

Newfoundland and Labrador English School District

**Consolidated financial statements
December 31, 2023**



Statement of responsibility

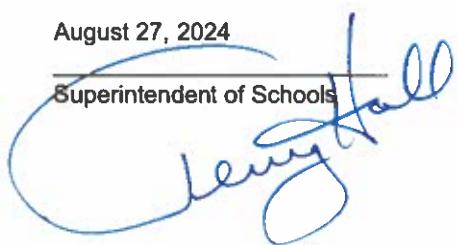
The accompanying consolidated financial statements of the Newfoundland and Labrador English School District [the "District"] are the responsibility of management and have been prepared in compliance with legislation and in accordance with Canadian public sector accounting standards.

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.

Ernst & Young LLP, Chartered Professional Accountants, as the District's appointed external auditor, has audited the consolidated financial statements. The auditor's report 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.

August 27, 2024

Superintendent of Schools

A handwritten signature in blue ink, appearing to read "George Hall", is written over a blue oval. The oval is positioned below the date and above the title "Superintendent of Schools".

Independent auditor's report

To the Assistant Deputy Minister of the Department of Education – Education Operations 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 December 31, 2023, and the consolidated statement of operations, consolidated statement of changes in net debt and consolidated statement of cash flows for the period 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 December 31, 2023, and its consolidated results of operations, its consolidated net debt and its consolidated cash flows for the period 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.



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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 consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the District to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the District to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the District audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

St. John's, Canada
August 27, 2024

Ernst & Young LLP
Chartered Professional Accountants

Newfoundland and Labrador English School District

Consolidated statement of operations

	Budget \$	Six-month period ended December 31, 2023 \$	Year ended June 30, 2023 \$
Revenue			
Provincial government grants <i>[schedule 1]</i>	413,864,165	420,785,101	839,452,121
Funds from school-based activities	—	6,307,513	17,597,046
Other income <i>[schedule 1]</i>	454,000	7,839,713	6,440,047
Capital transfers from government	—	4,572,467	6,132,465
	414,318,165	439,504,794	869,621,679
Expenditures <i>[note 18]</i>			
Instructional <i>[schedule 3]</i>	332,787,748	330,456,763	676,939,551
Operations and maintenance <i>[schedule 6]</i>	40,800,730	42,168,524	91,688,600
Amortization of tangible capital assets <i>[note 19]</i>	—	25,263,021	50,879,656
Pupil transportation <i>[schedule 7]</i>	31,675,518	26,049,352	59,380,109
School-based activities	—	6,722,566	18,560,287
Administration <i>[schedule 2]</i>	3,147,113	4,387,787	8,540,375
Information technology <i>[schedule 5]</i>	4,556,852	5,067,655	7,477,219
Accretion of asset retirement obligation <i>[note 20]</i>	—	4,163,366	5,485,714
Human resources <i>[schedule 2]</i>	1,548,920	1,549,361	3,053,723
Loss on sale of capital assets	—	—	2,761,591
Centre for Distance Learning and Innovation ["CDLI"] <i>[schedule 4]</i>	723,178	952,311	1,512,260
	415,240,059	446,780,706	926,279,085
Deficit from operations	(921,894)	(7,275,912)	(56,657,406)
Accumulated surplus – unrestricted, beginning of period			
Deficit from operations		583,596,830	640,226,872
Transferred to restricted surplus		(7,275,912)	(56,657,406)
Accumulated surplus – unrestricted, end of period		22,243	27,364
		576,343,161	583,596,830
Accumulated surplus – restricted, beginning of period			
Transferred from unrestricted surplus		1,154,635	1,181,999
Accumulated surplus – restricted, end of period		(22,243)	(27,364)
		1,132,392	1,154,635

