

Newfoundland and Labrador English School District

Consolidated financial statements
June 30, 2020



Statement of responsibility

The accompanying consolidated financial statements of the Newfoundland and Labrador English School District [the "District"] are the responsibility of management and have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards.

In carrying out its responsibilities, management maintains appropriate systems of internal and administrative controls designed to provide reasonable assurance that transactions are executed in accordance with proper authorization, that assets are properly accounted for and safeguarded, and that financial information produced is relevant and reliable.

The Board of Trustees [the "Board"] met with management and its external auditors to review a draft of the consolidated financial statements and to discuss any significant financial reporting or internal control matters prior to their approval of the finalized consolidated financial statements.

Ernst & Young LLP, Chartered Professional Accountants, as the Board's appointed external auditor, has audited the consolidated financial statements. The auditor's report is addressed to the members of the Board and appears on the following page. The auditor's opinion is based upon an examination conducted in accordance with Canadian generally accepted accounting standards, performing such tests and other procedures as they consider necessary to obtain reasonable assurance that the consolidated financial statements are free from material misstatement and present fairly the consolidated financial position and consolidated results of the District in accordance with Canadian public sector accounting standards.



Chairperson



Treasurer

Independent auditor's report

To the Board of Trustees of the
Newfoundland and Labrador English School District

Opinion

We have audited the consolidated financial statements of the **Newfoundland and Labrador English School District** [the "District"], which comprise the consolidated statement of financial position as at June 30, 2020, and the consolidated statement of operations, consolidated statement of changes in net debt and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the District as at June 30, 2020, and its consolidated financial performance, its consolidated net debt, and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the District 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.

Responsibilities of management and those charged with governance for the consolidated 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 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 District'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 District or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the District'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.
- 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 District'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 District'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 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 District 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 District to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the District 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.

St. John's, Canada
November 27, 2020

Ernst & Young LLP

Chartered Professional Accountants



Newfoundland and Labrador English School District

Consolidated statement of financial position

As at June 30

	2020	2019
	\$	\$
Financial assets		
Cash	32,639,067	12,412,026
Cash held by schools	13,827,054	—
Short-term investments <i>[note 4]</i>	2,758,256	5,797,405
Accounts receivable	2,428,392	1,534,709
Due from government entities <i>[note 5]</i>	1,731,220	16,922,904
Teachers' salary accrual receivable	82,872,032	83,347,583
	<u>136,256,021</u>	<u>120,014,627</u>
Financial liabilities		
Accounts payable and accrued liabilities <i>[note 8]</i>	11,610,705	12,277,484
Due to government entities <i>[note 9]</i>	631,343	1,017,487
Teachers' salary payable	82,872,033	83,347,583
Accrued vacation pay	5,990,346	5,590,051
Accrued severance pay <i>[note 11]</i>	8,436,352	127,352,704
Accrued sick leave <i>[note 12]</i>	77,249,975	83,728,205
Long-term debt <i>[schedules 8 and 8A]</i>	17,538,737	15,743,907
Obligation under capital leases <i>[note 13]</i>	647,430	1,002,586
Deferred revenue <i>[note 16]</i>	5,945,983	6,750,121
School-based deferred revenue	9,247,168	—
	<u>220,170,072</u>	<u>336,810,128</u>
Net debt	<u>(83,914,051)</u>	<u>(216,795,501)</u>
Non-financial assets		
Prepaid expenses <i>[note 6]</i>	2,819,410	2,193,771
Tangible capital assets, net <i>[note 20 and 21]</i>	735,618,121	713,527,806
	<u>738,437,531</u>	<u>715,721,577</u>
Accumulated surplus		
Accumulated surplus – restricted	3,281,931	3,281,931
Accumulated surplus – unrestricted	651,241,549	495,644,145
	<u>654,523,480</u>	<u>498,926,076</u>

See accompanying notes

On behalf of the Board:


Chairperson


Treasurer

Newfoundland and Labrador English School District

Consolidated statement of operations

Year ended June 30

	Budget	2020	2019
	\$	\$	\$
	<i>[note 17]</i>		
Revenue			
Provincial government grants <i>[schedule 1]</i>	781,082,741	898,294,076	803,408,099
Capital transfers from government	—	45,362,466	22,965,383
Funds from school-based activities	—	14,255,144	—
Other income <i>[schedule 1]</i>	1,160,560	5,458,954	3,928,165
Gain on sale of tangible capital assets	—	2,409	1,911,272
	782,243,301	963,373,049	832,212,919
Expenditures			
Instructional <i>[schedule 3]</i>	629,379,803	621,880,195	622,451,984
Operations and maintenance <i>[schedule 6]</i>	79,036,163	80,365,460	82,408,973
Pupil transportation <i>[schedule 7]</i>	55,647,072	51,377,497	54,387,783
Amortization of tangible capital assets <i>[note 20]</i>	—	28,795,344	29,435,290
School-based activities	—	15,144,044	—
Administration <i>[schedule 2]</i>	7,246,805	7,390,024	7,271,578
Information technology <i>[schedule 5]</i>	6,847,470	6,277,770	5,924,051
Human resources <i>[schedule 2]</i>	2,612,138	2,326,109	2,359,294
Centre for Distance Learning and Innovation [CDLI] <i>[schedule 4]</i>	1,473,850	1,411,202	1,355,059
	782,243,301	814,967,645	805,594,012
Annual surplus from operations	—	148,405,404	26,618,907
Accumulated surplus – unrestricted, beginning of year		495,644,145	470,936,510
Annual surplus from operations		148,405,404	26,618,907
Net assets from school based funds and controlled entities <i>[note 1]</i>		7,192,000	—
Transferred to restricted surplus		—	(1,911,272)
Accumulated surplus – unrestricted, end of year		651,241,549	495,644,145
Accumulated surplus – restricted, beginning of year		3,281,931	1,370,659
Annual surplus from operations – restricted		—	1,911,272
Accumulated surplus – restricted, end of year		3,281,931	3,281,931

