

Newfoundland and Labrador English School District

**Consolidated financial statements
June 30, 2022**



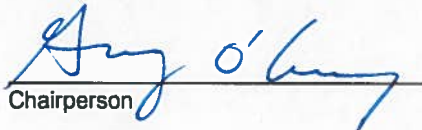
Statement of responsibility

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

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, 2022, 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, 2022, 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 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
January 19, 2023

Ernst & Young LLP

Chartered Professional Accountants



Newfoundland and Labrador English School District

Consolidated statement of financial position

As at June 30

	2022	2021
	\$	\$
Financial assets		
Cash	24,513,809	26,724,033
Cash held by schools	12,409,831	12,295,543
Short-term investments <i>[note 5]</i>	2,792,459	2,734,991
Accounts receivable	4,606,917	1,590,820
Due from government entities <i>[note 6]</i>	2,859,370	7,154,662
Teachers' salary accrual receivable	87,740,998	87,964,870
	134,923,384	138,464,919
Financial liabilities		
Accounts payable and accrued liabilities <i>[note 9]</i>	14,306,639	11,632,171
Due to government entities <i>[note 10]</i>	30,573	1,889,890
Teachers' salary accrual payable	87,740,998	87,964,870
Accrued vacation pay	6,596,261	6,484,501
Accrued severance pay <i>[note 12]</i>	3,678,576	5,365,273
Accrued sick leave <i>[note 13]</i>	68,355,702	70,674,704
Long-term debt <i>[schedules 8 and 8A]</i>	17,049,828	19,478,941
Asset retirement obligation <i>[note 20]</i>	206,811,193	—
Obligation under capital leases <i>[note 14]</i>	710,543	1,004,770
Deferred revenue <i>[note 16]</i>	3,705,519	5,380,629
School-based deferred revenue	6,187,918	7,731,571
	415,173,750	217,607,320
Net debt	(280,250,366)	(79,142,403)
Non-financial assets		
Prepaid expenses <i>[note 7]</i>	2,436,192	2,466,766
Tangible capital assets, net <i>[notes 19 and 20]</i>	919,223,045	765,776,371
	921,659,237	768,243,137
Accumulated surplus		
Accumulated surplus – restricted <i>[note 17]</i>	1,181,999	2,029,300
Accumulated surplus – unrestricted	640,226,873	687,071,434
	641,408,872	689,100,734

See accompanying notes

Newfoundland and Labrador English School District

Consolidated statement of operations

Year ended June 30

	Budget	2022	2021
	\$	\$	\$
Revenue			
Provincial government grants <i>[schedule 1]</i>	799,185,506	837,249,129	848,885,759
Capital transfers from government	—	21,871,211	52,856,885
Funds from school-based activities	—	12,778,478	8,075,334
Other income <i>[schedule 1]</i>	648,000	6,007,181	3,448,155
	799,833,506	877,905,999	913,266,133
Expenditures <i>[note 19]</i>			
Instructional <i>[schedule 3]</i>	649,858,679	665,202,145	648,316,618
Operations and maintenance <i>[schedule 6]</i>	78,470,817	97,826,861	86,104,576
Amortization of tangible capital assets <i>[note 20]</i>	—	75,236,555	29,220,297
Pupil transportation <i>[schedule 7]</i>	55,882,279	55,702,400	69,050,393
School-based activities	—	11,684,147	8,354,845
Administration <i>[schedule 2]</i>	6,866,068	7,986,491	7,431,899
Information technology <i>[schedule 5]</i>	6,388,072	6,760,397	26,039,385
Human resources <i>[schedule 2]</i>	2,495,907	2,753,640	2,757,768
Centre for Distance Learning and Innovation ["CDLI"] <i>[schedule 4]</i>	1,450,484	1,479,493	1,373,812
Loss on sale of capital assets	—	965,732	39,286
	801,412,306	925,597,861	878,688,879
Annual surplus (deficit) from operations	(1,578,800)	(47,691,862)	34,577,254
Accumulated surplus – unrestricted, beginning of year		687,071,434	651,241,549
Annual surplus (deficit) from operations		(47,691,862)	34,577,254
Transferred to restricted surplus		847,301	1,252,631
Accumulated surplus – unrestricted, end of year		640,226,873	687,071,434
Accumulated surplus – restricted, beginning of year		2,029,300	3,281,931
Annual deficit from operations – restricted		(847,301)	(1,252,631)
Accumulated surplus – restricted, end of year		1,181,999	2,029,300

