

LAMBTON KENT DISTRICT SCHOOL BOARD

CONSOLIDATED FINANCIAL STATEMENTS

AUGUST 31, 2016

LAMBTON KENT DISTRICT SCHOOL BOARD

AUGUST 31, 2016

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INDEPENDENT AUDITORS' REPORT

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

PARTNERS

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

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, 2016 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 audit opinion.

Opinion

In our opinion, the consolidated financial statements as at and for the year ended August 31, 2016 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 8, 2016

Bailey Kearney Ferguson LLP
Chartered Professional Accountants
Licensed Public Accountants



LAMBTON KENT DISTRICT SCHOOL BOARD

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT AUGUST 31, 2016

	2016	2015
FINANCIAL ASSETS		
Cash and cash equivalents	\$ 13,636,128	\$ 19,934,322
Accounts receivable (Note 2)	57,325,449	50,944,109
Investments (Note 3)	9,767,823	9,530,228
Assets held for sale	-	170,000
TOTAL FINANCIAL ASSETS	80,729,400	80,578,659
LIABILITIES		
Accounts payable and accrued liabilities	18,055,176	16,081,215
Other liabilities	765,592	635,444
Deferred revenues (Note 4)	3,545,936	3,487,562
Employee benefits payable (Note 5)	21,985,295	25,346,504
Long-term debt (Note 6)	37,742,755	39,079,118
Deferred capital contributions (Note 7)	157,365,240	153,964,596
TOTAL LIABILITIES	239,459,994	238,594,439
NET DEBT	(158,730,594)	(158,015,780)
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 17)	165,984,842	162,994,756
Prepaid expenses	340,283	194,223
TOTAL NON-FINANCIAL ASSETS	166,325,125	163,188,979
ACCUMULATED SURPLUS (Note 14)	\$ 7,594,531	\$ 5,173,199

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, 2016

	Budget	2016	2015
REVENUES			
Provincial grants			
Legislative	\$ 192,812,132	\$ 193,888,664	\$ 193,151,972
Other	1,856,901	3,767,052	4,085,439
Local taxation	56,977,500	57,150,604	57,581,132
School generated funds	6,191,000	5,621,150	5,791,944
Federal grants and fees	4,017,056	4,627,130	4,438,503
Investment income	-	451,947	455,496
Other revenues - School boards	50,000	37,344	20,551
Other fees and revenues	510,181	2,884,733	2,566,181
TOTAL REVENUES	262,414,770	268,428,624	268,091,218
EXPENSES			
Instruction	195,301,407	201,108,254	199,960,401
Administration	6,351,990	6,729,490	6,095,260
Transportation	12,135,655	11,940,879	11,919,246
Pupil accommodation	41,750,471	39,757,060	40,108,188
School generated funds	6,191,000	5,489,500	5,931,832
Other	744,654	982,109	744,654
TOTAL EXPENSES	262,475,177	266,007,292	264,759,581
ANNUAL SURPLUS (DEFICIT)	(60,407)	2,421,332	3,331,637
ACCUMULATED SURPLUS, BEGINNING OF YEAR	5,173,199	5,173,199	1,841,562
ACCUMULATED SURPLUS, END OF YEAR	\$ 5,112,792	\$ 7,594,531	\$ 5,173,199

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, 2016

	2016	2015
OPERATING ACTIVITIES		
Annual surplus	\$ 2,421,332	\$ 3,331,637
Item not requiring cash		
Amortization, write downs and transfers to assets held for sale	11,949,275	10,916,040
	14,370,607	14,247,677
Net change in non-cash working capital balances		
Accounts receivable	(6,381,340)	5,933,795
Assets held for sale	170,000	-
Accounts payable and accrued liabilities	1,973,961	(3,640,447)
Other liabilities	130,148	(153,906)
Deferred revenues	58,374	(2,460,145)
Employee benefits payable	(3,361,209)	(1,862,270)
Prepaid expenses	(146,060)	3,023,821
Cash provided by operating activities	6,814,481	15,088,525
CAPITAL ACTIVITIES		
Additions to tangible capital assets	(14,939,361)	(11,437,190)
Cash used in capital activities	(14,939,361)	(11,437,190)
INVESTING ACTIVITIES		
Increase in investments	(237,595)	(209,000)
Cash used in investing activities	(237,595)	(209,000)
FINANCING ACTIVITIES		
Deferred capital contributions	3,400,644	758,896
Debt repaid and sinking fund contributions	(1,336,363)	(1,275,272)
Cash used in financing activities	2,064,281	(516,376)
CHANGE IN CASH AND CASH EQUIVALENTS, during the year	(6,298,194)	2,925,959
CASH AND CASH EQUIVALENTS, beginning of the year	19,934,322	17,008,363
CASH AND CASH EQUIVALENTS, end of the year	\$ 13,636,128	\$ 19,934,322