See accompanying notes

Newfoundland and Labrador English School District

Consolidated statement of changes in net debt

Year ended June 30

	2020	2019
	\$	\$
Annual surplus from operations	148,405,404	26,618,907
Changes in tangible capital assets		
Acquisition of tangible capital assets	(50,885,659)	(25,958,895)
Gain on sale of tangible capital assets	(2,409)	(1,911,272)
Proceeds on disposal of tangible capital assets	2,409	2,372,477
Amortization of tangible capital assets	28,795,344	29,435,290
Decrease (increase) in net book value of tangible capital assets	(22,090,315)	3,937,600
Changes in other non-financial assets		
Increase in prepaid expenses	(625,639)	(51,957)
Decrease in net debt	125,689,450	30,504,550
Net assets from school based funds and controlled entities	7,192,000	—
Net debt, beginning of year	(216,795,501)	(247,300,051)
Net debt, end of year	(83,914,051)	(216,795,501)

See accompanying notes

Newfoundland and Labrador English School District

Consolidated statement of cash flows

Year ended June 30

	2020	2019
	\$	\$
Operating activities		
Annual surplus from operations	148,405,404	26,618,907
Add (deduct) items not affecting cash		
Amortization of tangible capital assets	28,795,344	29,435,290
Gain on sale of tangible capital assets	(2,409)	(1,911,272)
Change in teachers' salary accrual	(475,550)	781,902
Increase (decrease) in accrued vacation pay	400,295	(128,278)
Decrease in accrued sick leave	(6,478,230)	(6,306,227)
Decrease in accrued severance pay	(118,916,352)	(21,297,131)
Net change in non-cash working capital related to operations		
Short-term investments	3,039,149	(1,873,672)
Accounts receivable	14,773,552	(2,632,633)
Prepaid expenses	(625,639)	(51,957)
Deferred revenue	8,443,030	(8,836,730)
Accounts payable and accrued liabilities	(1,052,923)	(1,527,747)
Cash provided by operating activities	76,305,671	12,270,452
Capital activities		
Acquisition of tangible capital assets	(50,885,659)	(25,958,895)
Proceeds on disposal of tangible capital assets	2,409	2,372,477
Proceeds from obligation under capital leases	—	504,431
Repayment of obligation under capital leases	(355,156)	(297,931)
Cash used in capital activities	(51,238,406)	(23,379,918)
Financing activities		
Proceeds from long-term debt	4,025,466	3,033,941
Net assets from school based funds and controlled entities	7,192,000	—
Repayment of long-term debt	(2,230,636)	(1,968,652)
Cash provided by financing activities	8,986,830	1,065,289
Net increase (decrease) in cash during the year	34,054,095	(10,044,177)
Cash, beginning of year	12,412,026	22,456,203
Cash, end of year	46,466,121	12,412,026
Represented by:		
Cash	32,639,067	12,412,026
Cash held by schools	13,827,054	—
	46,466,121	12,412,026

See accompanying notes

Newfoundland and Labrador English School District

Notes to consolidated financial statements

June 30, 2020

1. Nature of operations

The Newfoundland and Labrador English School District [the "District"] is responsible for the operations and maintenance of all English-speaking schools in the Province of Newfoundland and Labrador. The District was formed September 1, 2013 after the Government of Newfoundland and Labrador [the "Province"] amalgamated four previous boards known as Eastern School District, Western School District, Nova Central School District and Labrador School District.

2. Summary of significant accounting policies

These consolidated financial statements are prepared in accordance with Canadian public sector accounting standards, which for purposes of the District's consolidated financial statements are represented by accounting recommendations of the Public Sector Accounting Board of CPA Canada.

These consolidated financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of accounting policies summarized below:

Basis of presentation

These consolidated financial statements reflect the assets, liabilities, revenues and expenditures of the District. This reporting entity is comprised of all organizations controlled by the District and accountable to the District for the administration of their own financial affairs and resources. These organizations are the corporations known as Newfoundland and Labrador Education Foundation Inc. ['NLEF'] and Newfoundland and Labrador International Student Education Inc. ['NLISE'] and the schools for which the District is accountable.

For the year ended June 30, 2019, NLISE, NLEF and school generated funds were not previously consolidated into the District's financial statements. In accordance with Canadian public sector accounting standards, this change was adjusted in the current year, and therefore commencing July 1, 2019 the District began consolidating NLISE, NLEF, and school generated funds in the District's financial statements. The net asset impact of \$7,192,000 was recorded as a direct adjustment to accumulated surplus and net debt.

