

Newfoundland and Labrador English School District

Non-consolidated financial statements
June 30, 2019



Statement of responsibility

The accompanying non-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 nonconsolidated financial statements and to discuss any significant financial reporting or internal control matters prior to their approval of the finalized non-consolidated financial statements.

Ernst & Young LLP, Chartered Professional Accountants, as the Board's appointed external auditor, has audited the nonconsolidated 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 non-consolidated financial statements are free from material misstatement and present fairly the financial position and results of the District in accordance with Canadian public sector accounting standards.



Chairperson

Treasurer

Independent auditor's report

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

Opinion

We have audited the financial statements of Newfoundland and Labrador English School District (the "District"), which comprise the statement of financial position as at June 30, 2019, and the statements of operations, changes in net debt and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the District as at June 30, 2019, and its financial performance 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 District 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 matter

The financial statements of Newfoundland and Labrador English School District for the year ended June 30, 2018 were audited by another auditor who expressed qualified opinion on those financial statements on November 30, 2018.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the 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 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 financial statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 financial statements, including the disclosures, and whether the 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.

St. John's, Canada
December 7, 2019

Ernst & Young LLP

Chartered Professional Accountants



Newfoundland and Labrador English School District

Non-consolidated statement of financial position

As at June 30

	2019 \$	2018 \$
Financial assets		
Cash	12,412,026	22,456,203
Short-term investments [note 4]	5,797,405	3,923,733
Accounts receivable	1,534,709	2,025,712
Due from government entities [note 5]	16,922,904	14,581,170
Teachers salary accrual receivable	83,347,583	82,565,681
	<u>120,014,627</u>	<u>125,552,499</u>
Financial liabilities		
Accounts payable and accrued liabilities [note 8]	12,215,354	13,809,817
Due to government entities [note 9]	1,017,487	1,149,377
Teacher salary accrual	83,347,583	82,565,681
Accrued vacation pay	5,590,051	5,718,329
Accrued severance pay [note 11]	127,352,704	148,649,835
Accrued sick leave [note 12]	83,728,205	90,034,432
Other employee benefits	82,130	63,524
Long-term debt [schedules B and 8A]	15,743,907	14,678,618
Obligation under capital leases [note 13]	1,002,586	798,086
Deferred revenue [note 16]	6,750,121	15,586,851
	<u>336,810,128</u>	<u>372,852,550</u>
Net debt	<u>(216,795,501)</u>	<u>(247,300,051)</u>
Non-financial assets		
Prepaid expenses [note 6]	2,193,771	2,141,814
Tangible capital assets [note 21]	713,527,606	717,465,404
	<u>715,721,377</u>	<u>719,607,218</u>
Accumulated surplus		
Accumulated surplus – restricted [note 17]	3,281,931	1,370,659
Accumulated surplus – unrestricted	495,844,145	470,936,510
	<u>499,126,076</u>	<u>472,307,169</u>

See accompanying notes to non-consolidated financial statements

On behalf of the Board:


Chairperson


Treasurer

Newfoundland and Labrador English School District

Non-consolidated statement of operations

Year ended June 30

	Budget	2019	2018
	\$	\$	\$
	<i>[note 18]</i>		
Revenue			
Provincial government grants <i>[schedule 1]</i>	792,069,313	803,408,099	800,284,872
Other income <i>[schedule 1]</i>	1,047,000	3,928,165	4,137,432
Capital transfers from government	—	22,965,383	23,971,229
Gain on sale of tangible capital assets	—	1,911,272	—
	<u>793,116,313</u>	<u>832,212,919</u>	<u>828,393,533</u>
Expenditures			
Administration <i>[schedule 2]</i>	10,153,640	10,236,100	10,748,880
Human resources <i>[schedule 2]</i>	2,174,570	2,359,294	1,787,905
Instructional <i>[schedule 3]</i>	639,813,685	619,487,462	640,887,401
Centre for Distance Learning and Innovation [CDLI] <i>[schedule 4]</i>	1,673,750	1,355,059	2,053,046
Information technology <i>[schedule 5]</i>	6,241,800	5,924,051	5,123,852
Operations and maintenance <i>[schedule 6]</i>	76,131,828	82,408,973	81,740,987
Pupil transportation <i>[schedule 7]</i>	56,927,040	54,387,783	55,035,728
Amortization of capital assets <i>[note 21]</i>	—	29,435,290	33,710,645
Loss on sale of capital assets	—	—	9,492
	<u>793,116,313</u>	<u>805,594,012</u>	<u>831,097,936</u>
Annual surplus (deficit) from operations	<u>—</u>	<u>26,618,907</u>	<u>(2,704,403)</u>
Accumulated surplus – unrestricted, beginning of year		470,936,510	473,640,913
Annual surplus (deficit) from operations		26,618,907	(2,704,403)
Transferred to restricted surplus <i>[note 17]</i>		<u>(1,911,272)</u>	—
Accumulated surplus – unrestricted, end of year		<u>495,644,145</u>	<u>470,936,510</u>
Accumulated surplus – restricted, beginning of year		1,370,659	1,370,659
Annual surplus from operations – restricted		<u>1,911,272</u>	—
Accumulated surplus – restricted, end of year		<u>3,281,931</u>	<u>1,370,659</u>

