

Newfoundland and Labrador English School District

Consolidated financial statements
June 30, 2021



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.

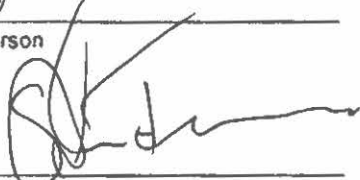
In carrying out its responsibilities, management maintains appropriate systems of internal and administrative controls designed to provide reasonable assurance that transactions are executed in accordance with proper authorization, that assets are properly accounted for and safeguarded, and that financial 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, 2021, 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, 2021, 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.

December 17, 2021
St. John's, Canada

Ernst & Young LLP

Chartered Professional Accountants



Newfoundland and Labrador English School District

Consolidated statement of financial position

As at June 30

	2021	2020
	\$	\$
Financial assets		
Cash	26,724,033	32,639,067
Cash held by schools	12,295,543	13,827,054
Short-term investments <i>[note 4]</i>	2,734,991	2,758,256
Accounts receivable	1,590,820	2,428,392
Due from government entities <i>[note 5]</i>	7,154,662	1,731,220
Teachers' salary accrual receivable	87,964,870	82,872,032
	<u>138,464,919</u>	<u>136,256,021</u>
Financial liabilities		
Accounts payable and accrued liabilities <i>[note 8]</i>	11,632,171	11,610,705
Due to government entities <i>[note 9]</i>	1,889,890	631,343
Teachers' salary accrual payable	87,964,870	82,872,033
Accrued vacation pay	6,484,501	5,990,346
Accrued severance pay <i>[note 11]</i>	5,365,273	8,436,352
Accrued sick leave <i>[note 12]</i>	70,674,704	77,249,975
Long-term debt <i>[schedules 8 and 8A]</i>	19,478,941	17,538,737
Obligation under capital leases <i>[note 13]</i>	1,004,772	647,430
Deferred revenue <i>[note 15]</i>	5,380,629	5,945,983
School-based deferred revenue	7,731,571	9,247,168
	<u>217,607,322</u>	<u>220,170,072</u>
Net debt	<u>(79,142,403)</u>	<u>(83,914,051)</u>
Non-financial assets		
Prepaid expenses <i>[note 6]</i>	2,466,766	2,819,410
Tangible capital assets, net <i>[notes 20 and 21]</i>	765,776,371	735,618,121
	<u>768,243,137</u>	<u>738,437,531</u>
Accumulated surplus		
Accumulated surplus – restricted	2,029,300	3,281,931
Accumulated surplus – unrestricted	687,071,434	651,241,549
	<u>689,100,734</u>	<u>654,523,480</u>

See accompanying notes

Newfoundland and Labrador English School District

Consolidated statement of operations

Year ended June 30

	Budget	2021	2020
	\$	\$	\$
	<i>[note 17]</i>		
Revenue			
Provincial government grants <i>[schedule 1]</i>	836,154,900	848,885,759	895,455,607
Capital transfers from government	—	52,856,885	45,362,466
Funds from school-based activities	—	8,075,334	14,255,144
Other income <i>[schedule 1]</i>	571,500	3,448,155	5,458,954
Gain on sale of tangible capital assets	—	—	2,409
	836,726,400	913,266,133	960,534,580
Expenditures <i>[note 19]</i>			
Instructional <i>[schedule 3]</i>	646,855,610	648,316,618	621,880,306
Operations and maintenance <i>[schedule 6]</i>	83,115,352	86,104,576	77,526,880
Pupil transportation <i>[schedule 7]</i>	71,051,966	69,050,393	51,377,497
Amortization of tangible capital assets <i>[note 20]</i>	—	29,220,297	28,795,344
Information technology <i>[schedule 5]</i>	26,231,875	26,039,385	6,277,770
School-based activities	—	8,354,845	15,144,044
Administration <i>[schedule 2]</i>	7,117,633	7,431,899	7,390,338
Human resources <i>[schedule 2]</i>	2,946,987	2,757,768	2,325,795
Centre for Distance Learning and Innovation ["CDLI"] <i>[schedule 4]</i>	1,419,977	1,373,812	1,411,202
Loss on sale of capital assets	—	39,286	—
	838,739,400	878,688,879	812,129,176
Annual surplus from operations	(2,013,000)	34,577,254	148,405,404
Accumulated surplus – unrestricted, beginning of year		651,241,549	495,644,145
Annual surplus from operations		34,577,254	148,405,404
Net assets from school-based funds and controlled entities		—	7,192,000
Transferred to restricted surplus <i>[note 16]</i>		1,252,631	—
Accumulated surplus – unrestricted, end of year		687,071,434	651,241,549
Accumulated surplus – restricted, beginning of year		3,281,931	3,281,931
Annual surplus from operations – restricted		(1,252,631)	—
Accumulated surplus – restricted, end of year		2,029,300	3,281,931

