

NEWFOUNDLAND AND LABRADOR ENGLISH SCHOOL DISTRICT

**AUDITOR'S REPORT
NON-CONSOLIDATED FINANCIAL STATEMENTS**

June 30, 2015

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

Byron Smith, Chartered Professional Accountant as the Board's appointed external auditor, has audited the non-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 non-consolidated financial statements are free of material misstatement and present fairly the financial position and results of the District in accordance with Canadian public sector accounting standards.



Chairperson



Treasurer

BYRON SMITH

PROFESSIONAL CORPORATION
CHARTERED PROFESSIONAL ACCOUNTANTS

BYRON D. SMITH

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

I have audited the accompanying non-consolidated financial statements of the Newfoundland and Labrador English School District, which comprise the statement of financial position as at June 30, 2015 and the statements of operations, cash flows, and changes in net debt for the year ended and a summary of significant accounting policies and other explanatory information.

Managements Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these non-consolidated financial statements in compliance with legislation, and in accordance with Canadian public sector accounting standards, and for such internal control as management determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these non-consolidated financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the non-consolidated financial statements are free of material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the non-consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the non-consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the non-consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the non-consolidated financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

Basis for Qualified Opinion

The accounting policy with respect to teachers' severance pay and sick pay is described in Note 1. Canadian public sector accounting standards require that all accounts receivable should be recorded and disclosed on the financial statements. The liabilities for teachers' severance pay and sick pay have been recorded but no offsetting receivables have been recorded. In this respect, these non-consolidated financial statements are not in accordance with Canadian public sector accounting standards. If the accounts receivable were recorded in accordance with Canadian public sector accounting standards, changes to the amounts reported for accounts receivable, revenue, and excess of expenditures over revenue would be necessary.

Qualified Opinion

In my opinion, except for the effects of the failure to record accounts receivable as described in the preceding paragraph, these non-consolidated financial statements present fairly, in all material respects, the financial position of the Newfoundland and Labrador English School District at June 30, 2015 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards and are in compliance with reporting requirements established for School Boards in the Province of Newfoundland and Labrador by the Department of Education.

Spaniard's Bay, NL
November 12, 2015


CHARTERED PROFESSIONAL ACCOUNTANT

Newfoundland and Labrador English School District
Non-Consolidated - Statement of Financial Position

As at June 30, 2015

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
FINANCIAL ASSETS		
Cash (Note 3)	\$ 45,624,845	\$ 33,034,277
Short-term investments (Note 4)	4,327,289	4,265,659
Accounts receivable (Note 5)	1,744,688	1,710,114
Due from government entities (Note 6)	8,167,980	15,529,398
Teachers' vacation pay receivable (Note 10)	<u>80,446,844</u>	<u>79,962,072</u>
	<u>140,311,646</u>	<u>134,501,520</u>
FINANCIAL LIABILITIES		
Accounts payable and accrued liabilities (Note 9)	16,154,974	14,375,446
Long-term debt (Schedule 9 and 9A)	14,210,556	13,683,195
Obligation under capital lease (Note 12)	279,207	394,746
Accrued vacation pay (Note 10)	86,606,630	86,419,163
Employee future benefits		
Accrued severance pay (Note 11)	138,629,279	130,143,647
Accrued sick pay (Note 11)	92,795,259	93,629,043
Other employee benefits	143,915	161,417
Deferred revenue (Note 17)	<u>16,575,282</u>	<u>13,651,384</u>
	<u>365,395,102</u>	<u>352,458,041</u>
NET DEBT	<u>(225,083,456)</u>	<u>(217,956,521)</u>
NON-FINANCIAL ASSETS		
Prepaid expenses (Note 7)	1,192,906	1,169,967
Tangible capital assets (Schedule 8)	<u>629,934,732</u>	<u>578,597,989</u>
	<u>631,127,638</u>	<u>579,767,956</u>
ACCUMULATED SURPLUS		
Accumulated surplus - restricted (Note 19)	1,370,659	1,370,659
Accumulated surplus - unrestricted	<u>404,673,523</u>	<u>360,440,776</u>
	<u>\$ 406,044,182</u>	<u>\$ 361,811,435</u>

