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**LAMBTON KENT DISTRICT SCHOOL BOARD**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
AUGUST 31, 2019

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# LAMBTON KENT DISTRICT SCHOOL BOARD

August 31, 2019

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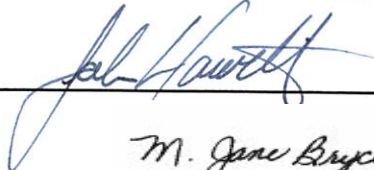
#### CONSOLIDATED FINANCIAL STATEMENTS

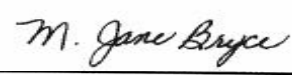
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**LAMBTON KENT DISTRICT SCHOOL BOARD**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT AUGUST 31, 2019**

	2019	2018
<b>FINANCIAL ASSETS</b>		
Cash	\$ 14,149,606	\$ 16,896,078
Accounts receivable (Note 2)	73,279,483	62,825,980
Investments (Note 3)	10,444,083	10,221,877
<b>TOTAL FINANCIAL ASSETS</b>	<b>97,873,172</b>	<b>89,943,935</b>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	21,141,369	18,605,598
Other liabilities	1,077,682	883,188
Deferred revenue (Note 4)	9,259,559	6,858,987
Employee Benefits Payable (Note 5)	15,605,986	17,774,044
Long term debt (Note 6)	33,336,944	34,874,833
Deferred capital contributions (Note 7)	195,589,937	185,880,042
<b>TOTAL LIABILITIES</b>	<b>276,011,477</b>	<b>264,876,692</b>
<b>NET DEBT</b>	<b>(178,138,305)</b>	<b>(174,932,757)</b>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Note 18)	203,118,731	193,678,528
Prepaid expenses	884,365	881,453
<b>TOTAL NON-FINANCIAL ASSETS</b>	<b>204,003,096</b>	<b>194,559,981</b>
<b>ACCUMULATED SURPLUS (NOTE 14)</b>	<b>\$ 25,864,791</b>	<b>\$ 19,627,224</b>

APPROVED ON BEHALF OF THE BOARD

  
 \_\_\_\_\_ Chief Executive Officer

  
 \_\_\_\_\_ Chair of the Board

The accompanying notes are an integral part of these financial statements.

**LAMBTON KENT DISTRICT SCHOOL BOARD**  
**CONSOLIDATED STATEMENT OF OPERATIONS**  
**FOR THE YEAR ENDED AUGUST 31, 2019**

	<b>Budget</b>	<b>2019</b>	<b>2018</b>
<b>REVENUES</b>			
Provincial Grants			
Grants for student needs	\$ 215,711,600	\$ 213,829,344	\$ 208,519,488
Other	1,845,513	115,684	5,227,864
Local taxation	56,143,515	57,557,787	56,311,371
School generated funds	6,211,000	6,071,558	6,211,322
Federal grants and fees	4,090,126	3,987,255	4,330,022
Investment income	-	682,981	543,719
Other revenues - school boards	20,000	73,936	90,569
Other fees and revenues	2,448,710	3,052,900	2,884,391
<b>TOTAL REVENUES</b>	<b>286,470,464</b>	<b>285,371,445</b>	<b>284,118,746</b>
<b>EXPENSES</b>			
Instruction	214,047,591	210,499,050	208,066,645
Administration	7,048,804	7,372,662	7,301,996
Transportation	13,127,033	13,261,857	12,550,976
Pupil accommodation	43,747,245	40,746,085	41,821,360
School generated funds	6,211,000	5,828,880	5,957,603
Other	744,654	1,425,344	1,648,247
<b>TOTAL EXPENSES</b>	<b>284,926,327</b>	<b>279,133,878</b>	<b>277,346,827</b>
<b>ANNUAL SURPLUS</b>	<b>1,544,137</b>	<b>6,237,567</b>	<b>6,771,919</b>
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR</b>	<b>19,627,224</b>	<b>19,627,224</b>	<b>12,855,305</b>
<b>ACCUMULATED SURPLUS, END OF YEAR</b>	<b>\$ 21,171,361</b>	<b>\$ 25,864,791</b>	<b>\$ 19,627,224</b>

The accompanying notes are an integral part of these financial statements.

**LAMBTON KENT DISTRICT SCHOOL BOARD**  
**CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT**  
**FOR THE YEAR ENDED AUGUST 31, 2019**

	<b>2019</b>	<b>2018</b>
<b>ANNUAL SURPLUS</b>	\$ 6,237,567	\$ 6,771,919
<b>TANGIBLE CAPITAL ASSET ACTIVITY</b>		
Acquisition of tangible capital assets	(22,982,880)	(29,130,772)
Amortization of tangible capital assets	13,542,158	14,472,341
Proceeds on sale of tangible capital assets	375,698	-
Gain on sale of tangible capital assets	(375,179)	-
<b>TOTAL TANGIBLE CAPITAL ASSET ACTIVITY</b>	<b>(9,440,203)</b>	<b>(14,658,431)</b>
<b>OTHER NON-FINANCIAL ASSET ACTIVITY</b>		
Change in prepaid expenses	(2,912)	(519,407)
<b>CHANGE IN NET DEBT</b>	<b>(3,205,548)</b>	<b>(8,405,919)</b>
<b>NET DEBT, BEGINNING OF YEAR</b>	<b>(174,932,757)</b>	<b>(166,526,838)</b>
<b>NET DEBT, END OF YEAR</b>	<b>\$ (178,138,305)</b>	<b>\$ (174,932,757)</b>

The accompanying notes are an integral part of these financial statements.