See accompanying notes

Newfoundland and Labrador English School District

Consolidated statement of changes in net debt

Year ended June 30

	2021	2020
	\$	\$
Annual surplus from operations	34,577,254	148,405,404
Changes in tangible capital assets		
Acquisition of tangible capital assets	(59,505,802)	(50,885,659)
Loss (gain) on sale of tangible capital assets	39,286	(2,409)
Proceeds on disposal of tangible capital assets	87,969	2,409
Amortization of tangible capital assets	29,220,297	28,795,344
Decrease in net book value of tangible capital assets	(30,158,250)	(22,090,315)
Changes in other non-financial assets		
Decrease (increase) in prepaid expenses	352,644	(625,639)
Decrease in net debt	4,771,648	125,689,450
Net assets from school-based funds and controlled entities	—	7,192,000
Net debt, beginning of year	(83,914,051)	(216,795,501)
Net debt, end of year	(79,142,403)	(83,914,051)

See accompanying notes

Newfoundland and Labrador English School District

Consolidated statement of cash flows

Year ended June 30

	2021	2020
	\$	\$
Operating activities		
Annual surplus from operations	34,577,254	148,405,404
Add (deduct) items not affecting cash		
Amortization of tangible capital assets	29,220,297	28,795,344
Loss (gain) on sale of tangible capital assets	39,286	(2,409)
Change in teachers' salary accrual	5,092,837	(475,550)
Increase in accrued vacation pay	494,155	400,295
Decrease in accrued sick leave	(6,575,271)	(6,478,230)
Decrease in accrued severance pay	(3,071,079)	(118,916,352)
Changes in non-cash working capital balances related to operations		
Short-term investments	23,265	3,039,149
Accounts receivable	(9,678,708)	14,773,552
Prepaid expenses	352,644	(625,639)
Deferred revenue	(2,080,951)	8,443,030
Accounts payable and accrued liabilities	1,280,013	(1,052,923)
Cash provided by operating activities	49,673,742	76,305,671
Capital activities		
Acquisition of tangible capital assets	(59,505,802)	(50,885,659)
Proceeds on disposal of tangible capital assets	87,969	2,409
Proceeds from obligation under capital leases	754,630	—
Repayment of obligation under capital leases	(397,288)	(355,156)
Cash used in capital activities	(59,060,491)	(51,238,406)
Financing activities		
Proceeds from long-term debt	4,484,292	4,025,466
Net assets from school-based funds and controlled entities	—	7,192,000
Repayment of long-term debt	(2,544,088)	(2,230,636)
Cash provided by financing activities	1,940,204	8,986,830
Net change in cash during the year	(7,446,545)	34,054,095
Cash, beginning of year	46,466,121	12,412,026
Cash, end of year	39,019,576	46,466,121
Represented by		
Cash	26,724,033	32,639,067
Cash held by schools	12,295,543	13,827,054
	39,019,576	46,466,121

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 comprises 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. and Newfoundland and Labrador International Student Education Inc. and the schools for which the District is accountable.

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.

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.

Newfoundland and Labrador English School District

Notes to consolidated financial statements

June 30, 2020

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.

Accrued severance

The District had in effect severance pay policies whereby certain employees were entitled to a severance payment upon leaving employment with the District. 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 were entitled to a lump sum payout of their accrued severance benefit based on pay and service.

While these scheduled payouts have been made, the eligible employees also had the option to defer their severance payouts to retirement, leaving a severance liability balance. This remaining severance liability is no longer actuarially determined at the end of each period. Instead, it is accrued based on the actual remaining payouts due.

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.

Newfoundland and Labrador English School District

Notes to consolidated financial statements

June 30, 2020

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.