See accompanying notes to non-consolidated financial statements

Newfoundland and Labrador English School District

Non-consolidated statement of changes in net debt

Year ended June 30

	2019	2018
	\$	\$
Annual surplus (deficit) from operations	26,618,907	(2,704,403)
Changes in tangible capital assets		
Acquisition of tangible capital assets	(25,958,895)	(28,880,142)
Loss (gain) on disposal of tangible capital assets	(1,911,272)	9,491
Proceeds on disposal of tangible capital assets	2,372,477	8,176
Amortization of tangible capital assets	29,435,290	33,710,645
Decrease in net book value of tangible capital assets	3,937,600	4,848,170
Changes in other non-financial assets		
Increase in prepaid expenses	(51,957)	(687,433)
Decrease in net debt	30,504,550	1,456,334
Net debt, beginning of year	(247,300,051)	(248,756,385)
Net debt, end of year	(216,795,501)	(247,300,051)

See accompanying notes to non-consolidated financial statements

Newfoundland and Labrador English School District

Non-consolidated statement of cash flows

Year ended June 30

	2019	2018
	\$	\$
Operating transactions		
Annual surplus (deficit) from operations	26,618,907	(2,704,403)
Items not affecting cash		
Amortization of tangible capital assets	29,435,290	33,710,645
Loss (gain) on disposal of tangible capital assets	(1,911,272)	9,491
Change in teachers salary accrual	781,902	567,584
Decrease in accrued vacation pay	(128,278)	(54,673)
Decrease in accrued sick leave	(6,306,227)	(1,208,244)
Decrease (increase) in accrued severance pay	(21,297,131)	98,153
Decrease in other employee benefits liability	(1,394)	(34,081)
Net change in		
Short-term investments	(1,873,672)	(42,222)
Accounts receivable	(2,632,633)	(5,169,990)
Prepaid expenses	(51,957)	(687,433)
Deferred revenue	(8,836,730)	(382,579)
Accounts payable and accrued liabilities	(1,526,353)	(1,237,601)
Cash provided by operating transactions	12,270,452	22,864,647
Capital transactions		
Acquisition of tangible capital assets	(25,958,895)	(28,880,142)
Proceeds on disposal of tangible capital assets	2,372,477	8,176
Proceeds from obligation under capital leases	504,431	—
Repayment of obligation under capital leases	(297,931)	(306,269)
Cash used in capital transactions	(23,379,918)	(29,178,235)
Financing transactions		
Proceeds from long-term borrowings	3,033,941	3,169,930
Repayment of long-term debt	(1,968,652)	(2,152,631)
Cash provided by financing transactions	1,065,289	1,017,299
Net decrease in cash during the year	(10,044,177)	(5,296,289)
Cash, beginning of year	22,456,203	27,752,492
Cash, end of year	12,412,026	22,456,203

See accompanying notes to non-consolidated financial statements

Newfoundland and Labrador English School District

Notes to non-consolidated financial statements

June 30, 2019

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. Significant accounting policies

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

These non-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 non-consolidated financial statements reflect the assets, liabilities, revenues and expenditures of the District. These non-consolidated financial statements have not been consolidated with those of other organizations controlled by the District.