**LAMBTON KENT DISTRICT SCHOOL BOARD**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED AUGUST 31, 2019**

	<b>2019</b>	<b>2018</b>
<b>OPERATING ACTIVITIES</b>		
Annual surplus	\$ 6,237,567	\$ 6,771,919
Items not requiring cash		
Amortization of tangible capital assets	13,542,158	14,472,341
Amortization of deferred capital contributions	(13,124,529)	(14,061,783)
Gain on sale of tangible capital assets	(375,179)	-
	6,280,017	7,182,477
Net change in non-cash working capital balances		
Accounts receivable	(12,986,032)	(2,029,925)
Accounts payable and other liabilities	2,535,771	(6,568,172)
Other liabilities	194,494	30,503
Deferred revenue	2,400,572	2,276,747
Employee benefits payable	(2,168,058)	(1,830,710)
Prepaid expenses	(2,912)	(519,407)
Cash used in operating activities	(3,746,148)	(1,458,487)
<b>CAPITAL ACTIVITIES</b>		
Acquisition of tangible capital assets	(22,982,880)	(29,130,772)
Proceeds on sale of tangible capital assets	375,698	-
Cash used in capital activities	(22,607,182)	(29,130,772)
<b>INVESTING ACTIVITIES</b>		
Increase in investments	(222,206)	(196,611)
<b>FINANCING ACTIVITIES</b>		
Deferred capital contributions	22,834,424	29,130,772
Long-term debt repayments	(1,537,889)	(1,467,524)
Accounts receivable - Province of Ontario capital	2,532,529	7,540,481
Cash provided by financing activities	23,829,064	35,203,729
<b>CHANGE IN CASH</b> , during the year	(2,746,472)	4,417,859
<b>CASH, BEGINNING OF YEAR</b>	16,896,078	12,478,219
<b>CASH, END OF YEAR</b>	\$ 14,149,606	\$ 16,896,078

The accompanying notes are an integral part of these financial statements.

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# LAMBTON KENT DISTRICT SCHOOL BOARD

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### AUGUST 31, 2019

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#### 1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements are prepared by the Board's management in accordance with the basis of accounting described below:

(a) BASIS OF ACCOUNTING

The consolidated financial statements have been prepared in accordance with the Financial Administration Act supplemented by Ontario Ministry of Education memorandum 2004:B2 and Ontario Regulation 395/11 of the Financial Administration Act.

The Financial Administration Act requires that the consolidated financial statements be prepared in accordance with the accounting principles determined by the relevant Ministry of the Province of Ontario. A directive was provided by the Ontario Ministry of Education within memorandum 2004:B2 requiring school boards to adopt Canadian public sector accounting standards commencing with their year ended August 31, 2004 and that changes may be required to the application of these standards as a result of regulation.

In 2011, the government passed Ontario Regulation 395/11 of the Financial Administration Act. The Regulation requires that contributions received or receivable for the acquisition or development of depreciable tangible capital assets and contributions of depreciable tangible capital assets for use in providing services, be recorded as deferred capital contributions and be recognized as revenue in the consolidated statement of operations over the periods during which the asset is used to provide service at the same rate that amortization is recognized in respect of the related asset. The regulation further requires that if the net book value of the depreciable tangible capital asset is reduced for any reason other than depreciation, a proportionate reduction of the deferred capital contribution along with a proportionate increase in the revenue be recognized. For Ontario school boards, these contributions include government transfers, externally restricted contributions and, historically, property tax revenue.

The accounting policy requirements under Regulation 395/11 are significantly different from the requirements of Canadian public sector accounting standards which require that;

- government transfers, which do not contain a stipulation that creates a liability, be recognized as revenue by the recipient when approved by the transferor and the eligibility criteria have been met in accordance with public sector accounting standard PS3410;
- externally restricted contributions be recognized as revenue in the period in which the resources are used for the purpose or purposes specified in accordance with public sector accounting standard PS3100; and
- property taxation revenue be reported as revenue when received or receivable in accordance with public sector accounting standard PS3510.

As a result, revenue recognized in the consolidated statement of operations and certain related deferred revenue and deferred capital contributions would be recorded differently under Canadian Public Sector Accounting Standards.

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**LAMBTON KENT DISTRICT SCHOOL BOARD**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**AUGUST 31, 2019**

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**1. SIGNIFICANT ACCOUNTING POLICIES (continued)**

(b) REPORTING ENTITY

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the reporting entity. The reporting entity is comprised of all organizations accountable for the administration of their financial affairs and resources to the Board and which are controlled by the Board.

School generated funds, which include the assets, liabilities, revenues and expenses of various organizations that exist at the school level and which are controlled by the Board are reflected in the consolidated financial statements.

(c) TRUST FUNDS

Trust funds and their related operations administered by the Board have been included in the consolidated financial statements as they are controlled by the Board.

(d) INVESTMENTS

Investments consist of marketable securities which are recorded at cost. Investments are assessed regularly for impairment and are written down if a permanent impairment exists.