Commitments (Note 13)
 Contingent liabilities (Note 16)

On Behalf of the Board:

 Chairperson

 Treasurer

**Newfoundland and Labrador English School District
Non-Consolidated - Statement of Operations**

For the year ended June 30, 2015

	<u>Budget</u>	<u>June 2015</u>	<u>10 Months June 2014</u>
Revenue			
Provincial government grants (Schedule 1)	\$ 723,244,947	\$ 760,252,978	\$ 728,318,954
Ancillary services (Schedule 1)	734,750	809,514	730,882
Miscellaneous (Schedule 1)	2,307,331	3,422,895	2,938,041
Capital transfers from government	<u> </u>	<u>75,940,873</u>	<u>69,169,270</u>
	<u>726,287,028</u>	<u>840,426,260</u>	<u>801,157,147</u>
Expenditures			
Administration (Schedule 2)	13,188,147	13,330,702	14,027,027
Human resources (Schedule 2)	1,833,847	1,598,245	1,453,599
Instructional (Schedule 3)	583,875,011	619,010,220	599,333,132
Information technology (Schedule 4)	4,678,533	5,034,070	4,210,762
Operations and maintenance (Schedule 5)	71,110,942	76,647,797	64,385,425
Pupil transportation (Schedule 6)	51,491,398	52,734,887	47,635,629
Miscellaneous (Schedule 7)	109,150	198,566	186,352
Amortization of capital assets (Schedule 8B)	<u> </u>	<u>27,213,658</u>	<u>24,924,236</u>
Loss on sale of capital assets	<u> </u>	<u>425,368</u>	<u>221,970</u>
	<u>\$ 726,287,028</u>	<u>796,193,513</u>	<u>756,378,132</u>
Annual surplus from operations - unrestricted		<u>\$ 44,232,747</u>	<u>\$ 44,779,015</u>
<hr/>			
Accumulated surplus - unrestricted, beginning of period		\$ 360,440,776	\$ 315,661,761
Annual surplus from operations - unrestricted		<u>44,232,747</u>	<u>44,779,015</u>
Accumulated surplus - unrestricted, end of period		<u>\$ 404,673,523</u>	<u>\$ 360,440,776</u>
<hr/>			
Accumulated surplus - restricted, beginning of period		\$ 1,370,659	\$ 1,370,659
Annual surplus from operations - restricted		<u> </u>	<u> </u>
Accumulated surplus - restricted, end of period		<u>\$ 1,370,659</u>	<u>\$ 1,370,659</u>

Newfoundland and Labrador English School District
Non-Consolidated - Statement of Changes in Net Debt

For the year ended June 30, 2015

	<u>June 30, 2015</u>	<u>10 Months June 30, 2014</u>
Annual surplus from operations	\$ 44,232,747	\$ 44,779,015
Changes in tangible capital assets		
Acquisition of tangible capital assets	(79,261,238)	(70,889,522)
Loss on disposal of tangible capital assets	425,368	222,162
Proceeds on disposal of tangible capital assets	285,469	104,299
Amortization of tangible capital assets	<u>27,213,658</u>	<u>24,924,236</u>
Increase in net book value of tangible capital assets	<u>(51,336,743)</u>	<u>(45,638,825)</u>
Changes in other non-financial assets		
New change in prepaid expenses - increase/decrease	<u>(22,939)</u>	<u>(240,868)</u>
Increase in net debt	(7,126,935)	(1,100,678)
Net debt, beginning of period	<u>(217,956,521)</u>	<u>(216,855,843)</u>
Net debt, end of period	<u>\$ (225,083,456)</u>	<u>\$ (217,956,521)</u>

Newfoundland and Labrador English School District
Non-Consolidated - Statement of Cash Flows

