,733</u></u>	<u><u>1,579</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	115,759,727	3,352,828	6,938,303	294,486	2,354,624	2,439,957	4,066,745	314,841	19,543,208	155,064,719	139,581,182
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	115,759,727	3,352,828	6,938,303	294,486	2,354,624	2,439,957	4,066,745	314,841	19,543,208	155,064,719	139,581,182
Add:											
Additions during the year	27,052,233	-	645,264	-	864,242	-	-	-	(19,527,966)	9,033,773	15,598,911
Less:											
Disposals and write downs	-	-	154,249	-	-	-	-	-	-	154,249	115,374
Closing Cost	142,811,960	3,352,828	7,429,318	294,486	3,218,866	2,439,957	4,066,745	314,841	15,242	163,944,243	155,064,719
Accumulated Amortization											
Opening, as previously reported	46,186,813	1,355,581	4,214,942	237,644	2,189,005	1,301,809		144,342		55,630,136	51,857,836
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	46,186,813	1,355,581	4,214,942	237,644	2,189,005	1,301,809		144,342		55,630,136	51,857,836
Add:											
Current period Amortization	3,307,582	86,777	533,522	20,405	138,101	191,253		31,484		4,309,124	3,887,674
Less:											
Accumulated Amortization on Disposals and Writedowns	-	-	154,249	-	-	-		-		154,249	115,374
Closing Accumulated Amortization	49,494,395	1,442,358	4,594,215	258,049	2,327,106	1,493,062		175,826		59,785,011	55,630,136
Net Tangible Capital Asset	93,317,565	1,910,470	2,835,103	36,437	891,760	946,895	4,066,745	139,015	15,242	104,159,232	99,434,583
Proceeds from Disposal of Capital Assets	-	-	-	4,794	-	-				4,794	3,381

* Includes network infrastructure.

**Garden Valley School Division
Notes to Consolidated Financial Statements
For the Year Ended June 30, 2020**

1. Nature of Organization and Economic Dependence

The Garden Valley 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 Chartered Professional Accountants of Canada.

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.

Trust Funds

The Division administers a trust fund. 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.

Basis of Accounting

Revenues and expenses are reported on the accrual basis of accounting except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable. The accrual basis of accounting recognizes revenues as they are earned and measurable; expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay. Expenses also include the amortization of tangible capital assets.

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.

**Garden Valley School Division
Notes to Consolidated Financial Statements
For the Year Ended June 30, 2020**

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

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.

<u>Asset Description</u>	<u>Capitalization Threshold (\$)</u>	<u>Estimated Useful Life</u>
Land improvements	50,000	10 years
Buildings – bricks, mortar, steel	50,000	40 years
Buildings – wood frame	50,000	25 years
School buses	50,000	10 years
Vehicles	10,000	5 years
Equipment	10,000	5 years
Network infrastructure	25,000	10 years
Computer hardware, servers, peripherals	10,000	4 years
Computer software	10,000	4 years
Furniture and fixtures	10,000	10 years
Leasehold improvements	25,000	Over term of lease

Grouping of assets is not permitted except for computer workstations.

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

With the exception of land acquired prior to June 30, 2006, donated capital assets and capital leases, all tangible capital assets, are recorded at historical cost, which includes purchase price, installation costs and other costs incurred to put the asset into service.

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

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

Garden Valley School Division
Notes to Consolidated Financial Statements
For the Year Ended June 30, 2020

implicit in the lease.

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

All 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.

Employee Future Benefits

The Province of Manitoba pays the employer portion of the Teachers' Retirement Allowances Fund (TRAF), the pension plan for all certified teachers of the Division. The Division does not contribute to TRAF, and no costs relating to this plan are included in the Division's financial statements.

However, the Division provides retirement and other future benefits to its administrative employees. These benefits include defined contribution pension, parental leave and early retirement window enhancements. The Division adopted the following policy with respect to accounting for these employee future benefits:

Defined Contribution Pension Plan

The Division pays the employer portion of a defined contribution plan handled by the Manitoba School Boards Association (MSBA) for administrative employees. Under this plan, specific fixed amounts are contributed by the Division each period for services rendered by the employees, matching employee contributions. No responsibility is assumed by the Division to make any further contribution.