The District currently exercises control over corporations known as Newfoundland and Labrador Education Foundation Inc. and Newfoundland and Labrador International Student Education Inc.

The net assets of Newfoundland and Labrador Education Foundation Inc. as at December 31, 2018 were \$578,334, in accordance with the financial statements compiled by the corporation. The net assets of Newfoundland and Labrador International Student Education Inc. as at June 30, 2019 were \$1,442,845, in accordance with the financial statements compiled by the corporation.

These non-consolidated financial statements do not include school-based financial activities, which would consist of revenues, expenses and net assets controlled by school administration.

Revenue

The District's main source of funding is derived from the Government of Newfoundland and Labrador, Department of Education and Early Childhood Development [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.

Newfoundland and Labrador English School District

Notes to non-consolidated financial statements

June 30, 2019

Expenses

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

Restricted surplus

Certain non-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. 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 Government of Newfoundland and Labrador processes the payrolls and remits the source deductions directly to the appropriate agencies. The amounts recorded in the non-consolidated financial statements represent gross salaries and employee benefits as reported by the Department for the year.

Newfoundland and Labrador English School District

Notes to non-consolidated financial statements

June 30, 2019

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.

Employee future benefits

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

[I] Accrued severance

Consistent with government policy, the District had in effect severance pay policies whereby certain employees were entitled to a severance payment upon leaving employment with the District. Under these policies, an employee who had nine (9) or more years of continuous service in the employment of the District, or other public sector employer, was entitled to be paid severance on resignation, retirement, termination by reasons of disability, expiry of recall rights or, in the event of death, to the employee's estate. Based on collective agreements and changes that were introduced to the severance benefit for non-union employees, employees with at least one year of eligible service are entitled to a lump-sum payout of their accrued severance benefit based on pay and service as at March 31, 2018 and May 31, 2018, respectively.

Settlement payments that have been made in the current and prior year have been reflected in the corresponding current year benefit expense. The accrued severance liability is recorded at the estimated settlement amount.

[II] 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 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.

[III] Other employee benefits

The District has recorded the obligation to pay certain employees at the termination of their employment for unused sick leave accumulated prior to January 1, 1985. As these benefits no longer accumulate or vest as of 1985, they are outside of the scope of PS 3255, *Post-employment Benefits, Compensated Absences and Termination Benefits*, and are not actuarially determined at the end of each period.

Newfoundland and Labrador English School District

Notes to non-consolidated financial statements

June 30, 2019

Use of accounting estimates

The preparation of 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 at the date of the 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

At the balance sheet date, the Insurance Division of Treasury Board carried fidelity bond coverage covering District employees in the amount of \$300,000 per occurrence.

4. Short-term investments

	2019 \$	2018 \$
Term deposits and GICs	5,562,860	3,695,243
Marketable securities	234,545	228,490
	<u>5,797,405</u>	<u>3,923,733</u>

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

Newfoundland and Labrador English School District

Notes to non-consolidated financial statements

June 30, 2019

5. Due from government entities

	2019 \$	2018 \$
Government of NL – Operating	15,733,998	1,914,278
Government of NL – Special incentives	—	8,508,238
Government of NL – Early severance payout	512,316	3,460,772
Government of Canada – HST	676,590	697,882
	<u>16,922,904</u>	<u>14,581,170</u>

6. Prepaid expenses

	2019 \$	2018 \$
Municipal service fees	1,009,726	899,001
Software support and licensing	1,061,783	1,134,636
Insurance	122,262	89,327
Rent	—	18,850
	<u>2,193,771</u>	<u>2,141,814</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, 2019 and June 30, 2018. 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.

8. Accounts payable and accrued liabilities

	2019 \$	2018 \$
Trade payables	5,573,835	6,602,456
Accrued wages	2,416,278	2,515,214
Accrued payroll deductions	2,520,930	2,008,379
Accrued liabilities	843,741	913,905
Accrued environmental remediation	34,055	55,000
Scholarship funds	826,515	837,673
Eastern School District Trust Fund	—	677,190
	<u>12,215,354</u>	<u>13,609,817</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.