See accompanying notes

Newfoundland and Labrador English School District

Consolidated statement of changes in net debt

Year ended June 30

	2022	2021
	\$	\$
Annual surplus (deficit) from operations	(47,691,862)	34,577,254
Changes in tangible capital assets		
Acquisition of tangible capital assets	(230,113,007)	(59,505,802)
Loss on sale of tangible capital assets	965,732	39,286
Proceeds on disposal of tangible capital assets	464,046	87,969
Amortization of tangible capital assets	75,236,555	29,220,297
Decrease in net book value of tangible capital assets	(153,446,674)	(30,158,250)
Changes in other non-financial assets		
Decrease in prepaid expenses	30,573	352,644
Decrease (increase) in net debt	(201,107,963)	4,771,648
Net debt, beginning of year	(79,142,403)	(83,914,051)
Net debt, end of year	(280,250,366)	(79,142,403)

See accompanying notes

Newfoundland and Labrador English School District

Consolidated statement of cash flows

Year ended June 30

	2022 \$	2021 \$
Operating activities		
Annual surplus (deficit) from operations	(47,691,862)	34,577,254
Add (deduct) items not affecting cash		
Amortization of tangible capital assets	75,236,555	29,220,297
Loss on sale of tangible capital assets	965,732	39,286
Change in teachers' salary accrual	(223,872)	5,092,837
Increase in accrued vacation pay	111,760	494,155
Decrease in accrued sick leave	(2,319,002)	(6,575,271)
Decrease in accrued severance pay	(1,686,698)	(3,071,079)
Changes in non-cash working capital balances related to operations		
Short-term investments	(57,468)	23,265
Accounts receivable	(3,016,097)	837,572
Due from government entities	4,295,292	(5,423,442)
Teacher's salary accrual	223,872	(5,092,838)
Prepaid expenses	30,574	352,644
Deferred revenue (including school-based)	(3,218,763)	(2,080,951)
Accounts payable and accrued liabilities	2,674,468	21,466
Due to government entities	(1,859,317)	1,258,547
Asset retirement obligation	206,811,193	—
Cash provided by operating activities	230,276,367	49,673,742
Capital activities		
Acquisition of tangible capital assets	(230,113,007)	(59,505,802)
Proceeds on disposal of tangible capital assets	464,046	87,969
Proceeds from obligation under capital leases	—	754,630
Repayment of obligation under capital leases	(294,229)	(397,288)
Cash used in capital activities	(229,943,190)	(59,060,491)
Financing activities		
Proceeds from long-term debt	307,123	4,484,292
Repayment of long-term debt	(2,736,236)	(2,544,088)
Cash provided by (used in) financing activities	(2,429,113)	1,940,204
Net change in cash during the year	(2,095,936)	(7,446,545)
Cash, beginning of year	39,019,576	46,466,121
Cash, end of year	36,923,640	39,019,576
Represented by		
Cash	24,513,809	26,724,033
Cash held by schools	12,409,831	12,295,543
	36,923,640	39,019,576

See accompanying notes

Newfoundland and Labrador English School District

Notes to consolidated financial statements

June 30, 2022

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, 2022

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	25–40 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.

Asset retirement obligations

The Company 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 balance sheet 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 net income with a corresponding increase in the liability.

At each consolidated balance sheet 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.

Newfoundland and Labrador English School District

Notes to consolidated financial statements

June 30, 2022

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.

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.

Newfoundland and Labrador English School District

Notes to consolidated financial statements

June 30, 2022

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.

3. Change in accounting policies

Asset retirement obligations

Effective July 1st, 2021, the Company adopted Section 3280 of the Public Sector Accounting Standards handbook – *Asset Retirement Obligations*. This new section provides guidance over the reporting of legal obligations associated with the retirement of long-lived tangible capital assets that are either currently in productive use or no longer in productive use and controlled by the Company, and the costs associated with the retirement of these assets.