For the year ended June 30, 2015

	<u>June 30, 2015</u>	<u>10 Months June 30, 2014</u>
OPERATING ACTIVITIES		
Excess of revenue over expenditures	\$ 44,232,747	\$ 44,779,015
Items not affecting cash:		
Amortization of tangible capital assets	27,213,658	24,924,236
Loss on disposal of tangible capital assets	425,368	222,162
Increase (decrease) in accrued vacation pay	187,467	81,807,940
Decrease in accrued sick pay	(833,784)	(594,704)
Increase in accrued severance pay	8,485,632	2,336,683
Decrease in other employee benefits liability	(17,502)	(21,164)
Decrease (increase) in short-term investments	(61,630)	184,290
(Increase) decrease in accounts receivable	6,842,072	(89,792,603)
(Increase) decrease in prepaid expenses	(22,939)	(240,868)
(Decrease) increase in deferred revenue	2,923,898	(5,629,177)
Increase (decrease) in accounts payable and accrued liabilities	<u>1,779,528</u>	<u>895,652</u>
	<u>91,154,515</u>	<u>58,871,462</u>
INVESTING ACTIVITIES		
Acquisition of tangible capital assets	(79,261,238)	(70,889,522)
Proceeds on disposal of tangible capital assets	<u>285,469</u>	<u>104,299</u>
	<u>(78,975,769)</u>	<u>(70,785,223)</u>
FINANCING ACTIVITIES		
Proceeds from obligation under capital lease		236,496
Repayment of obligation under capital lease	(115,539)	(110,270)
Proceeds from long-term borrowings	2,822,874	3,390,075
Repayment of long-term debt	<u>(2,295,513)</u>	<u>(2,010,240)</u>
	<u>411,822</u>	<u>1,506,061</u>
Change in cash resources	12,590,568	(10,407,700)
Cash, beginning of period	<u>33,034,277</u>	<u>43,441,977</u>
Cash, end of period	<u>\$ 45,624,845</u>	<u>\$ 33,034,277</u>

For the year ended June 30, 2015

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.

1. 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 ["PSAB"] of CPA Canada, supplemented by other CPA Canada accounting standards or pronouncements.

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, revenue 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 the Newfoundland and Labrador Education Foundation Inc. and Newfoundland International Student Exchange Program Inc ["NISEP"].

The net assets of the Newfoundland and Labrador Education Foundation Inc. as at December 31, 2014 were \$374,579 in accordance with the financial statements compiled by the corporation. The net assets of the NISEP as at June 30, 2015 are recorded in Note 9 of these non-consolidated financial statements. Net funds generated from this corporation are to be used for specific purposes and will be recognized as revenue in the District's financial statements when approved by the NISEP Management Committee. The NISEP Board has received a directive from the Province to wind up operations.

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 [the "Department"]. The Department provides funding for operations, transportation, capital expenditures and teacher salaries and severance pay. Funding is included in revenue on the accrual basis and when the related expenditures have been incurred with the exception of funding for the teacher severance pay which is recorded when the severance is paid to employees. Funding designated for specific purposes, for which criteria has not been met, is deferred and included in revenue when all eligibility criteria have been met.

Restricted Surplus

The District received funding from the Province and external sources which has been restricted for specific purposes in the future. Restricted funds have been recorded as revenue and transferred to restricted surplus for the designated purpose.

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 time of inception of the lease.

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

For the year ended June 30, 2015

1. Significant Accounting Policies (Cont'd)

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 straightline basis over their estimated useful lives, using the following rates:

Buildings	25-60 years
Furniture and equipment	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.

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 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 on a current basis.

Employee Future Benefits

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

(i) accrued severance

Consistent with government policy, the District has in effect severance pay policies whereby certain employees are entitled to a severance payment upon leaving employment with the District. Under these policies, an employee who has nine (9) or more years of continuous service in the employment of the District or other public sector employer is 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. The severance benefit obligation has been actuarially determined using assumptions based on management's best estimate of future salary changes and other factors. Discount rates are based on the Provinces' long-term borrowing rate.

Pursuant to a directive issued by the Department during fiscal 1998, the District recorded a severance pay liability for teachers in the District. The *Schools Act, 1997* specifies that salaries and other compensation for teachers are the responsibility of the Department. The District received written approval from the Minister of Education for the deficit arising from the Department's requirement to record accrued teachers' severance.

(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 on the statements for non-vesting sick leave benefits. The cost of non-vesting sick leave benefits are actuarially determined using management's best estimate of salary escalation, accumulated sick days at retirement, long term inflation rates and discount rates.