Newfoundland and Labrador English School District

Notes to non-consolidated financial statements

June 30, 2019

9. Due to government entities

	2019 \$	2018 \$
Government of NL – Transportation	1,017,487	1,149,377

10. Due to/from related parties

The District's related party transactions occur between the Government of Newfoundland and Labrador and other entities included in the government reporting entity. Transactions between the District and related parties are conducted as arm's length transactions.

Transactions from Government of Newfoundland and Labrador are identified in Schedule 7. Amounts receivable and payable from (to) Government of Newfoundland and Labrador 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 non-consolidated financial statements as legal title is held by the Government of Newfoundland and Labrador [the "Government"]. The Government 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.

Amounts receivable and payable to other related parties at year-end are provided below:

	2019 \$	2018 \$
Due from Newfoundland and Labrador International Student Education Inc.	77,388	169,860
Due from (to) Newfoundland and Labrador Education Foundation Inc.	(32,091)	8,571

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 of 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 of March 31, 2018 have and will be paid out to employees with at least one year of eligible service on or before March 31, 2020. The severance payout will be 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 of May 31, 2018 were paid out to employees

Newfoundland and Labrador English School District

Notes to non-consolidated financial statements

June 30, 2019

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 of March 31, 2018 will be paid out to employees with at least one year of eligible service on or before December 31, 2019. The severance payout will be based on 2% of annual salary for each full year of employment to a maximum of 40% of annual salary.

All employees have 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.

	2019 \$	2018 \$
Teachers [NLTA]	126,311,275	136,794,745
Board employees [CUPE/NAPE/management and non-bargaining]	1,041,429	11,855,090
Total accrued severance pay	127,352,704	148,649,835

In the fiscal year ended June 30, 2019, cash payments to retirees and eligible employees totaled \$7,717,846 [2018 – \$8,201,525] and cash payments representing settlement of severance benefits totaled \$10,159,637 [2018 – \$6,219,641].

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

Discount rate – liability	Not applicable as at June 30, 2019 3.20% as at June 30, 2018
Discount rate – benefit expense	Not applicable in fiscal 2019 3.20% in fiscal 2018
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, 2019 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, 2018

Newfoundland and Labrador English School District

Notes to non-consolidated financial statements

June 30, 2019

12. Accrued sick leave

The actuarial valuation date for sick leave accruals was June 30, 2018, and has been extrapolated for June 30, 2019. Discount rates are based on the Province's long-term borrowing rate. This rate was 2.85% as at June 30, 2019 [2018 – 3.20%]. Board Employees include NAPE, CUPE, Non-Union/Non-Management.

	2019 \$	2018 \$
Accrued sick leave		
Sick leave [teachers]		
Accrued benefit liability, beginning of year	81,787,077	82,762,437
Benefit expense	7,864,819	10,265,396
Benefits paid	(13,279,322)	(11,240,756)
Accrued benefit liability [teachers], end of year	76,372,574	81,787,077
Sick leave [Board Employees]		
Accrued benefits liability, beginning of year	8,247,355	8,480,239
Benefit expense	901,229	1,274,415
Benefits paid	(1,792,953)	(1,507,299)
Accrued benefit liability [board employees], end of year	7,355,631	8,247,355
Total accrued sick leave liability, end of year	83,728,205	90,034,432
Unamortized portion of actuarial loss	3,760,975	(7,298,364)
Total accrued sick leave obligation	87,489,180	82,736,068

Reconciliation of accrued benefit obligation from June 30, 2018 to June 30, 2019

	Board employees \$	Teachers \$	Total \$
Accrued benefit obligation as at June 30, 2018	6,844,022	75,892,046	82,736,068
Current period benefit cost	557,846	4,946,599	5,504,445
Benefits payments/contributions	(1,792,953)	(13,279,322)	(15,072,275)
Interest on the accrued benefit obligation	263,414	2,547,343	2,810,757
Actuarial (gains)/losses	2,149,533	9,360,652	11,510,185
Accrued benefit obligation as at June 30, 2019	8,021,862	79,467,318	87,489,180

Newfoundland and Labrador English School District

Notes to non-consolidated financial statements

June 30, 2019

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

Discount rate – liability	2.85% as at June 30, 2019 3.20% as at June 30, 2018
Discount rate – benefit expense	2.85% in fiscal 2019 3.20% in fiscal 2018
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, 2019 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, 2018

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, 2019, was \$1,002,586, 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, 2019 was \$22,068.