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, 2016

	2016	2015
ANNUAL SURPLUS	\$ 2,421,332	\$ 3,331,637
TANGIBLE CAPITAL ASSET ACTIVITY		
Acquisition of tangible capital assets	(14,939,361)	(11,437,190)
Amortization	11,949,275	10,916,040
TOTAL TANGIBLE CAPITAL ASSET ACTIVITY	(2,990,086)	(521,150)
OTHER NON-FINANCIAL ASSET ACTIVITY		
Acquisition of prepaid expenses	(146,060)	3,023,821
TOTAL OTHER NON-FINANCIAL ASSET ACTIVITY	(146,060)	3,023,821
CHANGE IN NET DEBT	(714,814)	5,834,308
NET DEBT, BEGINNING OF YEAR	(158,015,780)	(163,850,088)
NET DEBT, END OF YEAR	\$ (158,730,594)	\$ (158,015,780)

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

LAMBTON KENT DISTRICT SCHOOL BOARD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AUGUST 31, 2016

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, 2016

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

LAMBTON KENT DISTRICT SCHOOL BOARD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AUGUST 31, 2016

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. 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, 2016

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, 2016

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. 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. 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.

(m) PROPERTY TAX REVENUE

Under 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.

LAMBTON KENT DISTRICT SCHOOL BOARD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AUGUST 31, 2016

2. 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 \$45,162,962 (2015 - \$40,135,942) 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:

	2016		2015	
	Cost	Market Value	Cost	Market Value
Mutual Funds	\$ 154,660	\$ 154,534	\$ 430,318	\$ 430,315
Interest bearing investments maturing within one year	2,345,603	2,342,447	2,099,604	2,117,041
Interest bearing investments maturing in more than one year	7,267,560	7,402,649	7,000,306	7,176,634
	\$ 9,767,823	\$ 9,899,630	\$ 9,530,228	\$ 9,723,990

LAMBTON KENT DISTRICT SCHOOL BOARD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AUGUST 31, 2016

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:

	2016	2015
Proceeds of disposition	\$ 407,317	\$ 266,166
Assets held for sale	-	122,600
Special education - equipment ¹	1,879,696	2,005,291
Other - EPO	155,727	501,088
Temporary accommodation	222,324	-
School renewal	880,872	592,417
	<u>\$ 3,545,936</u>	<u>\$ 3,487,562</u>

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, 2016

5. 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 2016, 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, 2016.

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

Liabilities	2016		2015	
	Retirement Gratuities	Other Employee Future Benefits	Total Employee Future Benefits	Total Employee Future Benefits
Accrued employee future benefit obligations at August 31	\$ 21,909,233	\$ 2,733,346	\$ 24,642,579	\$ 26,740,483
Unamortized actuarial gains (losses) at August 31	(2,657,284)	-	(2,657,284)	(1,393,979)
Employee future benefits liability at August 31	\$ 19,251,949	\$ 2,733,346	\$ 21,985,295	\$ 25,346,504

Expense	2016		2015	
	Retirement Gratuities	Other Employee Future Benefits	Total Employee Future Benefits	Total Employee Future Benefits
Current year benefit cost	\$ -	\$ 1,567,703	\$ 1,567,703	\$ 170,650
Current year (gain/loss) less amortization	122,634	20,485	143,119	-
Interest on accrued benefit obligation	574,245	51,204	625,449	749,675
Recognition of unamortized actuarial gains on plan amendments/curtailments	(308,461)	-	(308,461)	42,249
Employee future benefits expense ¹	\$ 388,418	\$ 1,639,392	\$ 2,027,810	\$ 962,574

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, 2016

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, 2016, the Board contributed \$3,096,614 (2015 - \$3,018,055) 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.

(iv) Voluntary Retirement Gratuity Early Payout Provision

During 2015-16, OSSTF, CUPE and ETFO ratified agreements at the local and central level, which included a voluntary retirement gratuity early payout provision. The provision provided union members the option of receiving a discounted frozen retirement gratuity benefit payment by August 31, 2016.

This provision was also made available to all non-unionized school board employees, including principals and vice-principals. These payments were to be made by August 31, 2016.