The standard is applicable for year ends beginning on or after April 1, 2022, however the Company has early adopted and is using the prospective transition approach. Under this approach, the entity would recognize asset retirement obligations prospectively, with no restatement of prior periods. For asset retirement obligations associated with tangible capital assets in productive use, the entity would increase the carrying amount of the related tangible capital asset (including those that have been fully amortized) by the same amount as the liability. For asset retirement obligations associated with tangible capital assets no longer in productive use, the entity would recognize an expense of the same amount as the liability.

It was noted that all of the Company's assets are still in productive use. As a result, the Company recorded a liability for the asset retirement obligation and a corresponding increase to tangible capital assets in the amount of \$206M.

4. 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.

5. Short-term investments

Short-term investments consist of the following:

	2022 \$	2021 \$
Term deposits and GICs	2,525,661	2,446,827
Marketable securities	255,088	276,454
School investments	11,710	11,710
	<u>2,792,459</u>	<u>2,734,991</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.

Newfoundland and Labrador English School District

Notes to consolidated financial statements

June 30, 2022

6. Due from government entities

Due from government entities consists of the following:

	2022 \$	2021 \$
Government of Newfoundland and Labrador – Operating	1,898,109	6,270,267
Government of Canada – HST	200,800	75,852
Government of Newfoundland and Labrador – HST from schools	760,461	808,543
	<u>2,859,370</u>	<u>7,154,662</u>

7. Prepaid expenses

Prepaid expenses consist of the following:

	2022 \$	2021 \$
Municipal service fees	741,945	729,890
Software support and licensing	1,599,197	1,640,770
Insurance	95,050	96,106
	<u>2,436,192</u>	<u>2,466,766</u>

8. Bank indebtedness

The District has 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, 2022 and 2021. 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:

	2022 \$	2021 \$
Trade payables	8,517,289	3,665,051
Accrued wages	1,478,343	1,426,694
Accrued payroll deductions	1,144,280	2,983,127
Accrued liabilities	2,384,667	2,755,802
Scholarship funds	782,059	801,497
	<u>14,306,639</u>	<u>11,632,171</u>

Newfoundland and Labrador English School District

Notes to consolidated financial statements

June 30, 2022

10. Due to government entities

Due to government entities consists of the following:

	2022 \$	2021 \$
Government of Newfoundland and Labrador – Transportation	646,010	1,889,890

11. 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 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 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.

Newfoundland and Labrador English School District

Notes to consolidated financial statements

June 30, 2022

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.

	2022 \$	2021 \$
Teachers [NLTA]	3,354,314	4,990,252
District employees [CUPE/NAPE/management and non-bargaining]	324,262	375,021
Total accrued severance pay	3,678,576	5,365,273

13. 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]. District employees include NAPE, CUPE, Management, and non-bargaining.

	2022 \$	2021 \$
Accrued sick leave		
Sick leave [teachers]		
Accrued benefit liability, beginning of year	65,165,923	70,810,662
Benefit expense	5,353,336	7,634,583
Benefits paid	(6,692,212)	(13,279,322)
Accrued benefit liability [teachers], end of year	63,827,047	65,165,923
Sick leave [district employees]		
Accrued benefit liability, beginning of year	5,508,781	6,439,312
Benefit expense	511,338	853,645
Benefits paid	(1,491,464)	(1,784,176)
Accrued benefit liability [district employees], end of year	4,528,655	5,508,781
Total accrued sick leave liability, end of year	68,355,702	70,674,704
Unamortized portion of actuarial gain	(7,993,548)	(8,342,789)
Total accrued sick leave obligation	60,362,154	62,331,915

Newfoundland and Labrador English School District

Notes to consolidated financial statements

June 30, 2022

Reconciliation of accrued benefit obligation from June 30, 2021 to June 30, 2022:

	District employees \$	Teachers \$	Total \$
Accrued benefit obligation as at June 2021	4,965,273	57,366,642	62,331,915
Current period benefit cost	424,624	4,125,130	4,549,753
Benefits payments/contributions	(1,491,463)	(6,692,212)	(8,183,675)
Interest on the accrued benefit obligation	121,876	1,542,285	1,664,161
Accrued benefit obligation as at June 2022	4,020,310	56,341,845	60,362,154

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, 2022 2.75% as at June 30, 2021
Discount rate – benefit expense	2.75% in fiscal 2022 2.75% in fiscal 2021
Rate of compensation increase	3.75% for promotions and merit, and inflation as at June 30, 2022 3.50% for promotions and merit, and inflation as at June 30, 2021

14. 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, 2022, was \$710,543, 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, 2022 was \$21,613.