4. Short-term investments

Short-term investments consist of the following:

	2021	2020
	\$	\$
Term deposits and GICs	2,446,827	2,492,514
Marketable securities	276,454	215,774
School investments	11,710	49,968
	<u>2,734,991</u>	<u>2,758,256</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:

	2021	2020
	\$	\$
Government of Newfoundland and Labrador – Operating	6,270,267	966,866
Government of Newfoundland and Labrador – HST from schools	75,852	160,875
Government of Canada – HST	808,543	603,479
	<u>7,154,662</u>	<u>1,731,220</u>

6. Prepaid expenses

Prepaid expenses consist of the following:

	2021	2020
	\$	\$
Municipal service fees	729,890	947,953
Software support and licensing	1,640,770	1,785,889
Insurance	96,106	85,568
	<u>2,466,766</u>	<u>2,819,410</u>

Newfoundland and Labrador English School District

Notes to consolidated financial statements

June 30, 2020

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, 2021 and 2020. 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

Accounts payable and accrued liabilities consist of the following:

	2021	2020
	\$	\$
Trade payables	3,665,051	5,377,465
Accrued wages	1,426,694	2,715,534
Accrued payroll deductions	2,983,127	1,474,178
Accrued liabilities	2,620,802	1,189,203
Accrued environmental remediation	135,000	34,055
Scholarship funds	801,497	820,270
	<u>11,632,171</u>	<u>11,610,705</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 \$135,000.

9. Due to government entities

Due to government entities consists of the following:

	2021	2020
	\$	\$
Government of Newfoundland and Labrador – Transportation	<u>1,889,890</u>	<u>631,343</u>

10. Due from/to 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.

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"] and the Canadian Union of Public Employees ["CUPE"] Collective Agreements effective March 31, 2018, severance benefits accrued as at March 31, 2018 were paid out to NAPE and CUPE employees with at least one year of eligible service. 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. The amount remaining in the severance liability for the current fiscal year is comprised of these deferred payouts. This severance liability is no longer actuarially determined at the end of each period. Instead, it is accrued based on the actual remaining payouts due.

	2021	2020
	\$	\$
Teachers [NLTA]	4,990,252	7,875,929
Board employees [CUPE/NAPE/management and non-bargaining]	375,021	560,423
Total accrued severance pay	5,365,273	8,436,352

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, 2021. Discount rates are based on the PS 3250/55 Discount Rate Curve [June 30, 2020 – Province's long-term borrowing rate]. Board employees include NAPE, CUPE, Management, and non-bargaining.

	2021 \$	2020 \$
Accrued sick leave		
Sick leave [teachers]		
Accrued benefit liability, beginning of year	70,810,663	76,372,574
Benefit expense	7,634,583	7,717,411
Benefits paid	(13,279,322)	(13,279,322)
Accrued benefit liability [teachers], end of year	65,165,924	70,810,663
Sick leave [board employees]		
Accrued benefit liability, beginning of year	6,439,312	7,355,631
Benefit expense	853,645	876,634
Benefits paid	(1,784,176)	(1,792,953)
Accrued benefit liability [board employees], end of year	5,508,781	6,439,312
Total accrued sick leave liability, end of year	70,674,705	77,249,975
Unamortized portion of actuarial loss (gain)	(8,342,790)	2,867,175
Total accrued sick leave obligation	62,331,915	80,117,150

Reconciliation of accrued benefit obligation from June 30, 2020 to June 30, 2021:

	Board employees \$	Teachers \$	Total \$
Accrued benefit obligation as at June 30, 2020	6,984,284	73,132,866	80,117,150
Current period benefit cost	582,449	5,184,325	5,766,774
Benefits contributions	(1,784,176)	(13,279,322)	(15,063,498)
Interest on the accrued benefit obligation	181,927	1,968,933	2,150,860
Actuarial gains	(999,211)	(9,640,160)	(10,639,371)
Accrued benefit obligation as at June 30, 2021	4,965,273	57,366,642	62,331,915

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	2.75% as at June 30, 2021 2.65% as at June 30, 2020
Discount rate – benefit expense	2.75% in fiscal 2021 2.65% in fiscal 2020
Rate of compensation increase	3.75% for promotions and merit, and inflation as at June 30, 2021 3.50% for promotions and merit, and inflation [6.50% for teachers with less than 10 years of service] as at June 30, 2020

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, 2021, was \$1,004,772, 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, 2021 was \$25,496.

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

	\$
2022	315,845
2023	269,203
2024	241,669
2025	159,068
2026	66,278
Total future minimum lease payments	<u>1,052,063</u>
Less amount representing interest	<u>(47,291)</u>
	<u>1,004,772</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.