Revenue

The District's main source of funding is derived from the Government of Newfoundland and Labrador, Department of Education [the "Department"]. The Department provides funding for operations, transportation, teacher salaries and severance pay. Funding for capital expenditures and major alterations and improvements is provided by the Department of Transportation and Works. Government transfers with stipulations restricting their use are recognized as revenue when the transfer is authorized, and the eligibility criteria are met. When the transfer gives rise to an obligation that constitutes a liability, the transfer is recognized in revenue when the liability is settled. Interest income is recognized as it is earned.

Expenses

Expenses are recorded on an accrual basis as they are incurred and measurable based on receipt of goods and services.

Newfoundland and Labrador English School District

Notes to consolidated financial statements

June 30, 2020

Restricted surplus

Certain operating revenues including gains on sales of tangible capital assets, which do not meet the criteria for deferred revenue, are internally restricted by the Board of Trustees [the "Board"]. Restricted funds have been recorded as revenue and transferred to restricted surplus.

Leases

Leases that transfer to the District, substantially all of the risks and rewards incidental to ownership of the leased items are accounted for as capital leases. Assets acquired under a capital lease result in a tangible capital asset and an obligation being recorded equal to the lesser of the present value of the minimum lease payments and the property's fair value at the inception of the lease.

All other leases are accounted for as operating leases and the related payments are expensed as incurred.

Tangible capital assets

Tangible capital assets assumed by the District on September 1, 2013, as a result of legislation passed pursuant to the *Schools Act, 1997* and the *Education Act*, were recorded based on the carrying values shown on the audited financial statements of the predecessor entities.

Tangible capital assets are amortized using the straight-line basis over their estimated useful lives, using the following rates:

Buildings	25–50 years
Furniture and equipment	5–10 years
Service vehicles	5 years
Buses	12 years
Miscellaneous	5 years

The District capitalizes items purchased during the year that are in the excess of \$15,000 and have useful economic lives extending beyond the current accounting period.

Teachers' and student assistants' payroll

The Province processes the payrolls and remits the source deductions directly to the appropriate agencies. The amounts recorded in the consolidated financial statements represent gross salaries and employee benefits as reported by the Department for the year.

Pension costs

All permanent employees of the District are covered by pension plans administered by the Province. Contributions to these plans are required from both the employee and the District. Post-retirement obligations to employees are the responsibility of the Province and, as such, the employer contributions for pensions are recognized in the accounts.

Newfoundland and Labrador English School District

Notes to consolidated financial statements

June 30, 2020

Employee future benefits

The District's employee future benefits include accrued sick leave and other employee benefits.

Accrued sick leave

The District provides certain employees with sick leave benefits that accumulate but do not vest. The benefits provided to employees vary based upon classification within the various negotiated agreements. An actuarially determined accrued liability has been recorded in the consolidated financial statements for non-vesting sick leave benefits. The cost of non-vesting sick leave benefits is actuarially determined using management's best estimate of salary escalation, accumulated sick days at retirement, long-term inflation rates and discount rates.

Use of accounting estimates

The preparation of consolidated financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the consolidated financial statements and the reported amounts of revenues and expenditures during the reporting periods. Areas requiring the use of management's estimates include the allowance for doubtful accounts, employee future benefits, environmental remediation costs and amortization of tangible capital assets. Actual results could differ from those estimates.

Long-lived assets

Long-lived assets are reviewed for impairment upon the occurrence of events or changes in circumstances indicating that the service potential may not be recoverable.

Contaminated sites

A liability for remediation of contaminated sites is recognized when an environmental standard exists, contamination exceeds the environmental standard, the District is directly responsible or accepts responsibility, it is expected that future economic benefits will be given up and a reasonable estimate of the amount can be made. An obligation is not recognized unless all criteria above are satisfied.

3. Bond coverage

As at the consolidated statement of financial position date, the Insurance Division of Treasury Board carried fidelity bond coverage covering District employees in the amount of \$300,000 per occurrence.

Newfoundland and Labrador English School District

Notes to consolidated financial statements

June 30, 2020

4. Short-term investments

Short-term investments consist of the following:

	2020 \$	2019 \$
Term deposits and GICs	2,492,514	5,562,860
Marketable securities	215,774	234,545
School investments	49,968	—
	<u>2,758,256</u>	<u>5,797,405</u>

Term deposits relate to funds specifically allocated for educational purposes within the Province. These amounts are not intended for general operations of the District. Marketable securities are recorded at fair value.

