

LAMBTON KENT DISTRICT SCHOOL BOARD

CONSOLIDATED FINANCIAL STATEMENTS

AUGUST 31, 2015

LAMBTON KENT DISTRICT SCHOOL BOARD

AUGUST 31, 2015

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INDEPENDENT AUDITORS' REPORT

PARTNERS

STEPHEN J. OUTRIDGE, CPA, CA
KEVIN M. SABOURIN, CPA, CA
JAMES D. KEARNEY, CPA, CA (RET.)

To the Board of Trustees of the
Lambton Kent District School Board

We have audited the accompanying consolidated financial statements of Lambton Kent District School Board which comprise the consolidated statement of financial position as at August 31, 2015 and the consolidated statements of operations, cash flows and change in net debt for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation of these consolidated financial statements in accordance with the basis of accounting described in Note 1 to the consolidated financial statements, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

In common with many school boards, individual schools derive revenue from school fundraising activities held throughout the year, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the individual schools. We were not able to determine whether any adjustments might be necessary to school fundraising revenue, annual surplus/(deficit), financial assets and net financial assets/(net debt).



Qualified Opinion

In our opinion, except for the possible effects of adjustments, if any, had the fundraising revenue in the preceding paragraph been susceptible to complete audit verification, the consolidated financial statements as at and for the year ended August 31, 2015 are prepared, in all material respects, in accordance with the basis of accounting described in Note 1 to the consolidated financial statements.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1 to the consolidated financial statements which describes the basis of accounting used in the preparation of these consolidated financial statements and the significant differences between such basis of accounting and Canadian public sector accounting standards.

Wallaceburg, Ontario
November 24, 2015

Bailey Kearney Ferguson LLP
Chartered Accountants
Licensed Public Accountants

LAMBTON KENT DISTRICT SCHOOL BOARD

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT AUGUST 31, 2015

	2015	2014
FINANCIAL ASSETS		
Cash and cash equivalents	\$ 19,934,322	\$ 17,008,364
Accounts receivable (Note 3)	50,944,109	56,877,904
Investments (Note 4)	9,530,228	9,321,228
Assets held for sale	170,000	170,000
TOTAL FINANCIAL ASSETS	80,578,659	83,377,496
LIABILITIES		
Accounts payable and accrued liabilities	16,081,215	19,721,662
Other liabilities	635,444	789,350
Deferred revenues (Note 5)	3,487,562	5,947,707
Employee benefits payable (Note 6)	25,346,504	27,208,775
Long-term debt (Note 7)	39,079,118	40,354,390
Deferred capital contributions (Note 8)	153,964,596	153,205,700
TOTAL LIABILITIES	238,594,439	247,227,584
NET DEBT	(158,015,780)	(163,850,088)
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 19)	162,994,756	162,473,606
Prepaid expenses	194,223	3,218,044
TOTAL NON-FINANCIAL ASSETS	163,188,979	165,691,650
ACCUMULATED SURPLUS (Note 15)	\$ 5,173,199	\$ 1,841,562

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, 2015

	Budget	2015	2014
REVENUES			
Provincial grants			
Legislative	\$ 194,894,205	\$ 193,151,972	\$ 178,337,649
Other	1,600,193	4,085,439	13,231,442
Local taxation	57,121,145	57,581,132	57,174,374
School generated funds	5,250,000	5,791,944	6,191,653
Federal grants and fees	3,884,578	4,438,503	4,237,292
Investment income	200,000	455,496	554,647
Other revenues - School boards	50,000	20,551	20,733
Other fees and revenues	510,079	2,566,181	1,585,259
TOTAL REVENUES	263,510,200	268,091,218	261,333,049
EXPENSES			
Instruction	196,964,086	199,960,401	195,657,580
Administration	6,592,294	6,095,260	6,379,635
Transportation	11,972,492	11,919,246	12,014,176
Pupil accommodation	42,222,122	40,108,188	40,295,929
School generated funds	5,250,000	5,931,832	6,300,133
Other	744,654	744,654	744,654
TOTAL EXPENSES	263,745,648	264,759,581	261,392,107
ANNUAL SURPLUS (DEFICIT)	(235,448)	3,331,637	(59,058)
ACCUMULATED SURPLUS, BEGINNING OF YEAR	1,841,562	1,841,562	1,900,620
ACCUMULATED SURPLUS, END OF YEAR	\$ 1,606,114	\$ 5,173,199	\$ 1,841,562