Newfoundland and Labrador English School District

Notes to consolidated financial statements

June 30, 2020

15. 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:

	2021 \$	2020 \$
Balance, beginning of year	5,945,983	6,750,121
Less amounts recognized as revenue in the year	(2,733,165)	(3,066,124)
Less amounts written off or returned during the year	—	(18,285)
Add amounts funded during the year	2,167,811	2,280,271
Balance, end of year	5,380,629	5,945,983

Deferred revenue comprises the following:

	2021 \$	2020 \$
Operations and maintenance	1,074,457	1,074,051
Instruction	3,536,427	3,276,053
Pupil transportation	769,745	913,959
Nunatsiavut government	—	681,920
	5,380,629	5,945,983

16. Restricted surplus

In 2019, the Board approved up to \$2.7 million of restricted surplus for the purchase of a new financial management system, of which \$1,252,631 has been used to date.

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

For the year ended June 30, 2021, NLESD received several allocations of one-time funding to assist with additional expenses resulting from various COVID-19 precautions including devices for remote learning, additional student transportation costs, salaries and leave relief for teachers, substitutes, school custodians, student assistants and occupational health and safety staff.

For the year ended June 30, 2021, NLESD was directed by the Deputy Minister of the Department of Education to use surplus to cover any shortfall from the utilities grant provided and actual utilities expenses.

A reconciliation between the original and final budget for the year ended June 30, 2021 is presented below:

	Revenue	Expenditures
	\$	\$
Original regular operating budget	790,073,240	792,086,240
Adjustments relating to changes in services and programs	(1,976,340)	(1,976,340)
Total original operating budget	788,096,900	790,109,900
One-time funding	48,629,500	48,629,500
Final budget	836,726,400	838,739,400

18. Comparative figures

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

Newfoundland and Labrador English School District

Notes to consolidated financial statements

June 30, 2020

19. Expenses by object

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

	2021	2020
	\$	\$
Salaries and benefits	705,068,072	670,046,602
Contracted services	56,540,905	42,124,504
Materials and supplies	33,030,013	12,160,223
Amortization of tangible capital assets	29,220,297	28,795,344
Utilities	26,803,850	26,086,217
Repairs and maintenance	8,584,550	7,223,010
School-based funds activities	8,354,845	15,144,044
Vehicle operating costs	4,194,551	3,236,185
Software licenses and subscriptions	2,107,617	2,108,652
Travel and professional development	1,729,539	1,793,722
Other	1,222,441	1,448,685
Grant and subsidies	753,971	784,421
Interest on long-term debt	502,945	546,725
Professional fees	349,499	347,050
Fundraising	225,784	283,792
	<u>878,688,879</u>	<u>812,129,176</u>

20. Tangible capital assets

	2021						Total
	Land	Buildings	F&E	Service vehicles	Buses	Misc.	
	\$	\$	\$	\$	\$	\$	\$
Cost							
Opening balance	25,131,166	1,277,164,481	53,895,796	2,704,335	35,104,982	5,535,252	1,399,536,012
Additions	—	52,157,929	2,164,431	—	4,484,289	699,153	59,505,802
Disposals	—	(12,899,198)	—	(284,764)	(2,848,472)	—	(16,032,434)
Reclassification	—	(1,229,438)	—	—	—	1,229,438	—
Closing balance	<u>25,131,166</u>	<u>1,315,193,774</u>	<u>56,060,227</u>	<u>2,419,571</u>	<u>36,740,799</u>	<u>7,463,843</u>	<u>1,443,009,380</u>
Accumulated amortization							
Opening balance	—	593,506,884	47,399,829	2,342,241	18,411,756	2,257,183	663,917,893
Additions	—	644,854	182,399	—	373,691	49,391	1,250,335
Disposals	—	(12,871,889)	—	(284,764)	(2,748,528)	—	(15,905,181)
Reclassification	—	(337,321)	—	—	—	337,321	—
Amortization	—	22,828,097	2,043,063	42,903	2,522,474	533,425	27,969,962
Closing balance	<u>—</u>	<u>603,770,625</u>	<u>49,625,291</u>	<u>2,100,380</u>	<u>18,559,393</u>	<u>3,177,320</u>	<u>677,233,009</u>
Net book value	<u>25,131,166</u>	<u>711,423,149</u>	<u>6,434,936</u>	<u>319,191</u>	<u>18,181,406</u>	<u>4,286,523</u>	<u>765,776,371</u>