5. Due from government entities

Due from government entities consists of the following:

	2020 \$	2019 \$
Government of Newfoundland and Labrador – Operating	966,866	15,733,998
Government of Newfoundland and Labrador – HST schools	160,875	—
Government of Newfoundland and Labrador – Early severance payout	—	512,316
Government of Canada – HST	603,479	676,590
	<u>1,731,220</u>	<u>16,922,904</u>

6. Prepaid expenses

Prepaid expenses consist of the following:

	2020 \$	2019 \$
Municipal service fees	947,953	1,009,726
Software support and licensing	1,785,889	1,061,783
Insurance	85,568	122,262
	<u>2,819,410</u>	<u>2,193,771</u>

7. Bank indebtedness

The District had an authorized operating demand loan of \$4,000,000, bearing interest at Royal Bank prime, less 0.65%, which was unused as at June 30, 2020 and 2019. In accordance with the *Schools Act, 1997*, the operating demand loan was supported by a letter of approval to borrow provided by the Minister of Education.

Newfoundland and Labrador English School District

Notes to consolidated financial statements

June 30, 2020

8. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities consist of the following:

	2020	2019
	\$	\$
Trade payables	5,377,465	5,573,835
Accrued wages	2,715,534	2,416,278
Accrued payroll deductions	1,474,178	2,520,930
Accrued liabilities	1,189,203	905,871
Accrued environmental remediation	34,055	34,055
Scholarship funds	820,270	826,515
	<u>11,610,705</u>	<u>12,277,484</u>

Accrued environmental remediation costs comprise estimated site restoration and remediation costs for contaminated sites associated with school properties under the District. The liability relates to one site and is estimated at \$34,055.

9. Due to government entities

Due to government entities consists of the following:

	2020	2019
	\$	\$
Government of Newfoundland and Labrador – Transportation	<u>631,343</u>	<u>1,017,487</u>

10. Due to/from related parties

The District's related party transactions occur with the Province. Transactions between the District and related parties are conducted as arm's-length transactions.

Transactions from the Province are identified in schedule 7. Amounts receivable and payable from (to) the Province are disclosed in notes 5 and 9, respectively. Certain tangible capital assets, such as the Avalon Regional office in St. John's, are utilized by the District and are not reflected in these consolidated financial statements as legal title is held by the Province. The Province does not charge the District any amounts for the use of such assets; however, operating costs and minor alterations and improvements are the responsibility of the District.

Newfoundland and Labrador English School District

Notes to consolidated financial statements

June 30, 2020

11. Accrued severance pay

The District provides a severance payment to employees upon retirement, resignation or termination.

Due to changes in the Newfoundland and Labrador Association of Public and Private Employees ["NAPE"] Collective Agreement effective March 31, 2018, severance benefits accrued as at March 31, 2018 were paid out to NAPE employees with at least one year of eligible service. The severance payout was based on one week of salary for each full year of eligible employment to a maximum of 20 weeks.

Due to changes in the Canadian Union of Public Employees ["CUPE"] Collective Agreement effective March 31, 2018, severance benefits accrued as at March 31, 2018 were paid out to employees with at least one year of eligible service. The severance payout was based on one week of salary for each full year of eligible employment to a maximum of 20 weeks. Similar changes were introduced to the severance benefit for management and non-bargaining employees through the *Salary Restraint and Extinguishment of Severance Pay Act*. Severance benefits accrued as at May 31, 2018 were paid out to employees with at least one year of eligible service. The severance payout was based on one week of salary for each full year of eligible employment to a maximum of 20 weeks.

Due to changes in the Newfoundland and Labrador Teacher's Association ["NLTA"] Collective Agreement effective March 31, 2018, severance benefits accrued as at March 31, 2018 were paid out to employees with at least one year of eligible service. The severance payout was based on 2% of annual salary for each full year of employment to a maximum of 40% of annual salary.

All employees had the option to defer payment but will not accrue any further severance benefits. There will be no change to the amount payable in future years.

	2020	2019
	\$	\$
Teachers [NLTA]	7,875,929	126,311,275
Board employees [CUPE/NAPE/management and non-bargaining]	560,423	1,041,429
Total accrued severance pay	8,436,352	127,352,704

Newfoundland and Labrador English School District

Notes to consolidated financial statements

June 30, 2020

12. Accrued sick leave

The actuarial valuation date for sick leave accruals was June 30, 2018 and has been extrapolated for June 30, 2020. Discount rates are based on the Province's long-term borrowing rate. This rate was 2.65% as at June 30, 2020 [2019 – 2.85%]. Board employees include NAPE, CUPE, non-union/non-management.

	2020 \$	2019 \$
Accrued sick leave		
Sick leave [teachers]		
Accrued benefit liability, beginning of year	76,372,574	81,787,077
Benefit expense	7,717,411	7,864,819
Benefits paid	(13,279,322)	(13,279,322)
Accrued benefit liability [teachers], end of year	70,810,663	76,372,574
Sick leave [board employees]		
Accrued benefit liability, beginning of year	7,355,631	8,247,355
Benefit expense	876,634	901,229
Benefits paid	(1,792,953)	(1,792,953)
Accrued benefit liability [board employees], end of year	6,439,312	7,355,631
Total accrued sick leave liability, end of year	77,249,975	83,728,205
Unamortized portion of actuarial loss	2,867,175	3,760,975
Total accrued sick leave obligation	80,117,150	87,489,180

Reconciliation of accrued benefit obligation from June 30, 2019 to June 30, 2020:

	Board employees \$	Teachers \$	Total \$
Accrued benefit obligation as at June 30, 2019	8,021,862	79,467,318	87,489,180
Current period benefit cost	570,015	5,064,067	5,634,082
Benefits contributions	(1,792,953)	(13,279,322)	(15,072,275)
Interest on the accrued benefit obligation	211,196	2,147,751	2,358,947
Actuarial gains	(25,836)	(266,948)	(292,784)
Accrued benefit obligation as at June 30, 2020	6,984,284	73,132,866	80,117,150

Newfoundland and Labrador English School District

Notes to consolidated financial statements

June 30, 2020

The significant actuarial assumptions used in measuring the accrued sick pay benefit expense and liability are as follows:

Discount rate – liability	2.65% as at June 30, 2020 2.85% as at June 30, 2019
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Discount rate – benefit expense	2.65% in fiscal 2020 2.85% in fiscal 2019
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Rate of compensation increase	0% plus 0.75% for promotions and merit [0% plus 4.00% for teachers with less than 10 years of service] as at June 30, 2020 0% plus 0.75% for promotions and merit [0% plus 4.00% for teachers with less than 10 years of service] as at June 30, 2019
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13. Obligation under capital leases

The District has entered into capital leases with the Royal Bank of Canada for various copiers. The principal balance outstanding as at June 30, 2020, was \$647,430, with a purchase option of \$1. Interest has been imputed at various rates for these leases. Total interest paid on these leases for the year ended June 30, 2020 was \$27,451.

Future minimum payments under these capital leases are as follows for the year ending in:

	\$
2021	330,012
2022	156,777
2023	110,135
2024	82,601
Total future minimum lease payments	<u>679,525</u>
Less amount representing interest	<u>(32,095)</u>
	<u>647,430</u>

14. Financial instruments

The District's financial instruments consist of cash, short-term investments, accounts receivable, accounts payable and accrued liabilities, employee benefits payable and long-term obligations. It is management's opinion that the District is not exposed to significant interest rate risk, currency or credit risks arising from these financial instruments.

15. Insurance subsidy

The cost of insuring school properties is incurred by the Province, and no amount has been recorded in these accounts to reflect this cost.

Newfoundland and Labrador English School District

Notes to consolidated financial statements

June 30, 2020

16. Deferred revenue

Deferred revenue represents funding designated for specific purposes for which the revenue recognition criteria have not been met. The funding is deferred and included in revenue when authorized and all eligibility criteria have been met, provided there are no stipulations that give rise to a liability. Changes in the funding deferred to future periods are as follows:

	2020 \$	2019 \$
Balance, beginning of year	6,750,121	15,586,851
Less amounts recognized as revenue in the year	(3,066,124)	(4,058,285)
Less amounts written off or returned during the year	(18,285)	(9,340,726)
Add amounts funded during the year	2,280,271	4,562,281
Balance, end of year	5,945,983	6,750,121

Deferred revenue comprises the following:

	2020 \$	2019 \$
Operations and maintenance	1,074,051	1,001,775
Instruction	3,276,053	3,654,324
Pupil transportation	913,959	1,045,974
Nunatsiavut government	681,920	1,048,048
	5,945,983	6,750,121

17. Budget

The District prepares an annual budget for approval by the Board and the Minister of Education [the "original budget"]. The original budget may change throughout the year and is updated to reflect the impact of all known service and program changes. The District provides updates to the Board on a quarterly basis, explaining any changes from the original budget. The updated budget [the "final budget"] figures are reflected in the budget amounts as presented in the consolidated statement of operations.

The budget, both original and final, do not include amounts relating to certain non-cash and other items including tangible capital asset acquisition and amortization, provincial capital and special grants and certain adjustments relating to employee future benefit accruals. The District does budget for the principal repayments on long-term debt. The District does not prepare a full budget in respect to changes in net debt as the District does not include an amount for acquisition or amortization of tangible capital assets.

Newfoundland and Labrador English School District

Notes to consolidated financial statements

June 30, 2020

A reconciliation between the original and final budget for the year ended June 30, 2020 is presented below:

	Revenue \$	Expense \$
Original budget	781,958,000	781,958,000
Adjustments relating to changes in services and programs	285,301	285,301
Final budget	782,243,301	782,243,301

18. Comparative figures

Certain prior year figures have been restated for comparative purposes and to conform to current year presentation.

19. Expenses by object

The following represents expenses by object of the major types of expenses incurred by the District.

	2020 \$	2019 \$
Salaries and benefits	670,046,602	691,082,754
Contracted services	42,124,504	43,604,112
Amortization of tangible capital assets	28,795,344	29,435,290
Utilities	26,086,217	27,782,363
School-based funds activities	15,144,044	—
Materials and supplies	12,160,223	14,673,655
Repairs and maintenance	10,061,479	8,652,757
Vehicle operating costs	3,236,185	4,035,875
Travel and professional development	1,793,722	2,268,465
Software licenses and subscriptions	2,108,652	1,917,789
Other	1,448,685	1,660,265
Grant and subsidies	784,421	745,787
Professional fees	347,050	478,679
Interest on long-term debt	546,725	480,662
Fundraising	283,792	—
	814,967,645	805,594,012