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

	\$
2023	269,203
2024	241,669
2025	159,068
2026	66,278
Total future minimum lease payments	736,218
Less amount representing interest	(25,675)
	710,543

Newfoundland and Labrador English School District

Notes to consolidated financial statements

June 30, 2022

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.

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:

	2022 \$	2021 \$
Balance, beginning of year	5,380,629	5,945,983
Less amounts recognized as revenue in the year	(2,180,462)	(2,733,165)
Add amounts funded during the year	505,352	2,167,811
Balance, end of year	3,705,519	5,380,629

Deferred revenue comprises the following:

	2022 \$	2021 \$
Operations and maintenance	913,179	1,074,457
Instruction	2,025,834	3,536,427
Pupil transportation	766,506	769,745
	3,705,519	5,380,629

17. 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 \$2,099,932 has been used to date.

Newfoundland and Labrador English School District

Notes to consolidated financial statements

June 30, 2022

18. Expenses by object

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

	2022 \$	2021 \$
Salaries and benefits	719,980,778	705,068,072
Amortization	75,236,555	29,220,297
Contracted services	37,519,203	56,540,905
Utilities	35,848,956	26,803,850
Repairs and maintenance	13,895,916	8,584,550
Materials and supplies	19,250,461	33,030,013
School-based funds activities	11,684,147	8,354,845
Vehicle operating costs	3,937,355	4,194,551
Travel and professional development	2,410,125	1,729,539
Software licenses and subscriptions	1,747,288	2,107,617
Other	1,467,318	1,222,441
Grant and subsidies	789,056	753,971
Interest on long-term debt	473,748	502,945
Professional fees	839,380	349,499
Fundraising	435,998	225,784
	925,516,284	878,688,879

19. Tangible capital assets

	2022						
	Land \$	Buildings \$	F&E \$	Service Vehicles \$	Buses \$	Misc. \$	Total \$
Cost							
Opening balance	25,131,166	1,315,193,774	56,060,227	2,419,571	36,740,799	7,463,843	1,443,009,380
Additions	30,000	228,215,596	1,414,871	—	100,555	466,806	230,113,007
Disposals	—	(5,243,910)	—	(187,261)	—	(963,350)	(6,279,700)
Closing balance	25,161,166	1,538,165,460	57,475,098	2,232,310	36,841,354	6,967,299	1,666,842,687
Accumulated amortization							
Opening balance	—	603,770,625	49,625,291	2,100,380	18,559,393	3,177,320	677,233,009
Additions	—	—	—	—	—	15,603	15,603
Disposals	—	(3,932,960)	—	(187,261)	—	(745,304)	(4,865,525)
Amortization	—	70,142,605	1,647,074	42,903	2,927,426	476,547	75,236,555
Closing balance	—	669,980,270	51,272,365	1,956,022	21,486,819	2,924,166	747,619,642
Net book value	25,161,166	868,185,190	6,202,733	276,288	15,354,535	4,043,133	919,223,045

Newfoundland and Labrador English School District

Notes to consolidated financial statements

June 30, 2022

	2021						
	Land	Buildings	F&E	Service Vehicles	Buses	Misc.	Total
	\$	\$	\$	\$	\$	\$	\$
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	25,131,166	1,315,193,774	56,060,227	2,419,571	36,740,799	7,463,843	1,443,009,380
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	—	603,770,625	49,625,291	2,100,380	18,559,393	3,177,320	677,233,009
Net book value	25,131,166	711,423,149	6,434,936	319,191	18,181,406	4,286,523	765,776,371