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, 2015

	2015	2014
OPERATING ACTIVITIES		
Annual surplus (deficit)	\$ 3,331,637	\$ (59,058)
Item not requiring cash		
Amortization, write downs and transfers to assets held for sale	10,916,040	10,324,397
	14,247,677	10,265,339
Net change in non-cash working capital balances		
Accounts receivable	5,933,795	(2,508,202)
Assets held for sale	-	(170,000)
Accounts payable and accrued liabilities	(3,640,447)	(134,633)
Other liabilities	(153,906)	(66,632)
Deferred revenues	(2,460,145)	118,239
Employee benefits payable	(1,862,271)	(1,576,872)
Deferred capital contributions	758,896	4,312,441
Prepaid expenses	3,023,821	(374,800)
Cash provided by operating activities	15,847,420	9,864,880
CAPITAL ACTIVITIES		
Additions to tangible capital assets	(11,437,190)	(17,988,045)
Cash used in capital activities	(11,437,190)	(17,988,045)
INVESTING ACTIVITIES		
Decrease (increase) in investments	(209,000)	705,063
Cash provided by (used in) investing activities	(209,000)	705,063
FINANCING ACTIVITIES		
Debt repaid and sinking fund contributions	(1,275,272)	(1,216,996)
Cash used in financing activities	(1,275,272)	(1,216,996)
CHANGE IN CASH AND CASH EQUIVALENTS, during the year	2,925,958	(8,635,098)
CASH AND CASH EQUIVALENTS, beginning of the year	17,008,364	25,643,462
CASH AND CASH EQUIVALENTS, end of the year	\$ 19,934,322	\$ 17,008,364

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, 2015

	2015	2014
ANNUAL SURPLUS (DEFICIT)	\$ 3,331,637	\$ (59,058)
TANGIBLE CAPITAL ASSET ACTIVITY		
Acquisition of tangible capital assets	(11,437,190)	(17,988,045)
Amortization	10,916,040	9,926,007
Transfer to assets held for sale	-	170,000
Write-downs of tangible capital assets	-	228,391
TOTAL TANGIBLE CAPITAL ASSET ACTIVITY	(521,150)	(7,663,647)
OTHER NON-FINANCIAL ASSET ACTIVITY		
Acquisition of prepaid expenses	3,023,821	(374,800)
TOTAL OTHER NON-FINANCIAL ASSET ACTIVITY	3,023,821	(374,800)
CHANGE IN NET DEBT	5,834,308	(8,097,505)
NET DEBT, BEGINNING OF YEAR	(163,850,088)	(155,752,583)
NET DEBT, END OF YEAR	\$ (158,015,780)	\$ (163,850,088)

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

LAMBTON KENT DISTRICT SCHOOL BOARD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AUGUST 31, 2015

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 revenues and deferred capital contributions would be recorded differently under Canadian Public Sector Accounting Standards.

LAMBTON KENT DISTRICT SCHOOL BOARD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AUGUST 31, 2015

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 as noted in the qualified opinion paragraph of the Independent Auditors' Report.

(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

LAMBTON KENT DISTRICT SCHOOL BOARD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AUGUST 31, 2015

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. In 2012, changes were made to the Board's retirement gratuity plan, sick leave plan and retiree health, life and dental plan. The Board was not impacted by the changes to retiree health, life and dental plan entitlements as retirees are responsible for the entire premiums. 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.

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.

LAMBTON KENT DISTRICT SCHOOL BOARD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AUGUST 31, 2015

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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:

<u>Asset</u>	<u>Estimated Useful Life in Years</u>
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

Assets under construction are recorded as construction in progress and are not amortized until the asset is available for productive use.