Newfoundland and Labrador English School District
Notes to Non-Consolidated Financial Statements

For the year ended June 30, 2015

(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.

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 revenue and expenditures during the reporting periods. 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 value of the assets may not be recoverable.

2. Bond Coverage

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

3. Cash

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Current and savings bank account	\$ 44,901,035	\$ 32,260,082
Teachers' payroll bank account	721,342	771,168
Other	<u>2,468</u>	<u>3,027</u>
	<u>\$ 45,624,845</u>	<u>\$ 33,034,277</u>

4. Short Term Investments

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Term deposits and GIC's	\$ 4,146,936	\$ 4,096,032
Marketable securities	<u>180,353</u>	<u>169,627</u>
	<u>\$ 4,327,289</u>	<u>\$ 4,265,659</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.

5. Accounts Receivable

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Trade, miscellaneous and other	\$ 1,707,000	\$ 1,673,843
Interest	<u>37,688</u>	<u>36,271</u>
	<u>\$ 1,744,688</u>	<u>\$ 1,710,114</u>

Newfoundland and Labrador English School District
Notes to Non-Consolidated Financial Statements

For the year ended June 30, 2015

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
6. Due from Government Entities		
Government of Newfoundland and Labrador	\$ 6,812,531	\$ 12,378,008
Federal Government	<u>1,355,449</u>	<u>3,151,390</u>
	<u>\$ 8,167,980</u>	<u>\$ 15,529,398</u>

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
7. Prepaid Expenses		
Municipal service fees	\$ 828,207	\$ 866,181
Rent	120,520	117,394
Insurance	38,823	39,957
Other	<u>205,356</u>	<u>146,435</u>
	<u>\$ 1,192,906</u>	<u>\$ 1,169,967</u>

8. 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, 2015 and June 30, 2014. 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.

9. Accounts Payable and Accrued Liabilities

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Trade payables	\$ 9,545,367	\$ 6,801,069
Wages	2,676,687	2,247,424
Payroll deductions	622,803	1,418,604
Accrued liabilities	473,274	1,275,109
Other		
N.I.S.E.P. due to a related corporation	1,305,782	1,121,190
Scholarship funds	858,564	856,640
Eastern School District Trust Fund	<u>672,497</u>	<u>655,410</u>
	<u>\$ 16,154,974</u>	<u>\$ 14,375,446</u>

10. Accrued Vacation Pay

Pursuant to a directive issued by the Department during the fiscal year 2006, the District recorded the vacation pay liability for teachers in the District. The liability relates to teachers' salaries earned during the school year but not fully paid to teachers until subsequent to June 30. Accordingly, the District has recorded teachers' vacation pay receivable of \$80,446,844 at June 30, 2015.

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Vacation pay - teachers	\$ 80,446,844	\$ 79,962,072
Vacation pay - board employees	4,809,649	4,478,631
Vacation pay - executive staff	<u>1,350,137</u>	<u>1,978,460</u>
Total Accrued Vacation Pay	<u>\$ 86,606,630</u>	<u>\$ 86,419,163</u>

**Newfoundland and Labrador English School District
Notes to Non-Consolidated Financial Statements**

For the year ended June 30, 2015

11. Employee Future Benefits

The actuarial valuation date for sick leave and severance accrual was June 30, 2012 and has been extrapolated for August 31, 2013, June 30, 2014 and June 30, 2015. PS 3255 implies that benefit obligations that are not funded in advance should be valued using a rate referencing government's cost of borrowing. As the Sick Leave and Severance are not funded in advance, the discount rate selected by Management is equal to the Provincial long term borrowing rate. This rate was 3.35% (3.70 % - June 2014) as at June 30, 2015.