Some employees opted to receive the early payouts, which were discounted from the current financial statement carrying values. As a result, the reduction in the liability for those members who took the voluntary retirement gratuity early payout option was accompanied by an actuarial gain in the Board's 2015-16 year consolidated financial statements. This resulted in the Board's employee future benefit liability decreasing by \$308,464.

LAMBTON KENT DISTRICT SCHOOL BOARD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AUGUST 31, 2016

5. 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 consolidated financial statements. As at August 31, 2016, the co-operative holds \$4,603 (2015 - \$13,313) in trust for the Board. These funds are not reflected in these consolidated financial statements.

(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 \$141,217 (2015 - \$111,784), 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, 2016.

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, 2016 (2015 - \$5,472,431).

LAMBTON KENT DISTRICT SCHOOL BOARD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AUGUST 31, 2016

5. 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 consolidated financial statements.

At August 31, 2016, the Board had a surplus in the ASO health and dental plan of approximately \$3,100,000 (2015 - \$2,600,000). This balance includes a mandatory deposit reserve in the amount of \$582,000 (2015 - \$582,000).

At August 31, 2016, the Board had a surplus in the refund accounting benefit plan for the life insurance benefits of approximately \$1,100,000 (2015 - \$2,100,000). During the year the Board was granted permission to withdraw funds in the amount of \$614,119 (2015 - \$797,732). Of this amount, \$522,001 (2015 - \$678,071) was reported as revenue and the balance, \$92,118 (2015 - \$119,661), was recorded as a liability payable to the members of the plan. The \$522,001 (2015 - \$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 consolidated financial statements. All benefit related amounts and the utilization of such amounts has been restricted by the Ministry.

Benefit Plan Future Changes

Currently, the Board provides health, dental and life insurance benefits for certain employees and retired individuals from school boards and has assumed liability for payment of benefits under these plans. As part of ratified labour collective agreements for unionized employees that bargain centrally and ratified central discussions with the principals and vice-principals associations, Employee Life and Health Trusts (ELHTs) will be established in 2016-17 for the following employee groups: OSSTF, CUPE, ETFO and non-unionized employees (including principals and vice-principals). The ELHTs will 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 will be provided through a joint governance structure between the bargaining/employee groups, school board trustees associations and the Government of Ontario. Starting September 1, 2017, the Board will no longer be responsible to provide benefits to the above mentioned groups. The Board will transfer to the ELHTs an amount per full-time equivalency based on the 2014-15 actual benefit costs + 8.16% representing inflationary increases for 2015-16 and 2016-17. In addition, the Ministry of Education will provide an additional \$300 per FTE for active employees to the school board. These amounts will then be transferred to the Trust for the provision of employee and retiree benefits.

LAMBTON KENT DISTRICT SCHOOL BOARD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AUGUST 31, 2016

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:

	2016	2015
4.560% Loan payable semi-annually \$370,973 including interest, maturing November, 2031	\$ 8,181,734	\$ 8,538,351
4.900% Loan payable semi-annually \$397,678 including interest, maturing March, 2033	9,033,132	9,373,313
5.062% Loan payable semi-annually \$237,756 including interest, maturing March, 2034	5,539,975	5,727,890
5.232% Loan payable semi-annually \$128,180 including interest, maturing April, 2035	3,054,545	3,147,431
4.833% Loan payable semi-annually \$329,334 including interest, maturing March, 2036	8,339,532	8,586,174
3.564% Loan payable semi-annually \$91,577 including interest, maturing, March, 2037	2,675,355	2,760,866
3.799% Loan payable semi-annually \$31,132 including interest, maturing March, 2038	918,482	945,093
	37,742,755	39,079,118
Less: Amounts due within one year	1,400,398	1,336,362
	\$ 36,342,357	\$ 37,742,756

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
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
2021	1,688,977	1,484,283	3,173,260
	\$ 7,706,440	\$ 8,159,860	\$ 15,866,300

LAMBTON KENT DISTRICT SCHOOL BOARD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AUGUST 31, 2016

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.