20. Asset retirement obligations

The Company'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 – 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 5-10 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 Company 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 Company 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

June 30, 2022

The asset retirement obligation is comprised of the following:

	Buildings	F&E	Total
	\$	\$	\$
ARO			
Opening balance	—	—	—
Additions	206,629,193	182,000	206,811,193
Recoveries	—	—	—
Ending balance	206,629,193	182,000	206,811,193

21. Comparative figures

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

Consolidated schedule of revenue

Year ended June 30

	Budget	2022	2021
	\$	\$	\$
Provincial government grants			
Regular operating grants	115,497,300	117,105,141	138,217,707
Salaries and benefits – teachers and substitutes	597,488,000	613,613,511	599,521,257
Contracted pupil transportation	29,000,000	29,285,459	43,166,036
Salaries and benefits – student assistants	26,127,606	26,655,507	27,914,052
Board-owned pupil transportation	20,061,600	20,500,606	21,145,380
Special grants and projects	—	17,311,024	7,330,162
Alternate pupil transportation	6,400,000	8,232,506	6,892,180
Salaries and benefits – executive and senior management	4,501,000	4,435,375	4,588,985
Pupil transportation administration	110,000	110,000	110,000
	<u>799,185,506</u>	<u>837,249,129</u>	<u>848,885,759</u>
Other income			
Nunatsiavut government grants	—	2,218,985	2,494,998
Miscellaneous	—	1,421,517	5,843
Tuition revenue	—	1,333,300	132,620
Fundraising and donations	—	559,795	168,279
Revenue from rental of schools and facilities	53,000	215,431	232,854
Interest on investments and bank	475,000	209,859	221,632
Special project grants	—	—	191,929
Revenue from bus charters	120,000	48,294	—
	<u>648,000</u>	<u>6,007,181</u>	<u>3,448,155</u>
Total revenue	<u>799,833,506</u>	<u>843,256,310</u>	<u>852,333,914</u>

Consolidated schedule of administration and human resource expenditures

Year ended June 30

	Budget	2022	2021
	\$	\$	\$
Administration expenditures			
Salaries and benefits – board office staff	3,633,395	3,737,052	3,877,189
Salaries and benefits – executive and senior management	1,332,000	1,210,577	1,328,874
Communications – voice and data	478,029	821,650	336,932
Professional fees	324,200	537,439	336,472
Fundraising, donations and scholarships	—	474,399	225,784
Electricity and fuel	232,830	242,866	259,660
Facility rentals	226,200	236,512	236,914
Snow clearing	140,267	151,416	152,360
Other	61,500	147,842	21,331
Postage	92,000	121,553	119,073
Garbage collection and municipal fees	97,750	105,753	130,966
Office supplies	61,930	91,369	94,023
Board meeting expenses	91,259	37,746	77,581
Membership fees	32,000	19,493	48,057
Advertising and public relations	20,000	17,715	14,821
Travel and professional learning	16,708	11,914	9,362
Office equipment rentals and repairs	23,500	11,087	27,515
Recovery of bad debt	2,500	10,108	134,984
Total administration expenditures	6,866,068	7,986,491	7,431,899
Human resource expenditures			
Salaries and benefits	2,257,607	2,512,391	2,552,833
Personnel services	170,700	173,853	158,407
Recruitment and training	37,500	60,867	10,274
Travel and professional learning	30,100	6,529	36,254
Total human resource expenditures	2,495,907	2,753,640	2,757,768