(e) DEFERRED REVENUE

Certain amounts are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the delivery of specific services and transactions. These amounts are recognized as revenue in the fiscal year the related expenses are incurred or services performed.

(f) DEFERRED CAPITAL CONTRIBUTIONS

Contributions received or receivable for the purpose of acquiring or developing a depreciable tangible capital asset for use in providing services, or any contributions in the form of depreciable tangible assets received or receivable for use in providing services, shall be recognized as deferred capital contributions as defined in Ontario Regulation 395/11 of the Financial Administration Act. These amounts are recognized as revenue at the same rate as the related tangible capital asset is amortized. The following items fall under this category:

- Government transfers received or receivable for capital purpose
- Other restricted contributions received or receivable for capital purpose
- Property taxation revenues which were historically used to fund capital assets



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**LAMBTON KENT DISTRICT SCHOOL BOARD**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**AUGUST 31, 2019**

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**1. SIGNIFICANT ACCOUNTING POLICIES (continued)**

(g) RETIREMENT AND OTHER EMPLOYEE FUTURE BENEFITS

The Board provides defined retirement and other future benefits to specified employee groups. These benefits include pension, life insurance, and health care benefits, retirement gratuity, worker's compensation and long-term disability benefits.

As part of ratified labour collective agreements for unionized employees that bargain centrally and ratified central discussions with the principals and vice-principals associations, the following Employee Life and Health Trusts (ELHTs) were established in 2016-17: ETFO, OSSTF, OECTA, and AEFO. The following ELHTs were established in 2017-2018: CUPE, EWBT, and ONE-T for non-unionized employees including principals and vice-principals. The ELHTs provide health, life and dental benefits to teachers (excluding daily occasional teachers), education workers (excluding casual and temporary staff), other school board staff and retired individuals up to a school board's participation date into the ELHT. These benefits are being provided through a joint governance structure between the bargaining/employee groups, school board trustees associations and the Government of Ontario. The Board is no longer responsible to provide certain benefits to ETFO and OSSTF. School boards are required to remit a negotiated amount per full-time equivalency (FTE) on a monthly basis. Funding for the ELHTs is based on the existing benefits funding embedded within the Grants for Student Needs (GSN) and additional ministry funding in the form of a Crown contribution and Stabilization Adjustment.

Depending on prior arrangements and employee group, the Board provides health, dental and life insurance benefits for retired individuals for all groups and continues to have a liability for payment of benefits for those who are on long-term disability and for some retirees who are retired under these plans.

The Board has adopted the following policies with respect to accounting for these employee benefits:

- (i) The costs of self-insured retirement and other employee future benefit plans are actuarially determined using management's best estimate of salary escalation, accumulated sick days at retirement, insurance and health care costs trends, disability recovery rates, long-term inflation rates and discount rates. The cost of retirement gratuities are actuarially determined using the employee's salary, banked sick days and years of service as at August 31, 2012 and management's best estimate of discount rates. Any actuarial gains and losses arising from changes to the discount rate are amortized over the expected average remaining service life of the employee group.

For self-insured retirement and other employee future benefits that vest or accumulated over the periods of service provided by employees, such as life insurance and health care benefits for retirees, the cost is actuarially determined using the projected benefits method prorated on service. Under this method, the benefit costs are recognized over the expected average service life of the employee group.

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**LAMBTON KENT DISTRICT SCHOOL BOARD**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**AUGUST 31, 2019**

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**1. SIGNIFICANT ACCOUNTING POLICIES (continued)**

(g) RETIREMENT AND OTHER EMPLOYEE FUTURE BENEFITS (continued)

For those self-insured benefit obligations that arise from specific events that occur from time to time, such as obligations for worker's compensation, long-term disability and life insurance and health care benefits for those on disability leave, the cost is recognized immediately in the period the events occur. Any actuarial gains and losses that are related to these benefits are recognized immediately in the period they arise.

(ii) The costs of multi-employer defined pension plan benefits, such as the Ontario Municipal Employees Retirement System pensions, are the employer's contributions due to the plan in the period;

(iii) The costs of insured benefits are the employer's portion of insurance premiums owed for coverage of employees during the period.

(h) TANGIBLE CAPITAL ASSETS

Tangible capital assets are recorded at historical cost less accumulated amortization. Historical cost includes amounts that are directly attributed to acquisition, construction, development or betterment of the asset, as well as interest related to financing during construction. When historical cost records were not available, other methods were used to estimate the costs and accumulated amortization.

Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as leased tangible capital assets. All other leases are accounted for as operating leases and the related payments are charged to expenses as incurred.

Tangible capital assets, except land, are amortized on a straight-line basis over their estimated useful lives as follows:

<b>Asset</b>	<b>Estimated Useful Life in Years</b>
Buildings	40
Portable structures	20
First-time equipping of schools	10
Equipment and furniture	5-15
Computer hardware	5
Computer software	5
Vehicles	5-10
Land improvements	15

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**LAMBTON KENT DISTRICT SCHOOL BOARD**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**AUGUST 31, 2019**

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**1. SIGNIFICANT ACCOUNTING POLICIES (continued)**

(h) TANGIBLE CAPITAL ASSETS (continued)

Assets under construction are recorded as construction in progress and are not amortized until the asset is completed and placed into service.