See accompanying notes

Newfoundland and Labrador English School District

Consolidated statement of financial position

As at

	December 31, 2023	June 30, 2023
	\$	\$
Financial assets		
Cash	13,800,475	19,178,169
Cash held by schools	15,637,982	13,365,578
Short-term investments [note 5]	267,758	14,466,318
Accounts receivable	4,412,229	122,601
Due from government entities [note 6]	11,577,131	6,289,321
Teachers' salary accrual receivable	32,543,745	89,322,143
	<u>78,239,320</u>	<u>142,744,130</u>
Financial liabilities		
Accounts payable and accrued liabilities [note 9]	19,255,266	18,770,643
Due to government entity [notes 10 and 11]	8,430,084	—
Teachers' salary accrual payable	32,543,745	89,322,143
Accrued vacation pay	5,687,556	6,063,760
Accrued severance pay [note 12]	2,488,081	3,217,366
Accrued sick leave [note 13]	64,305,653	65,801,414
Long-term debt [schedule 8]	16,773,370	14,390,028
Asset retirement obligation [note 20]	212,599,756	212,296,907
Obligation under capital leases [note 14]	1,074,375	455,903
Deferred revenue [note 16]	150,422	15,399,200
School-based deferred revenue	9,672,620	7,388,729
	<u>372,980,928</u>	<u>433,106,093</u>
Net debt	(294,741,608)	(290,361,963)
Non-financial assets		
Prepaid expenses [note 7]	14,512,569	2,202,940
Tangible capital assets, net [note 19]	857,704,592	872,910,488
	<u>872,217,161</u>	<u>875,113,428</u>
Accumulated surplus		
Accumulated surplus – restricted [note 17]	1,132,392	1,154,635
Accumulated surplus – unrestricted	576,343,161	583,596,830
	<u>577,475,553</u>	<u>584,751,465</u>

See accompanying notes

Newfoundland and Labrador English School District

Consolidated statement of changes in net debt

	Six-month period ended December 31, 2023	Year ended June 30, 2023
	\$	\$
Deficit from operations	(7,275,912)	(56,657,406)
Changes in tangible capital assets		
Acquisition of tangible capital assets	(10,057,125)	(7,540,982)
Loss on sale of tangible capital assets	—	2,761,591
Proceeds on disposal of tangible capital assets	—	212,292
Amortization of tangible capital assets	25,263,021	50,879,656
Increase in net book value of tangible capital assets	15,205,896	46,312,557
Changes in other non-financial assets		
Increase (decrease) in prepaid expenses	(12,309,629)	233,252
Decrease in net debt	(4,379,645)	(10,111,597)
Net debt, beginning of period	(290,361,963)	(280,250,366)
Net debt, end of period	(294,741,608)	(290,361,963)

See accompanying notes

Newfoundland and Labrador English School District

Consolidated statement of cash flows

	Six-month period ended December 31, 2023	Year ended June 30, 2023
	\$	\$
Operating activities		
Deficit from operations	(7,275,912)	(56,657,406)
Add (deduct) items not affecting cash		
Amortization of tangible capital assets	25,263,021	50,879,656
Accretion of asset retirement obligation	4,163,366	5,485,714
Gain on remeasurement of asset retirement obligation	(3,860,517)	2,761,591
Change in accrued vacation pay	(376,204)	(532,501)
Change in accrued sick leave	(1,495,761)	(2,554,288)
Change in accrued severance pay	(729,285)	(461,210)
Changes in non-cash working capital balances related to operations		
Short-term investments	14,198,560	(11,673,859)
Accounts receivable	(4,289,628)	4,484,316
Due from government entities	(5,287,810)	(3,429,951)
Prepaid expenses	(12,309,629)	233,252
Deferred revenue (including school-based)	(12,964,887)	12,894,492
Accounts payable and accrued liabilities	484,623	4,464,004
Due to government entities	8,430,084	(30,573)
Cash provided by operating activities	3,950,021	5,863,237
Capital activities		
Acquisition of tangible capital assets	(9,266,103)	(7,540,982)
Proceeds on disposal of tangible capital assets	—	212,292
Repayment of obligation under capital leases	(172,550)	(254,640)
Cash used in capital activities	(9,438,653)	(7,583,330)
Financing activities		
Proceeds from issuance of long-term debt	3,626,300	—
Repayment of long-term debt	(1,242,958)	(2,659,800)
Cash provided by (used in) financing activities	2,383,342	(2,659,800)
Net change in cash during the period	(3,105,290)	(4,379,893)
Cash, beginning of period	32,543,747	36,923,640
Cash, end of period	29,438,457	32,543,747
Represented by		
Cash	13,800,475	19,178,169
Cash held by schools	15,637,982	13,365,578
	29,438,457	32,543,747

See accompanying notes

Newfoundland and Labrador English School District

Notes to consolidated financial statements

December 31, 2023

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 Newfoundland and Labrador Education Foundation Inc., 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.