Consolidated schedule of instructional expenditures

Year ended June 30

	Budget	2022	2021
	\$	\$	\$
Instructional salaries and benefits			
Salaries and benefits – regular teachers	567,144,800	571,871,329	569,599,060
Salaries and benefits – student assistants	26,067,606	26,640,003	27,914,780
Salaries and benefits – substitute teachers	30,403,200	35,843,852	24,299,189
Salaries and benefits – school secretaries	13,011,287	13,202,095	12,724,741
Salaries and benefits – program directors	3,179,000	3,305,567	3,376,793
Salaries and benefits – Indigenous teachers	—	1,156,756	1,661,239
Salaries and benefits – special projects	—	615,849	1,139,899
Salaries and benefits – Board employees	763,277	737,367	719,757
Salaries and benefits – program specialist	—	5,836,072	5,643,786
Change in employee future benefits accrual	—	(4,005,699)	(9,646,349)
	640,569,170	655,203,191	637,432,895
Instructional materials			
Materials – school allocation	7,530,390	7,310,585	7,215,907
Materials – district allocation	297,298	529,930	102,245
Indigenous peoples programs	—	346,876	696,729
Special grants and projects	—	195,099	1,416,543
Student services equipment	152,600	168,758	188,889
	7,980,288	8,551,248	9,620,313
Travel and professional learning			
Instructional staff	1,030,185	1,185,465	929,516
Indigenous peoples programs	—	41,897	144,839
	1,030,185	1,227,362	1,074,355
Other instructional costs			
Other	274,036	220,344	188,660
Summer school	5,000	—	395
	279,036	220,344	189,055
Total instructional expenditures	649,858,679	665,202,145	648,316,618

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

Year ended June 30

	Budget	2022	2021
	\$	\$	\$
Instructional materials and resources	339,400	432,289	354,918
Grants and subsidies	786,000	750,656	753,971
Salaries and benefits	210,484	216,513	168,043
Travel and professional learning	64,900	44,366	17,232
Communications – voice and data	49,700	35,669	79,649
Total CDLI expenditures	1,450,484	1,479,493	1,373,812

Consolidated schedule of information technology expenditures

Year ended June 30

	Budget	2022	2021
	\$	\$	\$
Salaries and benefits	3,787,347	3,603,358	3,852,128
Licences and subscriptions	1,550,000	1,569,852	1,925,316
Materials and equipment	784,973	1,290,018	20,040,244
Travel and professional fees	265,752	297,169	221,697
Total information technology expenditures	6,388,072	6,760,397	26,039,385

Consolidated schedule of operations and maintenance expenditures

Year ended June 30

	Budget	2022	2021
	\$	\$	\$
Salaries and benefits – janitorial	31,593,312	31,636,187	34,426,797
Maintenance grants expense	—	16,743,892	3,871,149
Electricity	16,004,400	16,205,574	15,734,313
Salaries and benefits – maintenance	7,237,721	8,099,141	7,688,680
Snow clearing	6,086,059	6,609,426	6,177,867
Garbage collection and municipal fees	4,422,556	4,461,355	4,202,962
Repairs and maintenance	4,444,000	3,803,827	4,375,602
Communication – voice and data	3,186,900	2,955,200	3,399,534
Fuel	2,104,200	2,973,405	1,967,598
Janitorial supplies and equipment	2,053,529	2,494,023	2,898,247
Housing	354,720	845,200	312,789
Vehicle operating	333,100	440,907	365,464
Travel and professional learning	193,000	206,233	176,026
Facility rentals	246,920	190,100	259,203
Vehicle repairs and maintenance	210,400	162,391	248,345
Total operations and maintenance expenditures	78,470,817	97,826,861	86,104,576

Consolidated schedule of pupil transportation expenditures

Year ended June 30

	Budget	2022	2021
	\$	\$	\$
Board-owned fleet			
Salaries and benefits	12,287,573	12,287,446	13,446,016
Vehicle fuel	1,598,900	2,228,253	1,580,469
Vehicle repairs and maintenance	1,406,900	1,235,743	1,291,981
Interest on long-term debt	444,000	452,135	477,449
Vehicle insurance	356,400	308,370	303,998
Licenses and subscriptions	233,400	244,741	182,301
Vehicle registration	213,800	208,365	223,501
Electricity and fuel	176,000	195,011	165,104
Snow clearing	155,500	137,374	154,569
Communications – voice and data	116,000	106,626	115,788
Garbage collection and municipal fees	97,900	96,299	97,632
Other	61,955	63,744	136,439
Tires	89,800	71,834	127,899
Facility rentals	69,700	69,839	139,143
Building repairs and maintenance	68,350	60,777	197,249
Travel and professional learning	52,695	52,957	17,363
Office supplies	14,500	7,760	20,249
Principal payments on bus loans	2,737,100	—	—
	20,180,473	17,827,274	18,677,150
Contracted transportation services			
Regular	29,000,000	30,167,535	43,163,929
Alternate	6,400,000	7,349,994	6,892,180
	35,400,000	37,517,529	50,056,109
District administration			
Salaries and benefits	282,106	342,766	294,616
Travel, professional learning and other	19,700	14,831	22,518
	301,806	357,597	317,134
Total pupil transportation expenditures	55,882,279	55,702,400	69,050,393