Land permanently removed from service and held for resale is recorded at the lower of cost and estimated net realizable value. Cost includes amounts for improvements to prepare the land for sale or servicing. Buildings permanently removed from service and held for resale cease to be amortized and are recorded at the lower of carrying value and estimated net realizable value.

Tangible capital assets which meet the criteria for financial assets are reclassified as "Assets held for sale" on the consolidated statement of financial position.

(i) GOVERNMENT TRANSFERS

Government transfers, which include legislative grants, are recognized in the consolidated financial statements in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met and reasonable estimates of the amount can be made. If government transfers contain stipulations which give rise to a liability, they are deferred and recognized in revenue when the stipulations are met.

Government transfers for capital are deferred as required by Regulation 395/11, recorded as deferred capital contributions (DCC) and recognized as revenue in the consolidated statement of operations at the same rate and over the same periods as the asset is amortized.

(j) INVESTMENT INCOME

Investment income is reported as revenue in the period earned.

When required by the funding government or related Act, investment income earned on externally restricted funds such as pupil accommodation, education development changes and special education forms part of the respective deferred revenue balance.

(k) BUDGET FIGURES

Budget figures have been provided for comparison purposes and have been derived from the budget approved by the Trustees. The budget approved by the Trustees is developed in accordance with the provincially mandated funding model for school boards and is used to manage program spending within the guidelines of the funding model.

(l) USE OF ESTIMATES

The preparation of consolidated financial statements in conformity with the basis of accounting described in Note 1.(a) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the year. Accounts subject to significant estimates include the estimated useful life of tangible capital assets and the liability related to employee benefits payable. Actual results could differ from these estimates.

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**LAMBTON KENT DISTRICT SCHOOL BOARD**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**AUGUST 31, 2019**

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**1. SIGNIFICANT ACCOUNTING POLICIES (continued)**

(m) PROPERTY TAX REVENUE

Under Canadian Public Sector Accounting standards, the entity that determines and sets the tax levy records the revenue in the consolidated financial statements, which in the case of the Board, is the Province of Ontario. As a result, property tax revenue received from the municipalities is recorded as part of Provincial Legislative Grants.

**2. ACCOUNTS RECEIVABLE - PROVINCE OF ONTARIO**

The Province of Ontario replaced variable capital funding with a one-time debt support grant in 2009-2010. Lambton Kent District School Board received a one-time grant that recognized capital debt as of August 31, 2010 that is supported by the existing capital programs. The Board receives this grant in cash over the remaining term of the existing capital debt instruments. The Board may also receive annual capital grants to support capital programs which are also reflected in this accounts receivable.

The Board has an amount receivable from the Province of Ontario of \$46,538,691 (2018 - \$49,071,220) with respect to this capital debt support grant and is included in accounts receivable on the consolidated statement of financial position.

**3. INVESTMENTS**

Investments consist of various marketable securities and are comprised as follows:

	2019		2018	
	Cost	Market Value	Cost	Market Value
Mutual funds	\$ 121,121	\$ 121,121	\$ 134,930	\$ 134,930
Interest bearing investments maturing within one year	3,261,395	3,276,059	2,960,771	2,971,340
Interest bearing investments maturing in more than one year	7,061,567	7,203,333	7,126,176	7,132,520
	<b>\$ 10,444,083</b>	<b>\$ 10,600,513</b>	<b>\$ 10,221,877</b>	<b>\$ 10,238,790</b>

**LAMBTON KENT DISTRICT SCHOOL BOARD**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**AUGUST 31, 2019**

**4. DEFERRED REVENUE**

Revenues received and that have been set aside for specific purposes by legislation, regulation or agreement are included in deferred revenue and reported on the consolidated statement of financial position.

Deferred revenue set aside for specific purposes by legislation, regulation or agreement as at August 31 is comprised of:

	Balance August 31, 2018	Contributions Received	Revenue Recognized	Transfer to/(from) Deferred Capital Contributions	Balance August 31, 2019
Proceeds of disposition	\$ 491,868	\$ 375,698	\$ -	\$ -	\$ 867,566
Special education - equipment <sup>1</sup>	1,847,570	777,667	(793,798)	-	1,831,439
Other - EPO	375,281	1,759,258	(1,827,441)	-	307,098
Tuition Fees - International	835,858	1,018,212	(835,858)	-	1,018,212
Temporary accommodation	84,147	204,139	(93,783)	-	194,503
School renewal	3,224,263	4,452,292	(2,453,813)	182,001	5,040,741
	<b>\$ 6,858,987</b>	<b>\$ 8,587,266</b>	<b>\$ (6,004,693)</b>	<b>\$ 182,001</b>	<b>\$ 9,259,559</b>

<sup>1</sup> Deferred amounts related to these programs are a result of a different funding period than the Board's fiscal year.

**LAMBTON KENT DISTRICT SCHOOL BOARD**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**AUGUST 31, 2019**

**5. RETIREMENT AND OTHER EMPLOYEE FUTURE BENEFITS**

**Actuarial Valuation of Future Benefits Liabilities**

The Board engaged a qualified actuary to perform a valuation of the liabilities for employee future benefits liabilities. The valuation specifically addresses the liability for retirement gratuities, carry-over sick leave benefits and Workers' Compensation benefits.