ACCRUED SEVERANCE	<u>June 30, 2015</u>	<u>June 30, 2014</u>
<i>Severance Pay (Teachers)</i>		
Accrued benefit liability, beginning of period	\$ 118,582,787	\$ 116,452,062
Benefits Expense	14,490,310	11,284,243
Benefits Paid	<u>(6,081,182)</u>	<u>(9,153,518)</u>
Accrued benefit liability (Teachers), end of period	<u>126,991,915</u>	<u>118,582,787</u>
<i>Severance Pay (Board Employees)</i>		
Accrued benefit liability, beginning of period	11,560,860	11,354,903
Benefits Expense	1,301,561	1,019,030
Benefits Paid	<u>(1,225,057)</u>	<u>(813,073)</u>
Accrued benefit liability (Board Employees), end of period	<u>11,637,364</u>	<u>11,560,860</u>
Total accrued severance pay liability, end of period	138,629,279	130,143,647
Unamortized portion of actuarial loss	<u>8,734,846</u>	<u>5,119,195</u>
Total accrued severance obligation	<u>\$ 147,364,125</u>	<u>\$ 135,262,842</u>

Reconciliation of Accrued Benefit Obligation from June 30, 2014 to June 30, 2015

	<u>Board Employees</u>	<u>Teachers</u>	<u>Total</u>
Accrued benefit obligation as at June 30, 2014	\$ 11,994,915	\$ 123,267,927	\$ 135,262,842
Current period benefit cost	814,015	9,447,796	10,261,811
Benefits payments/contributions	(1,225,057)	(6,081,182)	(7,306,239)
Interest on the accrued benefit obligation	436,208	4,623,196	5,059,404
Actuarial (gains)/losses	<u>268,987</u>	<u>3,817,320</u>	<u>4,086,307</u>
Accrued benefit obligation as at June 30, 2015	<u>\$ 12,289,068</u>	<u>\$ 135,075,057</u>	<u>\$ 147,364,125</u>

**Newfoundland and Labrador English School District
Notes to Non-Consolidated Financial Statements**

For the year ended June 30, 2015

ACCRUED SICK LEAVE	<u>June 30, 2015</u>	<u>June 30, 2014</u>
<i>Sick Leave (Teachers)</i>		
Accrued benefit liability, beginning of period	\$ 88,055,827	\$ 88,593,853
Benefit Expense	10,584,489	8,616,435
Benefits Paid	<u>(11,344,849)</u>	<u>(9,154,462)</u>
Accrued benefit liability (Teachers), end of period	<u>87,295,467</u>	<u>88,055,827</u>
<i>Sick Leave (Board Employees)</i>		
Accrued benefits liability, beginning of period	5,573,216	5,629,894
Benefit Expense	820,032	664,432
Benefits Paid	<u>(893,456)</u>	<u>(721,110)</u>
Accrued benefit liability (Board Employees), end of period	<u>5,499,792</u>	<u>5,573,216</u>
Total accrued sick leave liability, end of period	<u>92,795,259</u>	<u>93,629,043</u>
Unamortized portion of actuarial loss	<u>4,108,974</u>	<u>2,668,107</u>
Total accrued sick leave obligation	<u>\$ 96,904,233</u>	<u>\$ 96,297,150</u>

Reconciliation of Accrued Benefit Obligation from June 30, 2014 to June 30, 2015

	<u>Board Employees</u>	<u>Teachers</u>	<u>Total</u>
Accrued benefit obligation as at June 30, 2014	\$ 5,708,901	\$ 90,588,249	\$ 96,297,150
Current period benefit cost	597,401	7,082,311	7,679,712
Benefits payments/contributions	(893,456)	(11,344,849)	(12,238,305)
Interest on the accrued benefit obligation	205,752	3,272,909	3,478,661
Actuarial (gains)/losses	<u>79,662</u>	<u>1,607,353</u>	<u>1,687,015</u>
Accrued benefit obligation as at June 30, 2015	<u>\$ 5,698,260</u>	<u>\$ 91,205,973</u>	<u>\$ 96,904,233</u>

For the year ended June 30, 2015

12. Obligation Under Capital Leases

The District has entered into capital leases with the Royal Bank of Canada for various copiers and laptops. The principal balance outstanding as at June 30, 2015 was \$279,207 with a purchase option of \$1. Interest has been imputed at various rates for these leases. Total interest paid on these leases was \$13,380.