Expenditures

Expenditures 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 District. Restricted funds have been recorded as revenue and transferred to restricted surplus.

Newfoundland and Labrador English School District

Notes to consolidated financial statements

December 31, 2023

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 on a straight-line basis over their estimated useful lives, using the following rates:

Buildings	25–40 years
Furniture and equipment ("F&E")	5–10 years
Service vehicles	5 years
Buses	12 years
Miscellaneous	5 years

Asset retirement obligations

The District accounts for an asset retirement obligation in the period during which a legal obligation associated with the retirement of a tangible capital asset is incurred and when a reasonable estimate of this amount can be made. The asset retirement obligation is initially measured at the best estimate of the expenditure required to settle the present obligation at the consolidated statement of financial position date. A corresponding amount is added to the carrying amount of the related asset and is then amortized over its useful life. Changes in the liability due to the passage of time are recognized as interest expense in the consolidated statement of operations with a corresponding increase in the liability.

At each consolidated statement of financial position date, the asset retirement obligation is reviewed and adjusted to reflect the then current best estimate of the liability. Such adjustments may result from changes in the assumptions used to estimate the undiscounted cash flows required to settle the obligation, including changes in estimated probabilities, amounts and timing of settlement, as well as changes in the legal requirements of the obligation and in the discount rate. These changes are recognized as an increase or decrease in the carrying amount of the asset retirement obligation, with a corresponding adjustment to the carrying amount of the related asset.

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 period.

Newfoundland and Labrador English School District

Notes to consolidated financial statements

December 31, 2023

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 sick leave and severance.

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, asset retirement obligations and the useful lives 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.

Newfoundland and Labrador English School District

Notes to consolidated financial statements

December 31, 2023

3. Change in accounting policies

Asset retirement obligations

Effective July 1, 2022, the District adopted Section 3400, *Revenue*, of the CPA Canada *Public Sector Accounting Handbook*. There was no significant impact of the adoption of this standard on the District's consolidated financial statements.

4. Bond coverage

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

5. Short-term investments

Short-term investments consist of the following:

	December 31, 2023	June 30, 2023
	\$	\$
Term deposits and guaranteed investment certificates	—	14,155,923
Marketable securities	256,048	298,685
School investments	11,710	11,710
	267,758	14,466,318

6. Due from government entities

Due from government entities consists of the following:

	December 31, 2023	June 30, 2023
	\$	\$
Government of Newfoundland and Labrador – operating	9,637,669	4,964,193
Government of Canada – HST	567,287	505,547
Government of Newfoundland and Labrador – HST from schools	1,372,175	819,581
	11,577,131	6,289,321

Newfoundland and Labrador English School District

Notes to consolidated financial statements

December 31, 2023

7. Prepaid expenses

Prepaid expenses consist of the following:

	December 31, 2023 \$	June 30, 2023 \$
Municipal service fees	13,500,001	811,164
Software support and licensing	407,782	1,263,534
Insurance	604,786	128,242
	14,512,569	2,202,940

8. Bank indebtedness

The District has an authorized operating demand loan of \$4,000,000, bearing interest at the Royal Bank of Canada's prime rate, less 0.65%, which was unused as at December 31, 2023 and June 30, 2023. 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

Accounts payable and accrued liabilities consist of the following:

	December 31, 2023 \$	June 30, 2023 \$
Trade payables	12,738,288	11,719,267
Accrued wages	2,567,996	2,020,745
Accrued payroll deductions	35,060	744,746
Accrued liabilities	3,732,886	3,481,918
Scholarship funds	181,036	803,967
	19,255,266	18,770,643

10. Due to government entity

Due to government entity is payable to the Province's Department of Transportation. The amount owed is due in 30 days and does not bear interest.