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

	\$
2020	387,128
2021	325,494
2022	156,777
2023	110,135
2024	82,601
Total future minimum lease payments	<u>1,062,135</u>
Less amount representing interest	<u>(59,549)</u>
	<u>1,002,586</u>

14. Financial instruments

The District's financial instruments consist of cash, short-term investments, accounts receivable, accounts payable, 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 Provincial Government of Newfoundland and Labrador and no amount has been recorded in these accounts to reflect this cost.

Newfoundland and Labrador English School District

Notes to non-consolidated financial statements

June 30, 2019

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:

	2019 \$	2018 \$
Balance, beginning of year	15,586,851	15,969,430
Less amounts recognized as revenue in the year	(4,058,285)	(4,499,309)
Less amounts written off or returned during the year	(9,340,726)	—
Add amounts funded during the year	4,562,281	4,116,730
Balance, end of year	6,750,121	15,586,851

Deferred revenue comprises the following:

	2019 \$	2018 \$
Operations and maintenance	1,001,775	9,534,824
Instruction	3,654,324	3,685,241
Pupil transportation	1,045,974	902,069
Nunatsiavut government	1,048,048	1,464,717
	6,750,121	15,586,851

Deferred revenue at June 30, 2018 included an amount of \$8,508,238 relating to a previous incentive program whereby funds that would otherwise be used for three years of operating expenses for closed schools be available for approved District initiatives. Due to changes in this program, this amount, along with a corresponding receivable was written off.

17. Restricted surplus

During the year, the Board of Trustees approved a transfer of \$1,911,272 to restricted surplus relating to the gain on sale of closed school buildings during the year.

18. Budget

The District prepares an annual budget for approval by the Board of Trustees [the "Board"] and the Minister of Education and Early Childhood Development [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 of Trustees 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 non-consolidated statement of operations.

Newfoundland and Labrador English School District

Notes to non-consolidated financial statements

June 30, 2019

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.

A reconciliation between the original and final budget for the year ended June 30, 2019 is presented below:

	Revenue \$	Expense \$
Original budget	792,711,013	792,711,013
Adjustments relating to changes in services and programs	405,300	405,300
Final budget	793,116,313	793,116,313

19. Comparative figures

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

20. Expenses by object

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

	2019 \$	2018 \$
Salaries and benefits	669,858,313	691,082,754
Contracted services	43,604,112	43,670,752
Amortization	29,435,290	33,710,645
Utilities	27,782,363	25,415,609
Materials and supplies	14,673,655	15,110,044
Repairs and maintenance	8,652,757	10,808,114
Vehicle operating costs	4,035,875	4,283,206
Travel and professional development	2,268,465	2,346,381
Software licenses, subscriptions and due	1,917,789	1,153,719
Other	1,660,265	1,637,911
Grant and subsidies	745,787	932,961
Professional fees	478,679	536,341
Interest on long-term debt	480,662	409,499
Total expenses	805,594,012	831,097,936

Newfoundland and Labrador English School District

Notes to non-consolidated financial statements

June 30, 2019

21. Tangible capital assets

	2019						
	Land \$	Buildings \$	F&E \$	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
2018							
	Land \$	Buildings \$	F&E \$	Vehicles \$	Buses \$	Misc \$	Total \$
Cost							
Opening balance	21,236,997	1,204,264,516	46,612,979	2,285,807	30,903,778	3,969,680	1,309,273,757
Additions	160,784	20,709,150	3,083,166	164,790	4,089,840	672,412	28,880,142
Disposals	17,667	534,972	—	—	—	—	552,639
Closing balance	21,380,114	1,224,438,694	49,696,145	2,450,597	34,993,618	4,642,092	1,337,601,260
Accumulated amortization							
Opening balance	—	522,225,397	43,763,613	1,892,084	17,789,969	1,289,118	586,960,181
Additions	—	523,818	424,107	32,958	340,820	29,689	1,351,392
Disposals	—	534,972	—	—	—	—	534,972
Amortization	—	28,834,171	794,969	138,412	2,254,796	336,905	32,359,253
Closing balance	—	551,048,414	44,982,689	2,063,454	20,385,585	1,655,712	620,135,854
Net book value	21,380,114	673,390,280	4,713,456	387,143	14,608,033	2,986,380	717,465,406