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

	2016	\$	128,175
	2017		100,092
	2018		51,456
	2019		<u>12,864</u>
Total future minimum lease payments			292,587
Less: amount representing interest			<u>13,380</u>
		\$	<u>279,207</u>

13. Lease Commitments

The District entered a three year premises lease effective June 1, 2013 for the following annual amounts, before HST: 2014 - \$1,044,207, 2015 - \$1,044,207 and 2016 - \$1,044,207.

Furthermore, the District is committed under the terms of various operating leases to make payments in the next four years approximately as follows:

2016	\$	116,536
2017	\$	94,481
2018	\$	46,949
2019	\$	11,737

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 statements.

The carrying value of the Districts financial instruments, with the exception of long-term receivables, approximate fair values due to the short-term maturity and normal credit terms of those instruments. The long-term receivables balance does not approximate fair value as it is non-interest bearing.

15. Insurance Subsidy

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

16. Contingent Liabilities

Site restoration and remediation costs associated with school properties under the District are charged to operations as incurred. Estimated future site restoration and remediation costs have not been accrued in these financial statements since the obligation, if any, is presently not determinable. Such costs are normally funded by the Province.

**Newfoundland and Labrador English School District
Notes to Non-Consolidated Financial Statements**

For the year ended June 30, 2015

17. Deferred Revenue

Deferred revenue represents funding designated for specific purposes for which the revenue recognition criteria has not been met. The funding is deferred and included in revenue when all eligibility criteria have been met. Changes in the funding deferred to future periods are as follows:

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Balance, beginning of period	\$ 13,651,384	\$ 19,280,561
Less amounts recognized as revenue in the period	(3,013,827)	(10,912,882)
Add amounts funded during the period	<u>5,937,725</u>	<u>5,283,705</u>
Balance, end of period	<u>\$ 16,575,282</u>	<u>\$ 13,651,384</u>

Deferred revenue is comprised of the following:

	<u>June 30, 2015</u>	<u>June 30, 2015</u>
Operations and maintenance	\$ 6,263,052	\$ 4,055,613
Instruction	8,209,641	7,941,901
Administration	1,049,115	1,339,115
Information Technology	31,295	167,576
Pupil transportation	<u>1,022,179</u>	<u>147,179</u>
	<u>\$ 16,575,282</u>	<u>\$ 13,651,384</u>

18. Accumulated Surplus

The District has an annual surplus of \$44,232,747 for the year ending June 30 2015, which consist of the following:

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Annual surplus from operations - unrestricted	\$ 44,232,747	\$ 44,779,015
Add (deduct): expenditures not funded through operating grant		
Amortization	27,213,658	24,924,236
Change in employee future benefits accrual	7,651,848	1,741,978
Vacation Pay Accrual for board executive	(628,323)	355,389
Deduct: non expenditure items funded through operating grant		
Principal payments on long-term debt and leases	(2,411,052)	(2,120,510)
Tangible capital asset additions funded from operating	(480,608)	(449,863)
Deduct: revenues from capital sources		
Capital transfers from government	(75,940,873)	(69,169,270)
Loss on disposal of tangible capital assets	<u>425,368</u>	<u> </u>
Adjusted annual surplus from operations	<u>\$ 62,765</u>	<u>\$ 60,975</u>

19. Restricted Surplus

In previous years, the Board of Trustees approved transfers totaling \$1,370,659 to restricted equity for specified capital purposes.

Newfoundland and Labrador English School District
Notes to Non-Consolidated Financial Statements

For the year ended June 30, 2015

20. Budget

The unaudited budget data presented in these non-consolidated financial statements is based upon the Board approved budget for the year ended June 2015. Capitalization of assets, amortization and accrued severance and sick leave are not reflected in the budgeted amounts. The chart below adjusts the approved budget to reflect the same basis of accounting.

Original budgeted revenues	\$ 726,287,028
Add: capital transfers from government	<u>75,940,873</u>
Revised budgeted revenues	<u>802,227,901</u>
Original budgeted expenditures	726,287,028
Add: amortization of tangible capital assets	27,213,658
Add: change in employee future benefits accrual	7,651,848
Less: principal payment on bus loan	<u>(2,234,300)</u>
Revised budgeted expenditures	<u>758,918,234</u>
Original annual surplus (deficit)	<u>NIL</u>
Revised annual surplus	<u>\$ 43,309,667</u>