Defined Benefit/Self-Insured Employee Future Benefit Plans

For those defined benefit/self-insured benefit obligations that are event driven such as non-vesting parental leave, the benefit costs are recognized and recorded only in the period when the event occurs. For early retirement window enhancements obligations which are also event driven, the benefit costs are recognized in the period when the commitment to pay the benefit is approved by the Board of Trustees.

Non-vested Accumulated Sick Leave

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.

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 2019/20 is \$204,748.

Garden Valley School Division
Notes to Consolidated Financial Statements
For the Year Ended June 30, 2020

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.

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. Actual results could differ from management's best estimates, as additional information becomes available in the future.

Financial Instruments

There are no significant terms and conditions related to financial instruments (cash, accounts receivable, investments, and 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 fair values, unless otherwise noted.

3. Bank Overdraft

The Division has an authorized line of credit with the Access Credit Union Ltd. of \$9,900,000 by way of overdrafts and is repayable on demand. The various overdrafts bear interest ranging at the credit union's preferred rate minus 0.625% (1.825% at June 30, 2020); interest is paid monthly. Overdrafts are secured by a demand promissory note, line of credit agreement, borrowing by-law and banking documents.

4. Employee Future Benefits

The Division sponsors a defined contribution pension plan, run by the Manitoba School Boards Association (MSBA). The defined contribution plan is provided to administrative employees based on their age at the beginning of the year and rates of pay. Each age group under the MSBA pension plan has a specific percentage for the employees to contribute. The Division contributions equal the employee contributions to the plan. No pension liability is included in the financial statements.

The employee future benefit expense is a part of the Employee Benefits and Allowances expense account. The total pension expense for the 2019/2020 year was \$781,867 (\$768,966 in 2018/19).

**Garden Valley School Division
Notes to Consolidated Financial Statements
For the Year Ended June 30, 2020**

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, 2019	Additions in period	Revenue recognized in period	Balance as at June 30, 2020
Education Property				
Tax Credit (EPTC)	\$ 1,748,874	1,759,292	1,748,874	1,759,292
Damage Deposit (school rental)	1,000	0	1,000	0
Non-Resident Tuition fees	0	0	0	0
Other	216	0	0	216
	<u>\$ 1,750,090</u>	<u>1,759,292</u>	<u>1,749,874</u>	<u>1,759,508</u>

6. Other 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 instalments and maturing at various dates from 2019 to 2040. Payment of principal and interest is funded entirely by grants from the Province of Manitoba. The debentures/promissory notes carry interest rates that range from 2.625% to 7.00%. Long term debt 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 is recorded in Due from the Provincial Government. The total debenture principal and interest repayments in the next five years are:

2020/2021	8,051,741
2021/2022	7,980,940
2022/2023	7,919,157
2023/2024	7,830,666
2024/2025	<u>7,793,471</u>
	<u>\$ 39,575,975</u>

**Garden Valley School Division
Notes to Consolidated Financial Statements
For the Year Ended June 30, 2020**

7. Other Borrowings

Other borrowings are debts other than overdrafts or debentures.

	2020	2019
Access Credit Union, demand loan, prime less .625% (1.825% at June 30, 2020); repayable in monthly instalments of \$5,000, including principal and interest; secured by a demand promissory note, financing by-law, banking documents, and a Registered General Security Agreement for Northlands Parkway Collegiate land.	<u>\$ 73,783</u>	<u>130,542</u>
Access Credit Union, demand loan, prime less .625% (1.825% at June 30, 2020); repayable in monthly instalments of \$6,325, including principal and interest; secured by a demand promissory note, financing by-law, banking documents, and a Registered General Security Agreement for future school site land	<u>\$ 0</u>	<u>102,573</u>
 Total Other Borrowings	 <u><u>\$ 73,783</u></u>	 <u><u>233,115</u></u>

Principal and interest repayment of total Other Borrowings in the next five years are:

	Principal	Interest	Total
2020/21	59,146	854	60,000
2021/22	14,637	44	14,681
2022/23	0	0	0
2023/24	0	0	0
2024/25	0	0	0
	<u>\$ 73,783</u>	<u>898</u>	<u>74,681</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. The amount of interest capitalized in the period included in School Buildings was \$118,615.