Newfoundland and Labrador English School District

Notes to consolidated financial statements

June 30, 2020

20. Tangible capital assets

	2020						
	Land \$	Buildings \$	F&E \$	Service vehicles \$	Buses \$	Misc. \$	Total \$
Cost							
Opening balance	24,823,757	1,233,892,881	51,351,390	2,705,106	31,079,516	5,128,913	1,348,981,563
Additions	307,409	43,568,072	2,544,406	33,965	4,025,466	406,341	50,885,659
Disposals	—	296,472	—	34,736	—	—	331,208
Closing balance	25,131,166	1,277,164,481	53,895,796	2,704,335	35,104,982	5,535,254	1,399,536,014
Accumulated amortization							
Opening balance	—	568,817,006	46,035,217	2,226,714	16,408,141	1,966,678	635,453,756
Additions	—	871,361	408,494	6,793	80,509	20,318	1,387,475
Disposals	—	296,472	—	34,735	—	—	331,207
Amortization	—	24,114,989	956,118	143,469	1,923,106	270,187	27,407,869
Closing balance	—	593,506,884	47,399,829	2,342,241	18,411,756	2,257,183	663,917,893
Net book value	25,131,166	683,657,597	6,495,967	362,094	16,693,226	3,278,071	735,618,121
2019							
	Land \$	Buildings \$	F&E \$	Service vehicles \$	Buses \$	Misc. \$	Total \$
Cost							
Opening balance	21,380,114	1,224,438,694	49,696,145	2,450,597	34,993,618	4,642,092	1,337,601,260
Additions	3,458,712	17,966,673	1,678,062	254,508	2,114,119	486,821	25,958,895
Disposals	15,068	8,512,487	22,817	—	6,028,221	—	14,578,593
Closing balance	24,823,758	1,233,892,880	51,351,390	2,705,105	31,079,516	5,128,913	1,348,981,562
Accumulated amortization							
Opening balance	—	551,048,414	44,982,689	2,063,454	20,385,585	1,655,712	620,135,854
Additions	—	365,596	188,704	50,902	176,190	28,344	809,736
Disposals	—	8,083,290	5,877	—	6,028,221	—	14,117,388
Amortization	—	25,486,286	869,701	112,358	1,874,587	282,622	28,625,554
Closing balance	—	568,817,006	46,035,217	2,226,714	16,408,141	1,966,678	635,453,756
Net book value	24,823,758	665,075,874	5,316,173	478,391	14,671,375	3,162,235	713,527,806

Newfoundland and Labrador English School District

Notes to consolidated financial statements

June 30, 2020

21. Assets under development

Assets under development represent costs incurred to date on the construction of new schools. Assets under development and their project descriptions are as follows:

	2020 \$	2019 \$
Intermediate school in Paradise	16,241,772	301,179
Bay Roberts Primary	8,372,728	61,813
Bay d'Espoir Academy	1,997,398	—
	26,611,898	362,992

Consolidated schedule of revenue

Year ended June 30

	Budget	2020	2019
	\$	\$	\$
	<i>[note 17]</i>		
Provincial government grants			
Regular operating grants	118,458,900	115,543,736	118,588,435
Special grants and projects	—	2,467,571	3,001,988
Early severance payout	—	116,383,175	10,159,637
Salaries and benefits – executive and senior management	3,691,000	4,587,351	4,205,780
Salaries and benefits – teachers and substitutes	578,720,000	575,541,497	582,113,934
Salaries and benefits – student assistants	24,925,400	25,090,445	25,373,166
Board-owned pupil transportation	19,777,441	18,316,301	19,172,782
Contracted pupil transportation	29,000,000	28,732,694	29,468,541
Alternate pupil transportation	6,400,000	6,143,398	7,258,638
Transportation administration	110,000	110,000	110,000
Maintenance grants	—	5,377,908	3,955,198
	<u>781,082,741</u>	<u>898,294,076</u>	<u>803,408,099</u>
Other income			
Interest on investments and bank	575,000	594,193	614,876
Revenue from bus charters	193,559	95,907	204,071
Revenue from rental of schools and facilities	312,001	319,518	316,005
Special project grants	—	253,453	344,460
Miscellaneous	80,000	55,436	88,459
Nunatsiavut government grants	—	2,803,667	2,360,294
Fundraising and donations	—	374,968	—
Tuition revenue	—	961,812	—
	<u>1,160,560</u>	<u>5,458,954</u>	<u>3,928,165</u>
Total revenue	<u>782,243,301</u>	<u>903,753,030</u>	<u>807,336,264</u>