The last full actuarial valuation was completed as at August 31, 2019 based on data provided as at the valuation date. The valuation was completed in accordance with the requirements of the CPA Canada Public Sector Handbook. For 2019, the actuary has provided estimates as follows of the future benefit amounts based on information available at the time of the estimates. Other Employee Future Benefits are based upon valuations as at August 31, 2019.

The following amounts were provided by the actuary and are included in the Board's consolidated financial statements.

<b>Liabilities</b>	<b>2019</b>		<b>2018</b>	
	<b>Retirement Gratuities</b>	<b>Other Employee Future Benefits</b>	<b>Total Employee Future Benefits</b>	<b>Total Employee Future Benefits</b>
Accrued employee future benefit obligations at August 31	\$ 15,252,345	\$ 2,521,699	\$ 17,774,044	\$ 19,042,016
Unamortized actuarial loss at August 31	(2,013,589)	(154,469)	(2,168,058)	(1,267,972)
Employee future benefits liability at August 31	\$ 13,238,756	\$ 2,367,230	\$ 15,605,986	\$ 17,774,044

<b>Expense</b>	<b>2019</b>		<b>2018</b>	
	<b>Retirement Gratuities</b>	<b>Other Employee Future Benefits</b>	<b>Total Employee Future Benefits</b>	<b>Total Employee Future Benefits</b>
Current year benefit cost	\$ -	\$ 121,390	\$ 121,390	\$ 586,506
Current year (gain/loss) less amortization	148,645	91,736	240,381	161,003
Interest on accrued benefit obligation	441,338	66,346	507,684	510,735
Employee future benefits expense <sup>1</sup>	\$ 589,983	\$ 279,472	\$ 869,455	\$ 1,258,244

<sup>1</sup> Excluding pension contributions to the OMERS, a multi-employer pension plan, described above.

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**LAMBTON KENT DISTRICT SCHOOL BOARD**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**AUGUST 31, 2019**

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**5. RETIREMENT AND OTHER EMPLOYEE FUTURE BENEFITS (continued)**

**Retirement benefits**

(i) Ontario Teachers' Pension Plan

Teachers and related employee groups are eligible to be members of Ontario Teachers' Pension Plan. Employer contributions for these employees are provided directly by the Province of Ontario. The pension costs and obligations related to this plan are a direct responsibility of the Province. Accordingly, no costs or liabilities related to this plan are included in the Board's consolidated financial statements.

(ii) Ontario Municipal Employees Retirement System

All non-teaching employees of the Board are eligible to be members of the Ontario Municipal Employees Retirement System (OMERS), a multi-employer pension plan. The plan provides defined pension benefits to employees based on their length of service and rates of pay. The Board contributions equal the employee contributions to the plan. During the year ended August 31, 2019, the Board contributed \$3,224,101 (2018 - \$3,223,473) to the plan. As this is a multi-employer pension plan, these contributions are the Board's pension benefit expenses. No pension liability for this type of plan is included in the Board's consolidated financial statements.

(iii) Retirement Gratuities

The Board provides retirement gratuities to certain groups of employees hired prior to specified dates. The Board provides these benefits through an unfunded defined benefit plan. The benefit costs and liabilities related to this plan are included in the Board's consolidated financial statements. The amount of the gratuities payable to eligible employees at retirement is now based on their salary, accumulated sick days, and years of service at August 31, 2012.

**Other Employee Future Benefits**

(i) Workplace Safety and Insurance Board Obligations

The Board is a Schedule 2 employer under the Workplace Safety and Insurance Act and, as such, assumes responsibility for the payment of all claims to its injured workers under the Act. The Board does not fund these obligations in advance of payments made under the Act. The benefit costs and liabilities related to this plan are included in the Board's consolidated financial statements. Plan changes made in 2012 require school boards to provide salary top-up to a maximum of 4 1/2 years for employees receiving payments from the Workplace Safety and Insurance Board, where the previously negotiated collective agreement included such provision.

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**LAMBTON KENT DISTRICT SCHOOL BOARD**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**AUGUST 31, 2019**

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**5. RETIREMENT AND OTHER EMPLOYEE FUTURE BENEFITS (continued)**

**Other Employee Future Benefits (continued)**

(ii) School Boards Co-operative Inc.

The Board is a member of the School Boards' Co-operative Inc., a co-operative managing workers' compensation. The Board makes annual contributions, in trust, to the co-operative which are invested on its behalf. The fund reimburses Workplace Safety and Insurance Board for claims paid on behalf of the Board. As at August 31, 2019, the co-operative holds \$102,654 (2018 - \$38,905) in trust for the Board.

(iii) Sick Leave Top-Up Benefits

A maximum of eleven unused sick leave days from the current year may be carried forward into the following year only, to be used to top-up salary for illnesses paid through the short-term leave and disability plan in that year. The benefit costs expensed in the consolidated financial statements are \$87,642 (2018 - \$99,626), a result of changes made in 2012-2013 to the short-term sick leave and disability plan.

For accounting purposes, the valuation of the accrued benefit obligation for the sick leave top-up is based on an actuarial assumptions about future events determined as at August 31, 2013 and is based on the average daily salary and banked sick days of employees as at August 31, 2019.