**Garden Valley School Division
Notes to Consolidated Financial Statements
For the Year Ended June 30, 2020**

9. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2020	2019
Operating Fund		
Designated Surplus	\$ 1,352,964	442,139
Undesignated Surplus	1,330,502	1,008,176
	\$ 2,683,466	1,450,315
Capital Fund		
Reserve Accounts	\$ 191,354	1,148,731
Equity in Tangible Capital Assets	24,808,059	22,940,798
	\$24,999,413	24,089,529
Special Purpose Fund		
School Generated Funds	\$ 168,344	165,330
Other Special Purpose Funds	-	-
	\$ 168,344	165,330
Total Accumulated Surplus	\$27,851,223	25,705,174

Designated Surplus under the Operating Fund represents internally restricted amounts appropriated by the Board of Trustees or, in the case of school budget carryovers, by board policy. The details of the Designated Surplus as disclosed at page 5 of the audited financial statements are as follows:

	2020	2019
School budget surplus (deficit) carryovers by board policy	\$ 510,214	290,652
Applied to 2019/2020 Operating budget deficit	-	-
Board approved appropriation by motion/COVID-19	842,750	151,487
Designated surplus	\$ 1,352,964	442,139

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.

	2020	2019
Bus reserves (deficit)	\$ 56,305	445,756
New K-8 School Capital Reserve	132,074	700,000
Maintenance Shop relocation reserve	2,975	2,975
Other reserves	-	-
Capital Reserve	\$ 191,354	1,148,731

School Generated Funds and Other Special Purpose Funds are externally restricted moneys for school use.

**Garden Valley School Division
Notes to Consolidated Financial Statements
For the Year Ended June 30, 2020**

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 is raised over the two calendar (tax) years; 50% from 2019 tax year and 50% from 2020 tax year. Below are the related revenue and receivable amounts:

	2020	2019
Revenue – Municipal Government – Property Tax	\$ 16,434,259	16,003,0030
Receivable – Due from Municipal – Property Tax	\$ 8,270,698	8,051,780

11. Interest Received and Paid

The Division received interest during the year of \$3,189,642 (\$2,903,511 in 2018-19); interest paid during the year was \$3,164,445 (\$2,852,865 in 2018-19). Amounts reflect interest received and paid on an accrual basis.

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

	2020	2019
Operating Fund		
Fiscal-short term loan, interest and bank charges	\$ 35,675	21,643
Capital Fund		
Debenture interest	3,124,159	2,820,905
Other interest	4,611	10,317
	\$3,164,445	2,852,865

The accrual portion of debenture debt interest expense of \$1,252,594 at June 30, 2020 (\$1,182,377 at June 30, 2019) included under the Capital Fund-Debenture debt interest 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:

	Actual 2020	Actual 2019
Salaries	\$ 38,689,441	37,990,380
Employees benefits and allowances	3,595,344	3,389,958
Services	4,011,256	4,094,586
Supplies, materials and minor equipment	2,588,881	3,776,084
Interest	3,164,445	2,852,865
Bad debt expense	0	6,673
Payroll tax	808,396	818,923
Transfers	422,563	562,804
Amortization	4,309,124	3,887,674
Other capital items	-	-
School generated funds	159,416	164,707
	\$ 57,748,866	57,544,654

Garden Valley School Division
Notes to Consolidated Financial Statements
For the Year Ended June 30, 2020

13. Commitments

Commitments of Operating Fund Surplus at year end are detailed in the Analysis of Consolidated Accumulated Surplus. Designated Operating Fund Accumulated Surplus is \$1,352,964 at June 30, 2020 (\$442,139 at June 30, 2019). The details of the Designated Surplus as disclosed at note 9 and page 5 of the audited financial statements.

14. Contingent Liabilities

As of June 30, 2020 there are no known contingent liabilities.