	2016	2015
Balance as at August 31	\$ 153,964,596	\$ 153,205,700
Additions to deferred capital contributions	14,939,361	11,267,834
Revenue recognized in the year	(11,538,717)	(10,508,938)
Balance as at August 31	\$ 157,365,240	\$ 153,964,596

8. DEBT CHARGES AND CAPITAL LOANS

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

	2016	2015
Principal payments on long-term liabilities	\$ 2,081,018	\$ 2,019,928
Interest expense on long-term liabilities	1,841,143	1,908,387
	\$ 3,922,161	\$ 3,928,315

9. EXPENSES BY OBJECT

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

	2016 Budget	2016 Actual	2015 Actual
Expenses:			
Salaries and wages	\$ 177,669,201	\$ 182,506,932	\$ 181,408,227
Employee benefits	22,989,525	25,030,732	23,249,204
Staff development	702,648	1,073,022	1,081,040
Supplies and services	30,034,063	25,964,155	28,222,471
Interest charges on capital	1,836,898	1,818,500	1,880,095
Fees and contract services	16,473,709	16,567,201	17,177,496
Other	851,683	1,097,475	825,008
Amortization and write-downs of tangible capital assets	11,917,450	11,949,275	10,916,040
	\$ 262,475,177	\$ 266,007,292	\$ 264,759,581

LAMBTON KENT DISTRICT SCHOOL BOARD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AUGUST 31, 2016

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.

11. 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 consolidated 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	2016		2015	
	Total	Board Portion	Total	Board Portion
Financial assets	\$ 959,000	\$ 167,000	\$ 33,000	\$ 22,000
Financial liabilities	959,000	167,000	33,000	22,000
Accumulated surplus /(Deficit)	\$ -	\$ -	\$ -	\$ -

Operations	2016		2015	
	Total	Board Portion	Total	Board Portion
Revenues	\$ 17,935,000	\$ 11,893,000	\$ 17,710,000	\$ 11,689,000
Expenses	17,935,000	11,893,000	17,710,000	11,689,000
Annual surplus /(Deficit)	\$ -	\$ -	\$ -	\$ -

LAMBTON KENT DISTRICT SCHOOL BOARD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AUGUST 31, 2016

12. CONTRACTUAL OBLIGATIONS AND CONTINGENT LIABILITIES

The Board has been named in various lawsuits. 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, 2016. The total costs to complete these projects are estimated to be approximately \$783,552 (2015 - \$2,037,208). Costs incurred to August 31, 2016 on these capital projects were \$3,087,855 (2015 - \$3,307,899).

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 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 (2015 - \$nil).

14. ACCUMULATED SURPLUS /(DEFICIT)

Accumulated surplus /(deficit) consists of the following:

	2016	2015
Surplus /(Deficit):		
Invested in non-depreciable tangible capital assets	\$ 1,569,969	\$ 1,569,969
Unappropriated	8,262,999	8,262,999
Internally appropriated	16,373,465	16,650,237
Externally appropriated - Employee future benefits	(20,837,233)	(23,385,290)
Externally appropriated - Other	2,225,331	2,075,284
	<u>\$ 7,594,531</u>	<u>\$ 5,173,199</u>

LAMBTON KENT DISTRICT SCHOOL BOARD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AUGUST 31, 2016

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.

16. 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

17. TANGIBLE CAPITAL ASSETS

	2016								
	COST				ACCUMULATED AMORTIZATION				
	Balance September 1, 2015	Additions and Transfers	Disposals and Transfers	Balance August 31, 2016	Balance at September 1, 2015	Amortization	Disposals, Write offs & adjustment	Balance August 31, 2016	Net book Value August 31, 2016
Land	\$ 1,522,569	\$ -	\$ -	\$ 1,522,569	\$ -	\$ -	\$ -	\$ -	\$ 1,522,569
Buildings	263,179,611	10,425,892	-	273,605,503	109,669,063	9,581,080	-	119,250,143	154,355,360
Portable structures	5,039,800	-	-	5,039,800	5,039,800	-	-	5,039,800	-
First-time equipping of schools	1,303,877	-	-	1,303,877	291,029	130,388	-	421,417	882,460
Equipment and furniture	3,191,772	270,292	-	3,462,064	1,741,029	273,778	-	2,014,807	1,447,257
Computer hardware	15,572,042	3,088,435	-	18,660,477	10,831,502	1,773,529	-	12,605,031	6,055,446
Computer software	1,523,786	9,990	-	1,533,776	1,317,752	59,153	-	1,376,905	156,871
Vehicles	860,633	88,437	61,044	888,026	647,299	72,609	61,044	658,864	229,162
Land improvements	349,800	1,056,315	-	1,406,115	11,660	58,738	-	70,398	1,335,717
	\$ 292,543,890	\$ 14,939,361	\$ 61,044	\$ 307,422,207	\$ 129,549,134	\$ 11,949,275	\$ 61,044	\$ 141,437,365	\$ 165,984,842

	2015								
	COST				ACCUMULATED AMORTIZATION				
	Balance September 1, 2014	Additions and Transfers	Disposals and Transfers	Balance August 31, 2015	Balance 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