The Board has restricted a portion of its accumulated surplus for certain of these employee future benefit obligations. The balance of these internal appropriations totalled \$8,914,664 at August 31, 2019 (2018 - \$5,725,945).

**Other Employee Benefits**

The Board has established an ASO benefit plan for the health and dental benefits for its employees. It has also established a refund accounting benefit plan for the life insurance benefits of that same group. The Board makes annual premium contributions to the plans based on rates established by the plan administrator. The annual contributions are reported as expenditures in the consolidated financial statements.

At August 31, 2019, the Board had a surplus in the ASO health and dental plan of approximately \$2,012,000 (2018 - \$2,037,000). This balance includes a mandatory deposit reserve in the amount of \$nil (2018 - \$582,000).

At August 31, 2019, the Board had a surplus in the refund accounting benefit plan for the life insurance benefits of approximately \$2,142,665 (2018 - \$2,171,490). During the year the Board was granted permission to withdraw funds in the amount of \$492,984 (2018 - \$125,982). Of this amount, \$400,139 (2018 - \$125,982) was reported as revenue and the balance, \$92,845 (2018 - \$nil), was recorded as a liability payable to the members of the plan. The \$400,139 (2018 - \$125,982) has been internally restricted by the Board as part of their accumulated surplus per Ministry direction.



**LAMBTON KENT DISTRICT SCHOOL BOARD**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**5. RETIREMENT AND OTHER EMPLOYEE FUTURE BENEFITS (continued)**

**Other Employee Benefits (continued)**

The surplus balances disclosed above have not been reflected in these consolidated financial statements. All benefit related amounts and the utilization of such amounts has been restricted by the Ministry.

**6. LONG-TERM DEBT**

The Board has entered into seven loan agreements with the Ontario Financing Authority (OFA) which is assisting school boards with financing the Good Places to Learn and Primary Class Sizes capital projects.

Long-term debt reported on the consolidated statement of financial position is comprised of the following:

	<b>2019</b>	<b>2018</b>
4.560% Loan payable semi-annually \$370,973 including interest, maturing November, 2031	\$ 7,010,134	\$ 7,418,402
4.900% Loan payable semi-annually \$397,678 including interest, maturing March, 2033	7,907,960	8,301,313
5.062% Loan payable semi-annually \$237,756 including interest, maturing March, 2034	4,916,431	5,134,751
5.232% Loan payable semi-annually \$128,180 including interest, maturing April, 2035	2,745,289	2,853,742
4.833% Loan payable semi-annually \$329,334 including interest, maturing March, 2036	7,524,832	7,809,466
3.564% Loan payable semi-annually \$91,577 including interest, maturing, March, 2037	2,399,926	2,494,997
3.799% Loan payable semi-annually \$31,132 including interest, maturing March, 2038	832,372	862,162
	<b>\$ 33,336,944</b>	<b>\$ 34,874,833</b>

**LAMBTON KENT DISTRICT SCHOOL BOARD**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**6. LONG-TERM DEBT (continued)**

The Board must comply at all times with the Board's obligations in respect of the debt and financial obligations and liability limits applicable to it under the Education Act and the regulations made thereunder. Failure by the Board to pay any principal, interest, fees or other amounts payable by it under these loan agreements constitutes an event of default. The Minister of Finance is entitled to deduct from monies appropriated by the Legislature for payment to the Board amounts equal to any amounts that the Board fails to pay under these loan agreements.

Principal and interest repayments required on long-term debt are approximately as follows:

	Principal	Interest	Total
2020	\$ 1,611,652	\$ 1,561,608	\$ 3,173,260
2021	1,688,977	1,484,283	3,173,260
2022	1,770,038	1,403,222	3,173,260
2023	1,855,015	1,318,245	3,173,260
2024	1,944,099	1,229,161	3,173,260
	\$ 8,869,781	\$ 6,996,519	\$ 15,866,300

**7. DEFERRED CAPITAL CONTRIBUTIONS**

Deferred capital contributions include grants and contributions received that are used for the acquisition of tangible capital assets in accordance with regulation 395/11. The contributions are amortized into revenue over the life of the asset acquired.

	2019	2018
Balance as at August 31	\$ 185,880,042	\$ 170,811,053
Additions to deferred capital contributions	22,834,424	29,130,772
Revenue recognized in the year	(13,124,529)	(14,061,783)
Balance as at August 31	\$ 195,589,937	\$ 185,880,042

**8. DEBT CHARGES AND CAPITAL LOANS**

The expenditure for debt charges and capital loans includes principal and interest payments as follows:

	2019	2018
Principal payments on long-term debt liabilities	\$ 2,282,543	\$ 2,212,179
Interest expense on long-term liabilities	1,733,856	1,867,071
	\$ 4,016,399	\$ 4,079,250

**LAMBTON KENT DISTRICT SCHOOL BOARD**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**9. EXPENSES BY OBJECT**

The following is a summary of the expenses reported on the consolidated statement of operations by object:

	<b>2019 Budget</b>	<b>2019 Actual</b>	<b>2018 Actual</b>
Expenses			
Salaries & Wages	\$ 186,758,974	\$ 188,133,473	\$ 186,884,612
Employee Benefits	30,126,498	29,522,932	27,717,233
Staff Development	825,705	960,054	900,087
Supplies & Services	31,080,471	25,757,385	25,539,512
Interest Charges on Capital	1,635,371	1,733,856	1,867,071
Rental Expenses	-	9,769	9,769
Fees & Contractual Services	18,106,133	17,953,092	18,203,429
Other	844,000	1,521,158	1,752,776
Amortization	15,549,175	13,542,159	14,472,338
	<b>\$ 284,926,327</b>	<b>\$ 279,133,878</b>	<b>\$ 277,346,827</b>

**10. ONTARIO SCHOOL BOARD INSURANCE EXCHANGE (OSBIE)**

The School Board is a member of the Ontario School Board Insurance Exchange (OSBIE), a reciprocal insurance company licensed under the Insurance Act. OSBIE insures general public liability, property damage and certain other risks.