Newfoundland and Labrador English School District

Notes to consolidated financial statements

December 31, 2023

11. Due from/to related parties

The District's related party transactions occur with the Province.

Amounts receivable and payable from/to the Province are disclosed in notes 6 and 10, 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.

12. 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 Teachers' 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 period 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.

	December 31, 2023	June 30, 2023
	\$	\$
Teachers [NLTA]	2,092,676	2,875,043
District employees [CUPE/NAPE/management and non-bargaining]	395,405	342,323
	2,488,081	3,217,366

Newfoundland and Labrador English School District

Notes to consolidated financial statements

December 31, 2023

13. Accrued sick leave

The actuarial valuation date for sick leave accruals was June 30, 2021. The discount rate is based on the discount rate curve developed by management's actuary for public sector plans. District employees include NAPE, CUPE, management and non-bargaining.

	December 31, 2023 \$	June 30, 2023 \$
Accrued sick leave		
Sick leave [teachers]		
Accrued benefit liability, beginning of period	62,091,762	63,827,047
Benefit expense	2,810,074	5,454,788
Benefits paid	(3,883,132)	(7,190,073)
Accrued benefit liability [teachers], end of period	61,018,704	62,091,762
Sick leave [district employees]		
Accrued benefit liability, beginning of period	3,709,652	4,528,655
Benefit expense	247,248	489,717
Benefits paid	(669,951)	(1,308,720)
Accrued benefit liability [district employees], end of period	3,286,949	3,709,652
Total accrued sick leave liability, end of period	64,305,653	65,801,414
Unamortized portion of actuarial gain	(6,788,459)	(7,561,017)
Total accrued sick leave obligation	57,517,194	58,240,397

Reconciliation of accrued benefit obligation from December 31, 2023 and June 30, 2023:

	District employees \$	Teachers \$	Total \$
Accrued benefit obligation as at June 30, 2023	3,255,300	54,985,097	58,240,397
Current period benefit cost	247,248	2,810,074	3,057,322
Benefit payments	(669,950)	(3,883,132)	(4,553,082)
Interest on the accrued benefit obligation	38,756	733,801	772,557
Accrued benefit obligation as at December 31, 2023	2,871,354	54,645,840	57,517,194

Newfoundland and Labrador English School District

Notes to consolidated financial statements

December 31, 2023

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 December 31, 2023 2.75% as at June 30, 2023
Discount rate – benefit expense	2.75% in stub period fiscal 2023 2.75% in fiscal 2023
Rate of compensation increase	3.75% for promotions and merit, and Inflation as at December 31, 2023 3.75% for promotions and merit, and inflation as at June 30, 2023

14. Obligation under capital leases

The District has entered into capital leases with the Royal Bank of Canada for various copiers. The leases have a purchase option of \$1 at the end of the lease. Interest has been imputed at various rates for these leases. Total interest paid on these leases for the six-month period ended December 31, 2023 was \$16,882 [year ended June 30, 2023 – \$36,574].

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

	\$
2024	122,657
2025	380,492
2026	327,470
2027	221,424
2028	54,021
	<hr/>
Less amount representing interest	1,106,064
	<hr/>
	31,689
	<hr/>
	1,074,375

15. 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

December 31, 2023

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:

	December 31, 2023	June 30, 2023
	\$	\$
Balance, beginning of period	15,399,200	3,705,519
Less amounts recognized as revenue in the period	(15,401,691)	(3,219,711)
Amounts funded during the period	152,913	14,913,392
Balance, end of period	150,422	15,399,200

Deferred revenue comprises the following:

	December 31, 2023	June 30, 2023
	\$	\$
Operations and maintenance	—	13,316,290
Instruction	150,422	1,316,404
Pupil transportation	—	766,506
	150,422	15,399,200

17. Restricted surplus

In 2019, the District approved up to \$2.7 million of restricted surplus for the purchase of a new financial management system, of which \$1,132,392 [year ended June 30, 2023 – \$1,154,635] has been used to date.