Newfoundland and Labrador English School District

Notes to consolidated financial statements

June 30, 2020

	2020						Total \$
	Land \$	Buildings \$	F&E \$	Service vehicles \$	Buses \$	Misc. \$	
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

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:

	2021 \$	2020 \$
Intermediate school in Paradise	32,923,903	16,260,714
Bay Roberts Primary	16,722,300	9,925,136
Bay d'Espoir Academy	13,682,754	2,228,657
Corner Brook Bus Depot	1,979,964	640,986
	65,308,921	29,055,493

Consolidated schedule of revenue

Year ended June 30

	Budget	2021	2020
	\$	\$	\$
	<i>[note 17]</i>		
Provincial government grants			
Regular operating grants	140,227,000	138,217,707	115,543,736
Salaries and benefits – teachers and substitutes	593,643,000	599,521,257	575,541,497
Contracted pupil transportation	41,700,000	43,166,036	28,732,694
Salaries and benefits – student assistants	27,215,300	27,914,052	25,090,445
Board-owned pupil transportation	22,635,600	21,145,380	18,316,301
Special grants and projects	—	7,330,162	5,007,010
Alternate pupil transportation	6,400,000	6,892,180	6,143,398
Salaries and benefits – executive and senior management	4,224,000	4,588,985	4,587,351
Transportation administration	110,000	110,000	110,000
Maintenance grants	—	—	
Early severance payout	—	—	116,383,175
	836,154,900	848,885,759	895,455,607
Other income			
Nunatsiavut government grants	—	2,494,998	2,803,667
Revenue from rental of schools and facilities	91,500	232,854	319,518
Interest on investments and bank	475,000	221,632	594,193
Special project grants	—	191,929	253,453
Fundraising and donations	—	168,279	374,968
Tuition revenue	—	132,620	961,812
Miscellaneous	5,000	5,843	55,436
Revenue from bus charters	—	—	95,907
	571,500	3,448,155	5,458,954
Total revenue	836,726,400	852,333,914	900,914,561

**Consolidated schedule of administration and
human resource expenditures**

Year ended June 30

	Budget	2021	2020
	\$	\$	\$
	<i>[note 17]</i>		
Administration expenditures			
Salaries and benefits – board office staff	3,920,928	3,877,191	3,774,972
Salaries and benefits – executive and senior management	1,278,000	1,328,874	1,455,070
Communications – voice and data	273,529	336,932	284,210
Professional fees	315,000	336,472	332,515
Electricity and fuel	241,430	259,660	265,616
Facility rentals	234,200	236,914	235,308
Fundraising	—	225,784	283,793
Snow clearing	151,326	152,360	178,251
Recovery of bad debt	—	134,984	(4,799)
Garbage collection and municipal fees	120,530	130,966	98,075
Postage	101,000	119,073	100,288
Office supplies	123,800	94,023	100,480
Board meeting	154,150	77,580	91,888
Membership fees	57,000	48,057	79,625
Office equipment rentals and repairs	58,500	27,515	20,787
Other	15,500	21,331	30,503
Advertising and public relations	20,000	14,821	28,287
Travel and professional learning	52,740	9,362	35,155
Total administration expenditures	7,117,633	7,431,899	7,390,024
Human resource expenditures			
Salaries and benefits	2,712,537	2,552,833	2,136,799
Personnel services	176,350	158,407	98,919
Travel and professional learning	43,100	36,254	30,438
Recruitment and training	15,000	10,274	59,639
Total human resource expenditures	2,946,987	2,757,768	2,325,795