The ultimate premiums over a five year period are based on the reciprocal's and the Board's actual claims experience. Periodically, the Board may receive a refund or be asked to pay an additional premium based on its pro rata share of claims experience.

**LAMBTON KENT DISTRICT SCHOOL BOARD**  
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**11. PARTNERSHIP WITH ST. CLAIR CATHOLIC DISTRICT SCHOOL BOARD**

Transportation, supervision of childcare services, Energy and Environmental and Community Use of Schools services for the Board are provided by Chatham Kent Lambton Administrative School Services (CLASS) in partnership with the St. Clair Catholic District School Board. Under the agreement created at the time CLASS was established, decisions related to the financial and operating activities of CLASS are shared. Neither partner is in a position to exercise unilateral control.

This entity is proportionately consolidated in the Board's consolidated financial statements whereby the Board's pro-rata share of assets, liabilities, revenues and expenses of the consortium are included in the Board's consolidated financial statements. Inter-organizational transactions and balances have been eliminated.

The following provides condensed financial information:

<b>Financial Position</b>	<b>2019</b>		<b>2018</b>	
	<b>Total</b>	<b>Board Portion</b>	<b>Total</b>	<b>Board Portion</b>
Financial assets	\$ 1,280,000	\$ 833,000	\$ 1,412,000	\$ 932,000
Non-financial assets	1,041,000	688,000	1,028,000	681,000
Financial liabilities	2,321,000	1,521,000	2,440,000	1,613,000
Accumulated surplus	\$ -	\$ -	\$ -	\$ -

<b>Operations</b>	<b>2019</b>		<b>2018</b>	
	<b>Total</b>	<b>Board Portion</b>	<b>Total</b>	<b>Board Portion</b>
Revenues	\$ 19,958,000	\$ 13,187,000	\$ 18,897,000	\$ 12,505,000
Expenses	19,958,000	13,187,000	18,897,000	12,505,000
Annual surplus	\$ -	\$ -	\$ -	\$ -

**12. CONTRACTUAL OBLIGATIONS AND CONTINGENT LIABILITIES**

In the normal course of operations, the Board becomes involved in various claims and legal proceedings. No provision has been made in the consolidated financial statements as the outcome is not determinable at this time. The settlement amount, if any, in excess of liability insurance coverage will be accounted for in the year determined. It is the opinion of the Board that their resolution will not have a material adverse effect on the Board's financial position or results of operations.

The Board has entered into contractual agreements for capital projects that were not completed by August 31, 2019. The total costs to complete these projects are estimated to be approximately \$3,573,506 (2018 - \$8,812,020).

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**LAMBTON KENT DISTRICT SCHOOL BOARD**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**13. TEMPORARY BORROWING**

The Board has entered into a credit facilities agreement with the Canadian Imperial Bank of Commerce (CIBC) which provides a demand operating line. The demand operating line has a maximum credit limit of \$15 million. All amounts advanced under this facility are to be used for current expenditures.

Interest on this credit facility is calculated on the basis of the provisions of the CIBC Offsetting Banking Agreement for the ChathamKent Lambton Administrators Group. This agreement outlines that interest will be charged at a rate of CIBC prime less 0.75%.

No amounts were advanced under this facility during the year (2018 - \$nil).

**14. ACCUMULATED SURPLUS**

Accumulated surplus (deficit) consists of the following:

	<b>2019</b>	<b>2018</b>
Surplus/(Deficit)		
Invested in non-depreciable tangible capital asset	\$ 1,522,050	\$ 1,522,569
Unappropriated	10,376,338	9,756,472
Internally appropriated	23,531,517	20,360,112
Externally appropriated - Employee future benefits	(12,563,584)	(14,767,721)
Externally appropriated - Other	2,998,470	2,755,792
	<b>\$ 25,864,791</b>	<b>\$ 19,627,224</b>

**15. REPAYMENT OF "55 SCHOOL BOARD TRUST" FUNDING**

On June 1, 2003, the Board received \$9,995,250 from The 55 School Board Trust for its capital related debt eligible for provincial funding support pursuant to a 30 year agreement it entered into with the trust. The 55 School Board Trust was created to refinance the outstanding not permanently financed (NPF) debt of participating boards who are beneficiaries of the trust. Under the terms of the agreement, The 55 School Board Trust repaid the Board's debt in consideration for the assignment by the Board to the trust of future provincial grants payable to the Board in respect of the NPF debt.

As a result of the above agreement, the liability in respect of the NPF debt is no longer reflected in the Board's financial position.