Newfoundland and Labrador English School District

Notes to consolidated financial statements

December 31, 2023

18. Expenditures by object

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

	Six-month period ended December 31, 2023	Year ended June 30, 2023
	\$	\$
Salaries and benefits	359,761,498	733,504,523
Amortization	25,263,021	50,879,656
Contracted services	17,154,703	39,557,528
Utilities	14,845,108	36,927,935
Repairs and maintenance	6,038,241	13,637,546
Materials and supplies	5,356,974	9,948,798
School-based funds activities	6,723,157	18,560,287
Vehicle operating costs	2,269,361	5,320,289
Travel and professional development	953,116	3,338,739
Software licenses and subscriptions	2,497,227	2,756,678
Other	176,603	3,208,327
Grant and subsidies	401,604	821,636
Interest on long-term debt	243,110	525,393
Accretion of asset retirement obligation	4,163,365	5,485,714
Professional fees	883,651	1,542,649
Fundraising	49,966	263,387
	446,780,705	926,279,085

19. Tangible capital assets

Tangible capital assets consist of the following:

	December 31, 2023						
	Land \$	Buildings \$	F&E \$	Service vehicles \$	Buses \$	Misc. \$	Total \$
Cost							
Opening balance	25,161,166	1,535,100,962	57,885,571	2,551,827	34,764,983	6,967,299	1,662,431,808
Additions	—	6,089,824	888,691	315,203	2,763,407	—	10,057,125
Closing balance	25,161,166	1,541,190,786	58,774,262	2,867,030	37,528,390	6,967,299	1,672,488,933
Accumulated amortization							
Opening balance	—	710,035,207	52,905,139	1,998,924	21,337,337	3,244,713	789,521,320
Amortization	—	22,843,367	881,226	53,187	1,335,627	149,614	25,263,021
Closing balance	—	732,878,574	53,786,365	2,052,111	22,672,964	3,394,327	814,784,341
Net book value	25,161,166	808,312,212	4,987,897	814,919	14,855,426	3,572,972	857,704,592

Newfoundland and Labrador English School District

Notes to consolidated financial statements

December 31, 2023

	June 30, 2023						
	Land \$	Buildings \$	F&E \$	Service vehicles \$	Buses \$	Misc. \$	Total \$
Cost							
Opening balance	25,161,166	1,538,165,460	57,475,098	2,232,310	36,841,354	6,967,299	1,666,842,687
Additions	—	6,057,765	410,473	319,517	753,227	—	7,540,982
Disposals	—	(9,122,263)	—	—	(2,829,598)	—	(11,951,861)
Closing balance	25,161,166	1,535,100,962	57,885,571	2,551,827	34,764,983	6,967,299	1,662,431,808
Accumulated amortization							
Opening balance	—	669,980,270	51,272,365	1,956,021	21,486,819	2,924,166	747,619,641
Disposals	—	(6,201,911)	—	—	(2,776,066)	—	(8,977,977)
Amortization	—	46,256,848	1,632,774	42,903	2,626,584	320,547	50,879,656
Closing balance	—	710,035,207	52,905,139	1,998,924	21,337,337	3,244,713	789,521,320
Net book value	25,161,166	825,065,755	4,980,432	552,903	13,427,646	3,722,586	872,910,488

20. Asset retirement obligations

The District's asset retirement obligations relate to asbestos in buildings that consist mainly of schools, in addition to some residential and commercial buildings. The buildings have no set retirement date; however, the remaining useful lives of the buildings range from 1 to 48 years, and the asset retirement obligations will be amortized straight-line over the remaining useful lives. There is also a small obligation related to some equipment owned by the District with estimated useful lives between 5 and 10 years.

The liability estimate was based on research conducted by a third party. With regards to the buildings, the research found that the average cost to remove asbestos per square foot varied significantly based on when the buildings were constructed. As a result, the buildings were grouped based on year of construction, and a cost applied based on the third-party research.

The District has not escalated or discounted the costs associated with the asset retirement obligation as the date of retirement of each building is unknown. If the District had escalated and discounted the asset retirement obligations based on the remaining useful lives of the assets, the difference was found to be immaterial.