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.

LAMBTON KENT DISTRICT SCHOOL BOARD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AUGUST 31, 2015

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

Government transfers for capital that meet the definition of a liability are referred to as deferred capital contributions (DCC). Amounts are recognized into revenue as the liability is extinguished over the useful life of the asset.

(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. Given differences between the funding model and Canadian generally accepted accounting principles established by the Public Sector Accounting Board, the budget figures presented have been adjusted to conform with this basis of accounting as it is used to prepare the consolidated financial statements.

(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.

LAMBTON KENT DISTRICT SCHOOL BOARD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AUGUST 31, 2015

2. CHANGE IN ACCOUNTING POLICIES

The Board has implemented Public Sector Accounting Board ("PSAB") section 3260 Liability for contaminated sites. Section 3260 requires governments to record a liability in their financial statements if they have a contaminated site that meets the requirements set out in the standard. The standard defines contamination as the introduction into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The standard generally applies to sites that are not in productive use. Sites that are in productive use are only considered contaminated if there was an unexpected event that resulted in contamination. This change has been applied retroactively without the restatement of prior periods.

The adoption of this standard did not have an impact on the Board's financial statements.

3. ACCOUNTS RECEIVABLE - GOVERNMENT 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 \$40,135,942 (2014 - \$45,996,521) with respect to this capital debt support grant and is included in accounts receivable on the consolidated statement of financial position.

4. INVESTMENTS

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

	2015		2014	
	Cost	Market Value	Cost	Market Value
Mutual Funds	\$ 430,318	\$ 430,315	\$ 282,170	\$ 282,177
Interest bearing investments maturing within one year	2,099,604	2,117,041	1,418,878	1,412,395
Interest bearing investments maturing in more than one year	7,000,306	7,176,634	7,620,180	7,793,512
	\$ 9,530,228	\$ 9,723,990	\$ 9,321,228	\$ 9,488,084

LAMBTON KENT DISTRICT SCHOOL BOARD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AUGUST 31, 2015

5. 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:

	2015	2014
Proceeds of disposition	\$ 266,166	\$ 266,166
Assets held for sale	122,600	122,600
Special education - equipment ¹	2,005,291	2,263,304
Special education - Full-day kindergarten	-	137,848
Other - EPO	501,088	299,312
Other - EPO - Full-day kindergarten	-	1,020,611
Retrofitting school space for child care	-	1,000,669
School renewal	592,417	837,197
	\$ 3,487,562	\$ 5,947,707

¹ 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, 2015

6. RETIREMENT AND OTHER EMPLOYEE FUTURE BENEFITS

Actuarial Valuation of Future Benefit 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, 2013 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 2015, the actuary has provided estimates as follows of the future benefit amounts based on information available at the time of the estimates. Retirement Gratuities are based upon an extrapolation of the August 31, 2013 actuarial valuation. Other Employee Future Benefits are based upon valuations as at August 31, 2015.

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

Liabilities	2015		2014	
	Retirement Gratuities	Other Employee Future Benefits	Total Employee Future Benefits	Total Employee Future Benefits
Accrued employee future benefit obligations at August 31	\$ 25,006,157	\$ 1,734,326	\$ 26,740,483	\$ 27,744,471
Unamortized actuarial gains (losses) at August 31	(1,393,979)	-	(1,393,979)	(535,696)
Employee future benefits liability at August 31	\$ 23,612,178	\$ 1,734,326	\$ 25,346,504	\$ 27,208,775

Expense	2015		2014	
	Retirement Gratuities	Other Employee Future Benefits	Total Employee Future Benefits	Total Employee Future Benefits
Current year benefit cost	\$ -	\$ 170,650	\$ 170,650	\$ 229,734
Interest on accrued benefit obligation	703,053	46,622	749,675	962,896
Recognition of unamortized actuarial gains on plan amendments/curtailments	42,249	-	42,249	(57,668)
Employee future benefits expense ¹	\$ 745,302	\$ 217,272	\$ 962,574	\$ 1,134,962