Consolidated schedule of instructional expenditures

Year ended June 30

	Budget	2021	2020
	\$	\$	\$
	<i>[note 17]</i>		
Instructional salaries and benefits			
Salaries and benefits – regular teachers	562,463,000	575,242,845	552,306,600
Salaries and benefits – student assistants	27,215,300	27,914,780	25,090,444
Salaries and benefits – substitute teachers	31,180,000	24,299,189	23,178,718
Salaries and benefits – school secretaries	12,909,640	12,724,742	12,464,694
Salaries and benefits – program directors	2,946,000	3,376,793	3,176,851
Salaries and benefits – Indigenous teachers	—	1,661,239	1,587,689
Salaries and benefits – special projects	—	1,139,899	1,058,373
Salaries and benefits – Board employees	740,737	719,757	769,652
Early severance payout	—	—	116,383,175
Change in employee future benefits accrual	—	(9,646,349)	(125,394,583)
	<u>637,454,677</u>	<u>637,432,895</u>	<u>610,621,613</u>
Instructional materials			
Materials – school allocation	7,913,974	7,215,907	6,643,896
Special grants and projects	—	1,416,543	1,682,590
Indigenous peoples programs	—	696,729	1,170,664
Student services equipment	228,346	188,890	116,172
Materials – district allocation	177,503	102,245	108,862
	<u>8,319,823</u>	<u>9,620,314</u>	<u>9,722,184</u>
Travel and professional learning			
Instructional staff	786,910	929,516	1,093,613
Indigenous peoples programs	—	144,838	45,311
	<u>786,910</u>	<u>1,074,354</u>	<u>1,138,924</u>
Other instructional costs			
Other	289,200	188,660	330,167
Summer school	5,000	395	67,418
	<u>294,200</u>	<u>189,055</u>	<u>397,585</u>
Total instructional expenditures	<u>646,855,610</u>	<u>648,316,618</u>	<u>621,880,306</u>

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

Year ended June 30

	Budget	2021	2020
	\$	\$	\$
	<i>[note 17]</i>		
Grants and subsidies	786,000	753,971	784,421
Instructional materials and resources	354,300	354,918	367,053
Salaries and benefits	188,177	168,042	166,614
Communications – voice and data	56,500	79,649	54,211
Travel and professional learning	35,000	17,232	38,903
Total CDLI expenditures	1,419,977	1,373,812	1,411,202

Consolidated schedule of information technology expenditures

Year ended June 30

	Budget	2021	2020
	\$	\$	\$
	<i>[note 17]</i>		
Materials and equipment	20,669,368	20,040,244	637,705
Salaries and benefits	3,717,307	3,852,128	3,459,126
Licences and subscriptions	1,666,000	1,925,316	2,030,798
Travel and professional fees	179,200	221,697	150,141
Total information technology expenditures	26,231,875	26,039,385	6,277,770

Consolidated schedule of operations and maintenance expenditures

Year ended June 30

	Budget	2021	2020
	\$	\$	\$
	<i>[note 17]</i>		
Salaries and benefits – janitorial	34,918,698	34,426,797	28,986,049
Electricity	16,100,000	15,734,314	15,521,725
Salaries and benefits – maintenance	7,509,572	7,688,680	7,478,718
Snow clearing	6,832,300	6,177,867	6,910,444
Repairs and maintenance	4,730,953	4,375,602	4,331,765
Garbage collection and municipal fees	3,977,000	4,202,962	3,913,055
Maintenance grants	—	3,871,149	2,564,293
Communication – voice and data	3,425,000	3,399,534	3,371,498
Janitorial supplies and equipment	1,849,189	2,898,246	1,318,624
Fuel	2,450,000	1,967,599	1,885,529
Vehicle operating	333,100	365,463	239,590
Housing	324,720	312,789	336,143
Facility rentals	246,920	259,203	254,206
Vehicle repairs and maintenance	224,900	248,345	144,825
Travel and professional learning	193,000	176,026	270,416
Total operations and maintenance expenditures	83,115,352	86,104,576	77,526,880

Consolidated schedule of pupil transportation expenditures

Year ended June 30

	Budget	2021	2020
	\$	\$	\$
	<i>[note 17]</i>		
Board-owned fleet			
Salaries and benefits	13,979,560	13,446,016	11,686,627
Vehicle fuel	2,137,300	1,581,629	1,262,124
Vehicle repairs and maintenance	1,413,400	1,344,877	1,157,582
Interest on long-term debt	492,100	477,449	519,272
Vehicle insurance	321,900	302,837	296,044
Vehicle registration	223,200	223,501	212,304
Other	332,642	202,197	115,577
Licenses and subscriptions	179,517	182,301	77,854
Electricity and fuel	180,800	165,104	168,837
Snow clearing	160,990	154,569	159,717
Facility rentals	139,200	139,143	78,377
Tires	135,000	127,899	138,498
Communications – voice and data	126,210	115,788	96,597
Garbage collection and municipal fees	90,700	97,632	90,721
Building repairs and maintenance	145,136	78,596	72,635
Office supplies	18,098	20,249	20,955
Travel and professional learning	15,807	17,363	35,765
Principal payments on bus loans	2,572,600	—	—
	22,664,160	18,677,150	16,189,486
Contracted transportation services			
Regular	41,700,000	43,163,929	28,732,694
Alternate	6,400,000	6,892,180	6,143,398
	48,100,000	50,056,109	34,876,092
District administration			
Salaries and benefits	268,106	294,616	281,014
Travel, professional learning and other	19,700	22,518	30,905
	287,806	317,134	311,919
Total pupil transportation expenditures	71,051,966	69,050,393	51,377,497