Newfoundland and Labrador English School District

Notes to consolidated financial statements

December 31, 2023

	December 31, 2023		
	Buildings \$	F&E \$	Total \$
Balance, beginning of period	212,109,447	187,460	212,296,907
Accretion	4,160,634	2,732	4,163,366
Disposals	(3,860,517)	—	(3,860,517)
Balance, end of period	212,409,564	190,192	212,599,756

	June 30, 2023		
	Buildings \$	F&E \$	Total \$
Balance, beginning of period	206,629,193	182,000	206,811,193
Accretion	5,480,254	5,460	5,485,714
Balance, end of period	212,109,447	187,460	212,296,907

21. Contingencies

The District is subject to claims and lawsuits. Many of these claims may take several years to resolve. Management is of the opinion that the ultimate resolution of any legal proceedings will not have a material effect on the District's consolidated financial position.

22. Comparative figures

Certain prior period figures have been adjusted to conform to the current period presentation.

23. Subsequent event

Effective January 1, 2024, the District was integrated into the Department of Education. As part of the integration the Board of Trustees responsible for governing the District was dissolved and replaced by the Assistant Deputy Minister of the Department of Education – Education Operations.

Consolidated schedule of revenue

	Budget	Six-month period ended December 31, 2023	Year ended June 30, 2023
	\$	\$	\$
Provincial government grants			
Regular operating grants	59,103,799	55,297,201	115,598,628
Salaries and benefits – teachers and substitutes	306,678,169	304,890,017	620,100,474
Contracted pupil transportation	18,230,770	14,134,794	31,885,955
Salaries and benefits – student assistants	15,028,651	13,023,905	29,787,239
Board-owned pupil transportation	10,830,527	9,442,133	21,051,600
Special grants and projects		18,546,972	8,667,701
Alternate pupil transportation	3,500,000	3,227,058	7,641,113
Salaries and benefits – executive and senior management	437,249	2,168,021	4,609,411
Pupil transportation administration	55,000	55,000	110,000
	413,864,165	420,785,101	839,452,121
Other income			
Nunatsiavut government grants		983,663	2,240,328
Miscellaneous		525,646	625,304
Tuition revenue		723,240	1,627,853
Fundraising and donations		728,083	289,413
Revenue from rental of schools and facilities	156,500	184,587	296,330
Interest on investments and bank	237,500	777,508	1,155,969
Revenue from bus charters	60,000	39,394	204,850
Gain on remeasurement of asset retirement obligation	—	3,877,592	—
	454,000	7,839,713	6,440,047

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

	Six-month period ended December 31, 2023	Year ended June 30, 2023
	Budget \$	\$
Administration		
Salaries and benefits – board office staff	1,848,872	2,205,583
Salaries and benefits – executive and senior management	140,609	441,938
Communications – voice and data	412,815	401,385
Professional fees	257,173	761,533
Fundraising, donations and scholarships		49,966
Electricity and fuel	116,115	106,144
Facility rentals	113,100	127,493
Snow clearing	71,052	61,292
Other	16,000	32,156
Postage	50,833	55,191
Garbage collection and municipal fees	48,875	63,578
Office supplies	34,300	17,968
Board meeting expenses	1,702	462
Membership fees	9,750	10,092
Advertising and public relations	11,000	1,644
Travel and professional learning	8,667	13,080
Office equipment rentals and repairs	5,000	2,558
Recovery of bad debt	1,250	35,724
	3,147,113	4,387,787
		8,540,375
Human resources		
Salaries and benefits	1,391,214	1,410,992
Personnel services	76,852	29,077
Recruitment and training	53,221	79,750
Travel and professional learning	27,633	29,542
	1,548,920	1,549,361
		3,053,723