Consolidated schedule of long-term debt

As at June 30

Pupil transportation loans, variable rate

Creditor	Monthly principal \$	Plus interest	Maturity date	2022 \$	2021 \$
Scotiabank	2,523	Prime -0.25%	2022	10,153	40,429
CIBC	3,025	Prime	2022	15,125	51,425
TD Canada Trust	13,293	Prime -1%	2022	39,881	199,402
Scotiabank	4,687	Prime -0.25%	2023	69,141	121,778
CIBC	3,201	Prime	2023	45,339	83,755
TD Canada Trust	7,873	Prime -1%	2023	118,087	212,558
Scotiabank	4,459	Prime -0.25%	2024	120,387	173,895
TD Canada Trust	6,182	Prime -1%	2024	179,444	253,696
Scotiabank	2,569	Prime -0.25%	2025	95,886	126,714
TD Canada Trust	5,538	Prime	2025	222,860	283,781
TD Canada Trust	6,806	Prime	2025	279,028	360,695
CIBC	5,521	Prime	2025	179,170	239,897
Total variable rate loans				1,374,501	2,148,025

Pupil transportation loans, fixed rate

Creditor	Blended payments \$	Interest rate	Maturity date	2022 \$	2021 \$
Royal Bank	2,217	3.06%	2022	6,360	32,313
Royal Bank	3,695	2.01%	2023	54,653	97,362
Royal Bank	3,788	3.02%	2024	100,891	142,844
Royal Bank	4,604	3.08%	2025	181,435	230,141
Royal Bank	8,782	3.03%	2025	355,190	447,790
Royal Bank	23,314	2.96%	2026	1,114,431	1,359,617
Royal Bank	12,326	2.38%	2027	737,206	867,543
CIBC	18,943	2.10%	2028	1,335,825	1,541,786
Royal Bank	25,752	2.67%	2029	2,077,285	2,327,356
Royal Bank	26,066	3.66%	2030	2,263,087	2,489,044
BMO	32,498	2.56%	2031	3,208,474	3,512,432
TD Canada Trust	33,748	1.35%	2032	3,933,367	4,282,688
TD Canada Trust			2034	307,123	—
Total fixed-rate loans				15,675,327	17,330,916
Total long-term debt				17,049,828	19,478,941

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

	2022		
	Balance, beginning of year	Loans obtained during the year	Principal repayment for the year
	\$	\$	\$
Long-term debt			
Pupil transportation	19,478,941	307,123	2,736,236
			17,049,828

	\$
Annual principal payments to maturity	
2023	2,606,630
2024	2,407,468
2025	2,316,169
2026	1,958,326
Thereafter	7,761,235
	17,049,828

Consolidated schedule of adjusted annual surplus from operations

Year ended June 30

	2022 \$	2021 \$
Annual surplus (deficit) from operations	(47,691,862)	34,577,254
Add (deduct) expenditures not funded through operating grant		
Amortization of tangible capital assets	75,236,555	29,220,297
Change in employee future benefits accrual	(4,005,699)	(9,646,349)
School-based activities	11,684,147	8,354,845
Change in vacation pay accrual for Board executive	—	116,682
Less non-expenditure items funded through operating grant		
Principal payments on long-term debt and leases	(3,030,463)	(2,941,376)
Tangible capital asset additions funded from operations	(483,067)	(157,363)
Less revenue from capital sources		
Capital transfers from government	(21,871,211)	(52,856,885)
Loss (gain) on disposal of tangible capital assets	965,732	39,286
Less revenue from school-based activities	(12,778,478)	(8,075,334)
Add deficit from consolidated entities	(218,848)	226,491
Adjusted annual surplus (deficit) from operations	(2,193,194)	(1,142,452)