Consolidated schedule of long-term debt

As at June 30

Pupil transportation loans, variable rate

Creditor	Monthly principal \$	Plus interest	Maturity date	2021 \$	2020 \$
Scotiabank	2,523	Prime -0.25%	2022	40,429	70,705
CIBC	3,025	Prime	2022	51,425	87,725
TD Canada Trust	13,293	Prime -1%	2022	199,402	358,924
Scotiabank	4,687	Prime -0.25%	2023	121,778	178,022
CIBC	3,201	Prime	2023	83,755	122,172
TD Canada Trust	7,873	Prime -1%	2023	212,558	307,028
Scotiabank	4,459	Prime -0.25%	2024	173,895	227,403
TD Canada Trust	6,182	Prime -1%	2024	253,696	327,948
Scotiabank	2,569	Prime -0.25%	2025	126,714	157,542
TD Canada Trust	5,538	Prime	2025	283,781	350,239
TD Canada Trust	6,806	Prime	2025	360,695	442,361
CIBC	5,521	Prime	2025	239,897	306,145
Total variable rate loans				2,148,025	2,936,214

Pupil transportation loans, fixed rate

Creditor	Blended payments \$	Interest rate	Maturity date	2021 \$	2020 \$
Royal Bank	2,217	3.06%	2022	32,313	57,724
Royal Bank	3,695	2.01%	2023	97,362	139,181
Royal Bank	3,788	3.02%	2024	142,844	183,162
Royal Bank	4,604	3.08%	2025	230,141	276,975
Royal Bank	8,782	3.03%	2025	447,790	536,869
Royal Bank	23,314	2.96%	2026	1,359,617	1,594,134
Royal Bank	12,326	2.38%	2027	867,543	994,596
CIBC	18,943	2.10%	2028	1,541,786	1,734,379
Royal Bank	25,752	2.67%	2029	2,327,356	2,570,714
Royal Bank	26,066	3.66%	2030	2,489,044	2,706,427
BMO	32,498	2.56%	2031	3,512,432	3,808,362
TD Canada Trust	33,748	1.35%	2032	4,282,688	—
Total fixed-rate loans				17,330,916	14,602,523
Total long-term debt				19,478,941	17,538,737

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

Consolidated schedule of details of long-term debt

Year ended June 30

	<u>2021</u>			
	Balance, beginning of year	Loans obtained during the year	Principal repayment for the year	Balance, end of year
	\$	\$	\$	\$
Long-term debt				
Pupil transportation	17,538,737	4,484,292	2,544,088	19,478,941
				<u>\$</u>
Annual principal payments to maturity				
2022				2,737,242
2023				2,606,509
2024				2,403,864
2025				2,339,088
Thereafter				9,392,238
				<u>19,478,941</u>

Consolidated schedule of adjusted annual surplus from operations

Year ended June 30

	2021	2020
	\$	\$
Annual surplus from operations	34,577,254	148,405,404
Add (deduct) expenditures not funded through operating grant		
Amortization of tangible capital assets	29,220,297	28,795,344
Change in employee future benefits accrual	(9,646,349)	(125,394,582)
School-based activities	8,354,845	15,144,043
Change in vacation pay accrual for Board executive	116,682	44,571
Less non-expenditure items funded through operating grant		
Principal payments on long-term debt and leases	(2,941,376)	(2,585,793)
Tangible capital asset additions funded from operations	(157,363)	(1,463,764)
Less revenue from capital sources		
Capital transfers from government	(52,856,885)	(45,362,466)
Loss (gain) on disposal of tangible capital assets	39,286	(2,409)
Less revenue from school-based activities	(8,075,334)	(14,817,573)
Add deficit from consolidated entities	226,491	—
Adjusted annual surplus from operations	(1,142,452)	2,762,775