Consolidated schedule of instructional expenditures

	Budget	Six-month period ended December 31, 2023	Year ended June 30, 2023
	\$	\$	\$
Instructional salaries and benefits			
Salaries and benefits – regular teachers	288,125,000	286,638,245	575,633,163
Salaries and benefits – student assistants	13,903,950	13,023,905	29,787,238
Salaries and benefits – substitute teachers	15,475,000	15,709,283	38,444,928
Salaries and benefits – school secretaries	6,449,059	6,450,743	13,472,117
Salaries and benefits – program directors	1,223,235	1,517,362	3,258,541
Salaries and benefits – Indigenous teachers	—	385,972	1,147,457
Salaries and benefits – special projects	—	313,295	571,855
Salaries and benefits – Board employees	288,044	363,981	689,944
Salaries and benefits – program specialist	2,875,147	3,068,872	6,022,383
Change in employee future benefits accrual	—	(2,225,046)	(3,015,498)
	328,339,435	325,246,612	666,012,128
Instructional materials			
Materials – school allocation	3,645,713	3,768,224	7,880,345
Materials – district allocation	63,976	279,579	514,373
Indigenous peoples programs		193,159	410,379
Special grants and projects		169,977	410,758
Student services equipment	93,980	77,735	130,475
	3,803,669	4,488,674	9,346,330
Travel and professional learning			
Instructional staff	576,135	610,075	1,313,859
Indigenous peoples programs		12,922	11,550
	576,135	622,997	1,325,409
Other instructional costs			
Other	68,509	98,480	255,684
	332,787,748	330,456,763	676,939,551

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

	Budget	Six-month period ended December 31, 2023	Year ended June 30, 2023
	\$	\$	\$
Instructional materials and resources	201,533	370,370	338,591
Grants and subsidies	339,666	401,604	821,636
Salaries and benefits	103,679	126,045	230,011
Travel and professional learning	53,450	35,744	85,107
Communications – voice and data	24,850	18,548	36,915
	723,178	952,311	1,512,260

Consolidated schedule of information technology expenditures

	Budget	Six-month period ended December 31, 2023	Year ended June 30, 2023
	\$	\$	\$
Salaries and benefits	1,875,256	1,951,871	3,668,658
Licences and subscriptions	797,500	2,244,237	2,540,144
Materials and equipment	1,756,846	726,801	970,725
Travel and professional fees	127,250	144,746	297,692
	4,556,852	5,067,655	7,477,219

Consolidated schedule of operations and maintenance expenditures

	Budget	Six-month period ended December 31, 2023	Year ended June 30, 2023
	\$	\$	\$
Salaries and benefits – janitorial	16,373,844	17,340,808	33,422,969
Maintenance grants expense	—	1,404,062	7,092,056
Electricity	8,001,550	6,157,759	16,325,264
Salaries and benefits – maintenance	4,177,129	4,179,676	8,077,450
Snow clearing	3,144,140	2,074,440	7,402,623
Garbage collection and municipal fees	2,194,088	2,166,526	4,072,558
Repairs and maintenance	2,112,229	3,531,330	4,484,048
Communication – voice and data	1,419,337	1,519,539	2,957,782
Fuel	1,667,737	1,598,780	3,495,194
Janitorial supplies and equipment	1,101,940	1,277,371	2,803,454
Housing	125,815	497,214	619,675
Vehicle operating	214,261	215,555	424,902
Travel and professional learning	96,500	109,200	202,949
Facility rentals	66,960	—	—
Vehicle repairs and maintenance	105,200	96,264	307,676
	40,800,730	42,168,524	91,688,600

Consolidated schedule of pupil transportation expenditures

	Budget	Six-month period ended December 31, 2023	Year ended June 30, 2023
	\$	\$	\$
Board-owned fleet			
Salaries and benefits	6,133,218	5,648,341	13,165,792
Vehicle fuel	1,474,558	1,008,592	2,655,933
Vehicle repairs and maintenance	847,553	647,615	1,493,492
Interest on long-term debt	222,000	243,366	488,845
Vehicle insurance	178,201	313,093	426,640
Licenses and subscriptions	170,033	252,990	216,534
Vehicle registration	106,900	189,013	214,368
Electricity and fuel	88,000	55,292	146,158
Snow clearing	77,750	47,580	167,246
Communications – voice and data	58,000	54,060	107,944
Garbage collection and municipal fees	48,950	48,497	97,761
Other	119,119	25,354	105,407
Tires	98,451	93,783	73,964
Facility rentals	34,850	36,387	82,874
Building repairs and maintenance	51,159	42,094	(9,661)
Travel and professional learning	24,746	22,844	23,240
Office supplies	6,417	8,194	8,873
	9,739,905	8,737,095	19,465,410
Contracted transportation services			
Regular	17,286,226	13,877,308	32,023,748
Alternate	4,444,545	3,260,256	7,533,780
	21,730,771	17,137,564	39,557,528
District administration			
Salaries and benefits	194,992	171,926	343,575
Travel, professional learning and other	9,850	2,767	13,596
	204,842	174,693	357,171
	31,675,518	26,049,352	59,380,109