Schedule of revenue

Year ended June 30

	Budget	2019	2018
	\$	\$	\$
Provincial government grants			
Regular operating grants	115,853,200	118,588,435	117,836,671
Special grants and projects	—	3,001,988	3,373,852
Early severance payout	—	10,159,637	6,219,641
Executive and senior management salaries and benefits	4,028,250	4,205,780	4,991,681
Teachers and substitutes salaries and benefits	590,479,763	582,113,934	578,939,760
Student assistants salaries and benefits	25,135,400	25,373,166	26,193,688
Board-owned pupil transportation	19,672,700	19,172,782	19,700,130
Contracted pupil transportation	29,000,000	29,468,541	29,807,039
Alternate pupil transportation	7,790,000	7,258,638	7,248,712
Transportation administration	110,000	110,000	110,000
Maintenance grants	—	3,955,198	5,863,698
	<u>792,069,313</u>	<u>803,408,099</u>	<u>800,284,872</u>
Other income			
Interest on investments and bank	525,000	614,876	547,579
Revenues from bus charters	187,000	204,071	187,667
Revenues from rental of schools and facilities	275,000	316,005	276,994
Special project grants	—	344,460	326,561
Miscellaneous	60,000	88,459	118,636
Nunatsiavut government grants	—	2,360,294	2,679,995
	<u>1,047,000</u>	<u>3,928,165</u>	<u>4,137,432</u>
Total revenue	<u>793,116,313</u>	<u>807,336,264</u>	<u>804,422,304</u>

Schedule of administration and human resource expenditures

Year ended June 30

	Budget	2019	2018
	\$	\$	\$
Administration expenditures			
Executive and senior management			
salaries and benefits	4,028,250	4,349,977	4,825,373
Board office staff salaries and benefits	4,050,890	3,802,114	3,779,413
Office supplies	151,000	142,209	134,582
Postage	103,000	113,524	123,582
Communications – voice and data	336,500	310,698	326,656
Office equipment rentals and repairs	58,500	60,125	37,976
Electricity and fuel	261,500	268,810	233,957
Snow clearing	135,000	164,970	131,720
Travel and professional learning	74,000	62,681	61,402
Board meeting expenses	170,000	143,260	135,760
Professional fees	295,000	370,857	505,511
Advertising and public relations	30,000	18,996	30,291
Membership fees	107,500	97,863	104,258
Garbage collection and municipal fees	103,300	110,204	95,134
Facility rentals	234,200	234,025	234,084
Other	15,000	19,173	15,648
Recovery of bad debt	—	(33,386)	(26,467)
Total administration expenditures	10,153,640	10,236,100	10,748,880
Human resource expenditures			
Salaries and benefits	1,821,170	2,075,065	1,522,562
Recruitment and training	59,500	60,141	53,869
Travel and professional learning	56,000	48,204	58,507
Personnel services	237,900	175,884	152,967
Total human resource expenditures	2,174,570	2,359,294	1,787,905

Schedule of instructional expenditures

Year ended June 30

	Budget	2019	2018
	\$	\$	\$
Instructional salaries and benefits			
Salaries and benefits – regular teachers	563,132,988	552,702,290	548,097,051
Salaries and benefits – substitute teachers	27,346,775	29,410,965	30,832,539
Salaries and benefits – student assistants	25,135,400	25,368,165	26,180,934
Salaries and benefits – school secretaries	12,703,140	12,792,858	12,890,331
Salaries and benefits – board employees	701,930	703,063	712,949
Salaries and benefits – Indigenous teachers	—	1,397,007	1,662,084
Salaries and benefits – special projects	—	981,939	1,084,027
Early severance payout	—	10,159,637	6,219,641
Change in employee future benefits accrual	—	(27,603,358)	(1,110,091)
	<u>629,020,233</u>	<u>605,912,566</u>	<u>626,569,465</u>
Instructional materials			
Materials – school allocation	8,624,982	8,163,330	8,481,073
Materials – district allocation	172,000	162,074	160,347
Indigenous peoples programs	—	921,372	982,799
Special grants and projects	—	2,401,620	2,583,548
Student services equipment	125,500	98,218	122,274
	<u>8,922,482</u>	<u>11,746,614</u>	<u>12,330,041</u>
Travel and professional learning			
Instructional staff	1,489,070	1,381,497	1,481,901
Indigenous peoples programs	—	37,959	31,257
	<u>1,489,070</u>	<u>1,419,456</u>	<u>1,513,158</u>
Other instructional costs			
Other	321,900	327,105	360,829
Summer school	60,000	81,721	113,908
	<u>381,900</u>	<u>408,826</u>	<u>474,737</u>
Total instructional expenditures	<u>639,813,685</u>	<u>619,487,462</u>	<u>640,887,401</u>