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

LAMBTON KENT DISTRICT SCHOOL BOARD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AUGUST 31, 2015

6. RETIREMENT AND OTHER EMPLOYEE FUTURE BENEFITS (continued)

Plan Changes

In 2013, changes were made to the short-term leave and disability plan. Under the new short-term leave and disability plan, eleven unused sick leave days may be carried forward into the following year only, to be used to top-up benefits received under the short-term leave and disability plan in that year. A new provision was established as of August 31, 2013 representing the expected usage of sick days that have been carried forward for benefit top-up in the following year.

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, 2015, the Board contributed \$3,018,055 (2014 - \$2,970,749) 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 provided 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.

LAMBTON KENT DISTRICT SCHOOL BOARD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AUGUST 31, 2015

6. RETIREMENT AND OTHER EMPLOYEE FUTURE BENEFITS (continued)

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.

(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. The annual contributions are reported as expenditures in these financial statements. As at August 31, 2015, the co-operative holds \$13,313 (2014 - \$1,688) in trust for the Board. These funds are not reflected in these financial statements.

(iii) Sick Leave Top-Up Benefits

As a result of changes made in 2012-2013 to the short-term sick leave and disability plan, 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 financial statements are \$114,106 (2014 - \$117,951).

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, 2015.

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 \$5,472,431 at August 31, 2015 (2014 - \$5,472,431).

LAMBTON KENT DISTRICT SCHOOL BOARD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AUGUST 31, 2015

6. RETIREMENT AND OTHER EMPLOYEE FUTURE BENEFITS (continued)

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 financial statements.

At August 31, 2015, the Board had a surplus in the ASO health and dental plan of approximately \$2,600,000 (2014 - \$3,100,000). This balance includes a mandatory deposit reserve in the amount of \$582,000 (2014 - \$500,000).

At August 31, 2015, the Board had a surplus in the refund accounting benefit plan for the life insurance benefits of approximately \$2,100,000 (2014 - \$2,900,000). During the year the Board was granted permission to withdraw funds in the amount of \$797,732. Of this amount, \$678,071 was reported as revenue and the balance, \$119,661, was recorded as a liability payable to the members of the plan. The \$678,071 has been internally restricted by the Board as part of their accumulated surplus per Ministry direction.

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

LAMBTON KENT DISTRICT SCHOOL BOARD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AUGUST 31, 2015

7. 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:

	2015	2014
4.560% Loan payable semi-annually \$370,973 including interest, maturing November, 2031	\$ 8,538,351	\$ 8,879,245
4.900% Loan payable semi-annually \$397,678 including interest, maturing March, 2033	9,373,313	9,697,418
5.062% Loan payable semi-annually \$237,756 including interest, maturing March, 2034	5,727,890	5,906,643
5.232% Loan payable semi-annually \$128,180 including interest, maturing April, 2035	3,147,431	3,235,641
4.833% Loan payable semi-annually \$329,334 including interest, maturing March, 2036	8,586,174	8,821,314
3.564% Loan payable semi-annually \$91,577 including interest, maturing, March, 2037	2,760,866	2,843,409
3.799% Loan payable semi-annually \$31,132 including interest, maturing March, 2038	945,093	970,720
	39,079,118	40,354,390
Less: Amounts due within one year	1,336,362	1,275,274
	\$ 37,742,756	\$ 39,079,116

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
2016	\$ 1,336,362	\$ 1,836,898	\$ 3,173,260
2017	1,400,398	1,772,862	3,173,260
2018	1,467,524	1,705,736	3,173,260
2019	1,537,889	1,635,371	3,173,260
2020	1,611,652	1,561,608	3,173,260
	\$ 7,353,825	\$ 8,512,475	\$ 15,866,300

LAMBTON KENT DISTRICT SCHOOL BOARD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AUGUST 31, 2015

8. 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.