See accompanying notes

Consolidated schedule of administration and human resource expenditures

Year ended June 30

	Budget	2020	2019
	\$	\$	\$
	<i>[note 17]</i>		
Administration expenditures			
Salaries and benefits – executive and senior management	1,261,000	1,455,070	1,385,455
Salaries and benefits – board office staff	3,990,375	3,774,972	3,802,114
Office supplies	139,280	100,480	142,209
Postage	109,000	100,288	113,524
Communications – voice and data	284,000	284,210	310,698
Office equipment rentals and repairs	52,500	20,787	60,125
Electricity and fuel	261,500	265,616	268,810
Snow clearing	166,000	178,251	164,970
Travel and professional learning	72,000	35,155	62,681
Board meeting	154,150	91,888	143,260
Professional fees	295,000	332,515	370,857
Advertising and public relations	20,000	28,287	18,996
Membership fees	82,500	79,625	97,863
Garbage collection and municipal fees	103,300	98,075	110,204
Facility rentals	234,200	235,308	234,025
Other	22,000	30,503	19,173
Fundraising	—	283,793	—
Recovery of bad debt	—	(4,799)	(33,386)
Total administration expenditures	7,246,805	7,390,024	7,271,578
Human resource expenditures			
Salaries and benefits	2,344,268	2,136,799	2,075,065
Recruitment and training	58,500	59,639	60,141
Travel and professional learning	48,000	30,438	48,204
Personnel services	161,370	99,233	175,884
Total human resource expenditures	2,612,138	2,326,109	2,359,294

See accompanying notes

Consolidated schedule of instructional expenditures

Year ended June 30

	Budget	2020	2019
	\$	\$	\$
	<i>[note 17]</i>		
Instructional salaries and benefits			
Salaries and benefits – regular teachers	549,130,000	552,306,600	552,702,290
Salaries and benefits – substitute teachers	29,590,000	23,178,718	29,410,965
Salaries and benefits – student assistants	24,925,400	25,090,444	25,368,165
Salaries and benefits – school secretaries	12,784,470	12,464,694	12,792,858
Salaries and benefits – board employees	754,229	769,652	703,063
Salaries and benefits – program directors	2,430,000	3,176,851	2,964,520
Salaries and benefits – Indigenous teachers	—	1,587,689	1,397,007
Salaries and benefits – special projects	—	1,058,373	981,939
Early severance payout	—	116,383,175	10,159,637
Change in employee future benefits accrual	—	(125,394,583)	(27,603,358)
	619,614,099	610,621,613	608,877,086
Instructional materials			
Materials – school allocation	7,742,959	6,643,896	8,163,332
Materials – district allocation	149,882	108,862	162,074
Indigenous peoples programs	—	1,170,664	921,372
Special grants and projects	—	1,682,479	2,401,620
Student services equipment	134,455	116,172	98,218
	8,027,296	9,722,073	11,746,616
Travel and professional learning			
Instructional staff	1,294,569	1,093,613	1,381,497
Indigenous peoples programs	—	45,311	37,959
	1,294,569	1,138,924	1,419,456
Other instructional costs			
Other	363,200	330,167	327,105
Summer school	80,639	67,418	81,721
	443,839	397,585	408,826
Total instructional expenditures	629,379,803	621,880,195	622,451,984

See accompanying notes

**Consolidated schedule of Centre for Distance Learning
and Innovation expenditures**

Year ended June 30

	Budget	2020	2019
	\$	\$	\$
	<i>[note 17]</i>		
Salaries and benefits	146,350	166,614	135,835
Travel and professional learning	50,000	38,903	43,999
Communications – voice and data	100,500	54,211	97,328
Instructional materials and resources	391,000	367,053	332,110
Grants and subsidies	786,000	784,421	745,787
Total CDLI	1,473,850	1,411,202	1,355,059

See accompanying notes

Consolidated schedule of information technology expenditures

Year ended June 30

	Budget	2020	2019
	\$	\$	\$
	<i>[note 17]</i>		
Salaries and benefits	3,385,365	3,459,126	3,291,018
Materials and equipment	1,401,405	637,705	530,401
Licences and subscriptions	1,900,000	2,030,798	1,917,789
Travel and professional fees	160,700	150,141	184,843
Total information technology expenditures	6,847,470	6,277,770	5,924,051

See accompanying notes

Consolidated schedule of operations and maintenance expenditures

Year ended June 30

	Budget	2020	2019
	\$	\$	\$
	<i>[note 17]</i>		
Salaries and benefits – janitorial	30,515,413	28,986,049	30,520,392
Salaries and benefits – maintenance	7,514,147	7,478,718	7,424,329
Electricity	16,300,000	15,521,725	16,134,891
Fuel	2,841,000	1,885,529	2,856,326
Garbage collection and municipal fees	3,825,000	3,913,055	3,784,306
Communication – voice and data	3,406,000	3,371,498	3,457,395
Snow clearing	6,543,000	6,910,444	6,551,373
Travel and professional learning	217,226	189,154	218,787
Vehicle repairs and maintenance	239,158	144,825	321,432
Vehicle operating	352,307	320,852	290,274
Janitorial supplies and equipment	1,832,828	1,318,624	1,881,935
Repairs and maintenance	4,830,014	4,331,765	4,465,096
Facility rentals	246,920	254,206	168,676
Maintenance grants	—	5,402,873	3,960,965
Housing	373,150	336,143	372,796
Total operations and maintenance expenditures	79,036,163	80,365,460	82,408,973