Schedule of Centre for Distance Learning and Innovation expenditures

Year ended June 30

	Budget	2019	2018
	\$	\$	\$
Salaries and benefits	150,750	135,835	430,664
Travel and professional learning	90,800	43,999	59,849
Communications – voice and data	276,200	97,328	151,756
Instructional materials and resources	391,000	332,110	477,816
Grants and subsidies	765,000	745,787	932,961
Total Centre for Distance Learning and Innovation expenditures	1,673,750	1,355,059	2,053,046

Schedule of information technology expenditures

Year ended June 30

	Budget	2019	2018
	\$	\$	\$
Salaries and benefits	3,416,800	3,291,018	3,388,976
Materials and equipment	750,000	530,401	407,294
Licences and subscriptions	1,900,000	1,917,789	1,153,719
Travel and professional fees	175,000	184,843	173,863
Total information technology expenditures	6,241,800	5,924,051	5,123,852

Schedule of operations and maintenance expenditures

Year ended June 30

	Budget	2019	2018
	\$	\$	\$
Salaries and benefits – janitorial	30,631,050	30,520,392	30,232,632
Salaries and benefits – maintenance	7,638,810	7,424,329	7,669,223
Electricity	14,013,760	16,134,891	14,408,336
Fuel	2,665,300	2,856,326	2,707,457
Garbage collection and municipal fees	3,399,400	3,784,306	3,302,305
Communication – voice and data	3,453,000	3,457,395	3,552,979
Snow clearing	6,268,540	6,551,373	6,315,633
Travel and professional learning	215,000	218,787	227,360
Vehicle repairs and maintenance	282,000	321,432	267,940
Vehicle operating	327,500	290,274	309,958
Janitorial supplies and equipment	1,746,000	1,881,935	1,724,373
Repairs and maintenance	5,151,468	4,465,096	4,648,660
Facility rentals	90,000	168,676	16,411
Maintenance grants expense	—	3,960,965	6,050,329
Housing	250,000	372,796	307,391
Total operations and maintenance expenditures	76,131,828	82,408,973	81,740,987

Schedule of pupil transportation expenditures

Year ended June 30

	Budget	2019	2018
	\$	\$	\$
Board-owned fleet			
Salaries and benefits	12,527,400	12,110,781	12,451,381
Interest on long-term debt	467,100	458,594	381,893
Principal payments on bus loans	1,984,300	—	—
Vehicle fuel	1,920,000	1,968,711	1,928,461
Vehicle registration	203,200	201,065	206,700
Vehicle insurance	275,400	344,993	275,304
Vehicle repairs and maintenance	1,359,300	1,200,195	1,453,462
Building repairs and maintenance	74,100	58,020	92,714
Tires	127,000	54,198	116,685
Electricity and fuel	110,000	180,818	150,966
Garbage collection and municipal fees	57,600	80,398	57,386
Snow clearing	164,000	160,590	167,648
Office supplies	24,500	24,184	25,574
Facility rentals	143,500	139,600	66,826
Travel and professional learning	24,300	28,606	45,406
Licenses and subscriptions	77,800	93,247	30,830
Other	199,200	173,391	176,610
Communications – voice and data	121,000	126,190	121,280
	<u>19,859,700</u>	<u>17,403,581</u>	<u>17,749,126</u>
Contracted transportation services			
Regular	29,000,000	29,468,541	29,807,039
Alternate	7,790,000	7,258,638	7,248,712
	<u>36,790,000</u>	<u>36,727,179</u>	<u>37,055,751</u>
District administration			
Salaries and benefits	246,640	236,236	213,065
Travel, professional learning and other	30,700	20,787	17,786
	<u>277,340</u>	<u>257,023</u>	<u>230,851</u>
Total pupil transportation expenditures	<u>56,927,040</u>	<u>54,387,783</u>	<u>55,035,728</u>