	2015	2014
Balance as at August 31	\$ 153,205,700	\$ 148,893,260
Additions to deferred capital contributions	11,267,834	14,287,083
Revenue recognized in the period	(10,508,938)	(9,852,043)
Transfers to financial assets	-	(122,600)
Balance as at August 31	\$ 153,964,596	\$ 153,205,700

9. DEBT CHARGES AND CAPITAL LOANS

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

	2015	2014
Principal payments on long-term liabilities	\$ 2,019,928	\$ 1,961,650
Interest expense on long-term liabilities	1,908,387	1,965,692
	\$ 3,928,315	\$ 3,927,342

10. EXPENSES BY OBJECT

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

	2015 Budget	2015 Actual	2014 Actual
Expenses:			
Salaries and wages	\$ 179,625,812	\$ 181,408,227	\$ 178,368,495
Employee benefits	22,963,031	23,249,204	23,861,568
Staff development	729,735	1,081,040	1,014,669
Supplies and services	29,662,207	28,222,471	27,600,907
Interest charges on capital	1,897,986	1,880,095	1,965,692
Fees and contract services	16,762,438	17,177,496	17,586,358
Other	1,224,006	825,008	840,021
Amortization and write-downs of tangible capital assets	10,880,433	10,916,040	10,154,397
	\$ 263,745,648	\$ 264,759,581	\$ 261,392,107

LAMBTON KENT DISTRICT SCHOOL BOARD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AUGUST 31, 2015

11. 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.

12. PARTNERSHIP WITH ST. CLAIR CATHOLIC DISTRICT SCHOOL BOARD

Transportation, 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. Operations of CLASS have been included in these financial statements based on the share of net operating expenditures contributed by the Board during the fiscal period being reported. Consolidated revenues represent amounts paid to the consortium by the Board and have been offset against the corresponding Board expenses.

Financial Position	2015		2014	
	Total	Board Portion	Total	Board Portion
Financial assets	\$ 32,739	\$ 21,836	\$ 77,538	\$ 43,642
Financial liabilities	32,739	21,836	77,538	43,642
Accumulated surplus /(Deficit)	\$ -	\$ -	\$ -	\$ -

Operations	2015		2014	
	Total	Board Portion	Total	Board Portion
Revenues	\$ 17,710,378	\$ 11,689,189	\$ 17,780,704	\$ 11,759,753
Expenses	17,710,378	11,689,189	17,780,704	11,759,753
Annual surplus /(Deficit)	\$ -	\$ -	\$ -	\$ -

13. CONTRACTUAL OBLIGATIONS AND CONTINGENT LIABILITIES

The Board has been named in various lawsuits. No provision has been made in the 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, 2015. The total costs to complete these projects are estimated to be approximately \$2,037,208 (2014 - \$1,843,860). Costs incurred to August 31, 2015 on these capital projects were \$3,307,899 (2014 - \$9,834,713).

LAMBTON KENT DISTRICT SCHOOL BOARD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AUGUST 31, 2015

14. 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 Chatham-Kent 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 (2014 - \$nil).

15. ACCUMULATED SURPLUS /(DEFICIT)

Accumulated surplus /(deficit) consists of the following:

	2015	2014
Surplus /(Deficit):		
Invested in non-depreciable tangible capital assets	\$ 1,569,969	\$ 1,569,969
Unappropriated	8,262,999	6,758,762
Internally appropriated	16,650,237	16,959,909
Externally appropriated - Employee future benefits	(23,385,290)	(25,644,357)
Externally appropriated - Other	2,075,284	2,197,279
	\$ 5,173,199	\$ 1,841,562

16. 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.

17. COMPARATIVE FIGURES

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

LAMBTON KENT DISTRICT SCHOOL BOARD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AUGUST 31, 2015

18. SUBSEQUENT EVENTS

Subsequent to August 31, 2015, OSSTF ratified agreements at the central level which include a voluntary retirement gratuity early payout provision. This provision may have a future impact on the Board's employee future benefit liability. There is no impact to the 2014-15 fiscal year. To be effective, the collective agreements must be ratified at both the central and local level. At the reporting date of these financial statements, local ratification has occurred for OSSTF.