See accompanying notes

Consolidated schedule of pupil transportation expenditures

Year ended June 30

	Budget	2020	2019
	\$	\$	\$
	<i>[note 17]</i>		
Board-owned fleet			
Salaries and benefits	12,262,300	11,686,627	12,110,781
Interest on long-term debt	545,310	519,272	458,594
Principal payments on bus loans	2,228,990	—	—
Vehicle fuel	1,944,768	1,262,124	1,968,711
Vehicle registration	212,304	212,304	201,065
Vehicle insurance	256,500	296,044	344,993
Vehicle repairs and maintenance	1,282,544	1,157,582	1,200,195
Building repairs and maintenance	75,116	72,635	58,020
Tires	144,028	138,498	54,198
Electricity and fuel	180,800	168,837	180,818
Garbage collection and municipal fees	80,400	90,721	80,398
Snow clearing	160,610	159,717	160,590
Office supplies	53,100	20,955	24,184
Facility rentals	139,600	78,377	139,600
Travel and professional learning	45,006	35,765	28,606
Licenses and subscriptions	86,500	77,854	93,247
Other	146,934	115,577	173,391
Communications – voice and data	126,190	96,597	126,190
	<u>19,971,000</u>	<u>16,189,486</u>	<u>17,403,581</u>
Contracted transportation services			
Regular	29,000,000	28,732,694	29,468,541
Alternate	6,400,000	6,143,398	7,258,638
	<u>35,400,000</u>	<u>34,876,092</u>	<u>36,727,179</u>
District administration			
Salaries and benefits	256,372	281,014	236,236
Travel, professional learning and other	19,700	30,905	20,787
	<u>276,072</u>	<u>311,919</u>	<u>257,023</u>
Total pupil transportation expenditures	<u>55,647,072</u>	<u>51,377,497</u>	<u>54,387,783</u>

See accompanying notes

Consolidated schedule of long-term debt

As at June 30

Pupil transportation loans, variable rate

Creditor	Monthly principal \$	Plus interest	Maturity date	2020 \$	2019 \$
Scotiabank	2,523	Prime -0.25%	2022	70,705	100,981
CIBC	3,025	Prime	2022	87,725	124,025
TD Canada Trust	13,293	Prime -1%	2022	358,924	518,446
Scotiabank	4,687	Prime -0.25%	2023	178,022	238,953
CIBC	3,201	Prime	2023	122,172	160,589
TD Canada Trust	7,873	Prime -1%	2023	307,028	401,498
Scotiabank	4,459	Prime -0.25%	2024	227,403	280,911
TD Canada Trust	6,182	Prime -1%	2024	327,948	402,200
Scotiabank	2,569	Prime -0.25%	2025	157,542	188,370
TD Canada Trust	5,538	Prime	2025	350,239	416,697
TD Canada Trust	6,806	Prime	2025	442,361	524,028
CIBC	5,521	Prime	2025	306,145	372,392
Total variable rate loans				2,936,214	3,729,090

Pupil transportation loans, fixed rate

Creditor	Blended payments \$	Interest rate	Maturity date	2020 \$	2019 \$
Royal Bank	2,217	3.06%	2022	57,724	82,161
Royal Bank	3,695	2.01%	2023	139,181	180,112
Royal Bank	3,788	3.02%	2024	183,162	221,866
Royal Bank	4,604	3.08%	2025	276,975	321,946
Royal Bank	8,782	3.03%	2025	536,869	622,411
Royal Bank	23,314	2.96%	2026	1,594,134	1,823,617
Royal Bank	12,326	2.38%	2027	994,596	1,117,114
CIBC	18,943	2.10%	2028	1,734,379	1,923,158
Royal Bank	25,752	2.67%	2029	2,570,714	2,807,257
Royal Bank	26,066	3.66%	2030	2,706,427	2,915,175
BMO	32,498	2.56%	2031	3,808,362	—
Total fixed rate loans				14,602,523	12,014,817
Total long-term debt				17,538,737	15,743,907

Security for certain loans has been provided in the form of chattel mortgages over specific vehicles.

See accompanying notes

Consolidated schedule of details of long-term debt

Year ended June 30

	2020			
Balance, beginning of year \$	Loans obtained during the year \$	Principal repayment for the year \$	Balance, end of year \$	
Long-term debt				
Pupil transportation	15,743,907	4,025,466	(2,230,636)	17,538,737
				\$
Annual principal payments to maturity				
2021				2,342,157
2022				2,387,421
2023				2,258,913
2024				2,045,915
Thereafter				8,504,331
				17,538,737

See accompanying notes

Consolidated schedule of adjusted annual surplus from operations

Year ended June 30

	2020	2019
	\$	\$
Annual surplus from operations	148,405,403	26,618,907
Add (deduct) expenditures not funded through operating grant		
Amortization of tangible capital assets	28,795,344	29,435,290
Change in employee future benefits accrual	(125,394,583)	(27,603,358)
School-based activities	15,144,043	—
Change in vacation pay accrual for board executive	44,571	144,198
Less non-expenditure items funded through operating grant		
Principal payments on long-term debt and leases	(2,585,793)	(2,266,583)
Tangible capital asset additions funded from operations	(1,463,764)	(402,681)
Less revenue from capital sources		
Capital transfers from government	(45,362,466)	(22,965,383)
Gain on disposal of tangible capital assets	(2,409)	(1,911,272)
Less revenue from school-based activities	(14,817,573)	—
Adjusted annual surplus from operations	2,762,773	1,049,118

See accompanying notes