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**LAMBTON KENT DISTRICT SCHOOL BOARD**  
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**16. CONTRACTUAL RIGHTS**

Contractual rights are rights to economic resources arising from contracts or agreements that will result in revenues and assets in the future. The Boards contractual rights arise because of contracts entered into the lease/rental of space to others and the sale of electricity. The following table summarizes the contractual rights of the Board for future assets:

	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
Future lease/rental revenue	\$ 544,000	\$ 554,000	\$ 564,000	\$ 575,000	\$ 585,000
Sale of electricity	80,000	80,000	80,000	80,000	80,000
	<b>\$ 624,000</b>	<b>\$ 634,000</b>	<b>\$ 644,000</b>	<b>\$ 655,000</b>	<b>\$ 665,000</b>
					<b>Thereafter</b>
Future lease/rental revenue					\$ 1,217,000
Sale of electricity					400,000
					<b>\$ 1,617,000</b>

**17. COMPARATIVE FIGURES**

Certain of the comparative figures have been reclassified to conform with the financial statement presentation format adopted for the current year.

**LAMBTON KENT DISTRICT SCHOOL BOARD**  
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**FOR THE YEAR ENDED AUGUST 31, 2019**

**18. TANGIBLE CAPITAL ASSETS**

	2019									
	COST				ACCUMULATED AMORTIZATION					
	Balance September 1, 2018	Additions and Transfers	Disposals and Transfers	Balance, August 31, 2019	Balance September 1, 2018	Amortization	Disposals, Write Offs & Adjustment	Balance August 31, 2019	Net Book Value August 31, 2019	
Land	\$ 1,522,569	\$ -	\$ (519)	\$ 1,522,050	\$ -	\$ -	\$ -	\$ -	\$ 1,522,050	
Buildings	305,493,594	36,744,870	-	342,238,464	141,198,677	10,401,943	-	151,600,620	190,637,844	
Construction in progress	17,200,326	-	(17,195,959)	4,367	-	-	-	-	4,367	
Portable structures	240,100	-	-	240,100	240,100	-	-	240,100	-	
First-time equipping of schools	1,303,877	-	-	1,303,877	682,193	-	-	682,193	621,684	
Equipment and furniture	4,001,595	586,495	-	4,588,090	2,629,518	475,930	-	3,105,448	1,482,642	
Computer hardware	13,713,639	2,403,997	(1,154,169)	14,963,467	8,262,596	2,309,614	(1,154,169)	9,418,041	5,545,426	
Computer software	1,615,162	-	(1,257,095)	358,067	1,506,224	51,756	(1,257,095)	300,885	57,182	
Vehicles	1,014,901	57,197	-	1,072,098	796,272	64,892	-	861,164	210,934	
Land improvements	3,338,771	386,280	-	3,725,051	450,426	238,023	-	688,449	3,036,602	
	\$ 349,444,534	\$ 40,178,839	\$ (19,607,742)	\$ 370,015,631	\$ 155,766,006	\$ 13,542,158	\$ (2,411,264)	\$ 166,896,900	\$ 203,118,731	

	2018									
	COST				ACCUMULATED AMORTIZATION					
	Balance September 1, 2017	Additions and Transfers	Disposals and Transfers	Balance, August 31, 2018	Balance September 1, 2017	Amortization	Disposals, Write Offs & Adjustment	Balance August 31, 2018	Net Book Value August 31, 2018	
Land	\$ 1,522,569	\$ -	\$ -	\$ 1,522,569	\$ -	\$ -	\$ -	\$ -	\$ 1,522,569	
Buildings	290,047,403	15,446,191	-	305,493,594	129,735,982	11,462,695	-	141,198,677	164,294,917	
Construction in progress	5,641,079	15,284,259	(3,725,012)	17,200,326	-	-	-	-	17,200,326	
Portable structures	5,039,800	-	(4,799,700)	240,100	5,039,800	-	(4,799,700)	240,100	-	
First-time equipping of schools	1,303,877	-	-	1,303,877	551,805	130,388	-	682,193	621,684	
Equipment and furniture	3,738,462	263,133	-	4,001,595	2,309,794	319,724	-	2,629,518	1,372,077	
Computer hardware	20,669,559	1,682,244	(8,638,164)	13,713,639	14,694,985	2,205,775	(8,638,164)	8,262,596	5,451,043	
Computer software	1,599,746	15,416	-	1,615,162	1,439,749	66,475	-	1,506,224	108,938	
Vehicles	888,026	126,875	-	1,014,901	731,235	65,037	-	796,272	218,629	
Land improvements	3,301,105	37,666	-	3,338,771	228,179	222,247	-	450,426	2,888,345	
	\$ 333,751,626	\$ 32,855,784	\$ (17,162,876)	\$ 349,444,534	\$ 154,731,529	\$ 14,472,341	\$ (13,437,864)	\$ 155,766,006	\$ 193,678,528	

Assets not placed into service by August 31, 2019 are not amortized and have been recorded as Construction in Progress.

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**LAMBTON KENT DISTRICT SCHOOL BOARD**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2019**

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**18. TANGIBLE CAPITAL ASSETS (continued)**

The Board has identified \$4,000 in land and \$303,565 in buildings that qualify as assets permanently removed from service. These assets have been included in the net book value ending balance as of August 31, 2019.