The voluntary retirement gratuity early payout provision provides OSSTF members the option of receiving a discounted frozen retirement gratuity benefit payment on August 31, 2016. The voluntary retirement gratuity early payout provision may result in payouts occurring earlier than anticipated and generally at a discount to August 31, 2015 financial statement carrying values. As a result, the reduction in the liability for those members who take the voluntary retirement gratuity early payout option will be accompanied by actuarial gains or losses in the Board's 2015-16 year financial statements. At this time, the change in the liability cannot be estimated since members of OSSTF have until June 30, 2016 to declare their participation in the voluntary retirement gratuity early payout option.

LAMBTON KENT DISTRICT SCHOOL BOARD

19. TANGIBLE CAPITAL ASSETS

2015									
	COST			ACCUMULATED AMORTIZATION					
	Balance September 1, 2014	Additions and Transfers	Disposals and Transfers	Balance August 31, 2015	Balance at September 1, 2014	Amortization	Disposals, Write offs & adjustment	Balance August 31, 2015	Net book Value August 31, 2015
Land	\$ 1,522,569	\$ -	\$ -	\$ 1,522,569	\$ -	\$ -	\$ -	\$ -	\$ 1,522,569
Buildings	255,353,614	7,825,997	-	263,179,611	100,646,851	9,022,212	-	109,669,063	153,510,548
Portable structures	5,039,800	-	-	5,039,800	5,039,800	-	-	5,039,800	-
First-time equipping of schools	1,166,101	137,776	-	1,303,877	182,691	108,338	-	291,029	1,012,848
Equipment and furniture	2,904,097	287,675	-	3,191,772	1,468,378	272,651	-	1,741,029	1,450,743
Computer hardware	12,840,178	2,731,864	-	15,572,042	9,453,041	1,378,461	-	10,831,502	4,740,540
Computer software	1,419,708	104,078	-	1,523,786	1,258,799	58,953	-	1,317,752	206,034
Vehicles	860,633	-	-	860,633	583,534	63,765	-	647,299	213,334
Land improvements	-	349,800	-	349,800	-	11,660	-	11,660	338,140
	\$ 281,106,700	\$ 11,437,190	\$ -	\$ 292,543,890	\$ 118,633,094	\$ 10,916,040	\$ -	\$ 129,549,134	\$ 162,994,756

2014									
	COST			ACCUMULATED AMORTIZATION					
	Balance September 1, 2013	Additions and Transfers	Disposals and Transfers	Balance August 31, 2014	Balance September 1, 2013	Amortization	Disposals, Write offs & adjustment	Balance August 31, 2014	Net book Value August 31, 2014
Land	\$ 1,569,969	\$ -	\$ 47,400	\$ 1,522,569	\$ -	\$ -	\$ -	\$ -	\$ 1,522,569
Buildings	237,007,814	19,245,164	899,364	255,353,614	92,874,385	8,320,839	548,373	100,646,851	154,706,763
Portable structures	5,039,800	-	-	5,039,800	5,039,800	-	-	5,039,800	-
First-time equipping of schools	862,884	303,217	-	1,166,101	107,569	75,122	-	182,691	983,410
Construction in progress	3,559,623	-	3,559,623	-	-	-	-	-	-
Equipment and furniture	2,776,482	127,615	-	2,904,097	1,191,364	277,014	-	1,468,378	1,435,719
Computer hardware	11,171,281	1,668,897	-	12,840,178	8,307,253	1,145,788	-	9,453,041	3,387,137
Computer software	1,293,060	126,648	-	1,419,708	1,210,651	48,148	-	1,258,799	160,909
Vehicles	822,686	76,125	38,178	860,633	562,618	59,094	38,178	583,534	277,099
	\$ 264,103,599	\$ 21,547,666	\$ 4,544,565	\$ 281,106,700	\$ 109,293,640	\$ 9,926,005	\$ 586,551	\$ 118,633,094	\$ 162,473,606