Consolidated schedule of long-term debt

Pupil transportation loans, variable rate

Creditor	Monthly principal payments	Plus interest	Maturity date	December 31,	June 30,
				2023	2023
Scotiabank	4,687	Prime -0.25%	2023	5,867	10,796
CIBC	3,201	Prime	2023	519	10,123
TD Canada Trust	7,873	Prime -1%	2023	—	23,618
Scotiabank	4,459	Prime -0.25%	2024	40,125	66,879
TD Canada Trust	6,182	Prime -1%	2024	68,065	105,191
Scotiabank	2,569	Prime -0.25%	2025	49,644	65,058
TD Canada Trust	5,538	Prime	2025	123,173	156,402
TD Canada Trust	6,806	Prime	2025	156,528	197,361
CIBC	5,521	Prime	2025	79,800	112,924
Total variable rate loans				523,721	748,352

Pupil transportation loans, fixed rate

Creditor	Monthly Blended payments	Interest rate	Maturity date	December 31,	June 30,
				2023	2023
Royal Bank	3,695	2.01%	2023	—	11,021
Royal Bank	3,788	3.02%	2024	34,672	57,188
Royal Bank	4,604	3.08%	2025	104,575	130,702
Royal Bank	8,782	3.03%	2025	209,022	258,702
Royal Bank	23,314	2.96%	2026	736,894	864,080
Royal Bank	12,326	2.38%	2027	537,081	604,422
TD Canada Trust	5,674	3.89%	2027	221,306	250,728
CIBC	18,943	2.10%	2028	1,019,446	1,124,905
Royal Bank	25,752	2.67%	2029	1,713,828	1,834,470
Royal Bank	26,066	3.66%	2030	1,929,254	2,029,249
BMO	32,498	2.56%	2031	2,738,289	2,897,032
TD Canada Trust	33,748	1.35%	2032	3,400,345	3,579,177
Royal Bank	38,501	5.75%	2034	3,604,937	—
Total fixed-rate loans				16,249,649	13,641,676
Total long-term debt				16,773,370	14,390,028

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

Consolidated schedule of long-term debt

Six-month period ended

<u>December 31, 2023</u>				
	Balance, beginning of period	Loans obtained during the period	Principal repayment for the period	Balance, end of period
	\$	\$	\$	\$
Long-term debt				
Pupil transportation	14,390,028	3,626,300	1,242,958	16,773,370
Annual principal payments to maturity				\$
2024				1,475,061
2025				2,593,176
2026				2,251,686
2027				2,102,647
2028				1,944,962
Thereafter				6,405,838
				<u>16,773,370</u>

Consolidated schedule of adjusted surplus (deficit) from operations

	Six-month period ended December 31, 2023	Year ended June 30, 2023
	\$	\$
Deficit from operations	(7,275,912)	(56,657,406)
Add (deduct) expenditures not funded through operating grant		
Amortization of tangible capital assets	25,263,021	50,879,656
Change in employee future benefits accrual	(2,225,046)	(3,015,498)
School-based activities	6,722,566	18,560,287
ARO Accretion	4,163,366	5,485,714
Change in vacation pay accrual for Board executive	596,405	596,405
Non-expenditure items funded through operating grant		
Principal payments on long-term debt and leases	(1,242,958)	(2,914,440)
Tangible capital asset additions funded from operations	(299,967)	(299,967)
Items from capital sources		
Capital transfers from government	(4,572,467)	(6,132,465)
Loss on disposal of tangible capital assets	—	2,761,591
Less revenue from school-based activities	(6,307,513)	(17,597,046)
Add deficit from consolidated entities	—	(387,424)
Adjusted surplus (deficit) from operations	14,821,495	(8,720,593)