Schedule of long-term debt

As at June 30

Pupil transportation loans, variable rate

Creditor	Monthly principal	Plus interest	Maturity date	2019 \$	2018 \$
Scotiabank	2,924	Prime -0.25%	2018	—	5,792
TD Canada Trust	24,443	Prime -1%	2019	—	24,443
CIBC	5,930	Prime	2019	—	29,653
Scotiabank	2,523	Prime -0.25%	2022	100,981	131,257
CIBC	3,025	Prime	2022	124,025	160,325
TD Canada Trust	13,293	Prime -1%	2022	518,446	677,968
Scotiabank	4,687	Prime -0.25%	2023	238,953	295,197
CIBC	3,201	Prime	2023	160,589	199,005
TD Canada Trust	7,873	Prime -1%	2023	401,498	495,968
Scotiabank	4,459	Prime -0.25%	2024	280,911	334,419
TD Canada Trust	6,182	Prime -1%	2024	402,200	476,452
Scotiabank	2,569	Prime -0.25%	2025	188,370	219,198
TD Canada Trust	5,538	Prime	2025	416,697	483,156
TD Canada Trust	6,806	Prime	2025	524,028	605,694
CIBC	5,521	Prime	2025	372,392	437,339
Total variable rate loans				3,729,090	4,575,866

Pupil transportation loans, fixed rate

Creditor	Blended pys	Interest rate	Maturity date	2019 \$	2018 \$
Royal Bank	4,320	5.04%	2018	—	17,111
Royal Bank	2,217	3.06%	2022	82,161	105,841
Royal Bank	3,695	2.01%	2023	180,112	220,151
Royal Bank	3,788	3.02%	2024	221,866	259,010
Royal Bank	4,604	3.08%	2025	321,946	365,800
Royal Bank	8,782	3.03%	2025	622,411	706,163
Royal Bank	23,314	2.96%	2026	1,823,617	2,045,813
Royal Bank	12,326	2.38%	2027	1,117,114	1,236,885
CIBC	18,943	2.10%	2028	1,923,158	2,108,022
Royal Bank	25,752	2.67%	2029	2,807,257	3,037,956
Royal Bank	26,066	3.66%	2030	2,915,175	—
Total fixed rate loans				12,014,817	10,102,752
Total long-term debt				15,743,907	14,678,618

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

Schedule of details of long-term debt

Year ended June 30

	Balance, beginning of year \$	Loans obtained during year \$	Principal repayment for year \$	Balance, end of year \$
Long-term debt				
Pupil transportation	14,678,618	3,033,941	1,968,652	15,743,907

Annual principal payments

Annual principal payments to maturity are as follows

	\$
2020	2,009,673
2021	2,046,225
2022	2,083,824
2023	1,947,359
2024	1,730,990
Thereafter	5,925,836
	<u>15,743,907</u>

Schedule of adjusted annual surplus from operations

Year ended June 30

	2019	2018
	\$	\$
Annual surplus (deficit) from operations	26,618,907	(2,704,403)
Add (less) expenditures not funded through operating grant		
Amortization of capital assets	29,435,290	33,710,645
Change in employee future benefits accrual	(27,603,358)	(1,110,091)
Change in vacation pay accrual for board executive	144,198	(166,308)
Less non-expenditure items funded through operating grant		
Principal payments on long-term debt and leases	(2,266,583)	(2,458,900)
Tangible capital asset additions funded from operations	(402,681)	(758,448)
Less revenues from capital sources		
Capital transfers from Government	(22,965,383)	(23,971,229)
(Gain) loss on disposal of tangible capital assets	(1,911,272)	9,491
Adjusted annual surplus from operations	1,049,118	2,550,757