

Consolidated Financial Statements

Lakehead District School Board

August 31, 2016

Management Report

Management's Responsibility for the Financial Statements

The accompanying financial statements of the Lakehead District School Board have been prepared in compliance with legislation, and in accordance with the Financial Administration Act. A summary of the significant accounting policies are described in note 1 to the financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

Board management maintains a system of internal control designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the financial statements. These systems are monitored and evaluated by management.

The Board meets with management and the external auditors to review the financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the financial statements.

The 2016 financial statements for the Lakehead District School Board have been audited by BDO Canada LLP, independent external auditors appointed by the Board. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the presentation of the information included in the Board's financial statements.

Director of Education

Superintendent of Business

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Independent Auditor's Report

To the Board of Trustees of Lakehead District School Board

We have audited the accompanying consolidated financial statements of Lakehead District School Board, which comprise the consolidated statement of financial position as at August 31, 2016, the consolidated statements of operations and accumulated deficit, 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.

Auditor's 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 our judgment, 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, we consider 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 in our audit is sufficient and appropriate to provide a basis for our qualified audit opinion.

Independent Auditor's Report (cont'd)

Basis for Qualified Opinion

In common with many school boards, Lakehead District School Board derives revenue from school fundraising activities, 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 Lakehead District School Board. Therefore, we were not able to determine whether any adjustments might be necessary to school generated funds revenue, annual surplus and cash flows from operations for the year ended August 31, 2016, financial assets as at August 31, 2016 and accumulated deficit as at September 1, 2015 and August 31, 2016. The previous auditor's audit opinion on the financial statements for the year ended August 31, 2015 was modified accordingly because of the possible effects of this limitation in scope.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the consolidated financial statements of Lakehead District School Board 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.

Other Matter

The consolidated financial statements of the Lakehead District School Board for the year ended August 31, 2015 were audited by another auditor who expressed a qualified opinion on those statements on November 24, 2015.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Thunder Bay, Ontario
November 22, 2016

Lakehead District School Board Consolidated Statement of Financial Position

Statement 1

As at August 31	2016	2015
	\$	\$
	<i>[Thousands of Dollars]</i>	
FINANCIAL ASSETS		
Cash and cash equivalents	6,025	8,617
Investments <i>[note 2]</i>	10,635	10,489
Accounts receivable	8,166	7,170
Accounts receivable – Government of Ontario approved capital <i>[note 3]</i>	39,182	38,351
TOTAL FINANCIAL ASSETS	64,008	64,627
LIABILITIES		
Accounts payable and accrued liabilities	7,700	7,406
Other liabilities	206	241
Long-term debt <i>[note 7]</i>	36,836	38,018
Deferred revenue <i>[note 4]</i>	9,706	7,973
Retirement and other employee future benefits liabilities <i>[note 6]</i>	16,259	16,922
Deferred capital contributions <i>[note 5]</i>	109,219	112,638
TOTAL FINANCIAL LIABILITIES	179,926	183,198
NET DEBT	(115,918)	(118,571)
NON-FINANCIAL ASSETS		
Prepaid expenses	87	27
Tangible capital assets – net <i>[note 11]</i>	113,060	115,680
TOTAL NON-FINANCIAL ASSETS	113,147	115,707
ACCUMULATED DEFICIT <i>[note 12]</i>	(2,771)	(2,864)

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

On behalf of the Board:

Director of Education

Chair of the Board

Lakehead District School Board Statement 2

Consolidated Statement of Operations and Accumulated Deficit

Year ended August 31	2016	2016	2015
	Budget	Actual	Actual
	(Unaudited)		
	<i>Note 1</i>		
	\$	\$	\$
	<i>[Thousands of Dollars]</i>		
REVENUES			
Provincial legislative grants	111,111	112,424	112,916
Provincial grants – other	15	2,976	2,495
School generated funds	1,872	1,872	1,962
Federal grants and fees	2,749	2,332	2,437
Investment income	216	264	320
Other revenues – school boards	117	95	96
Other fees and revenues	1,272	2,315	1,835
Amortization of deferred capital contributions	7,243	7,214	7,007
TOTAL REVENUES	124,595	129,492	129,068
EXPENSES			
Instruction	88,606	93,206	93,281
Administration	4,672	5,157	4,678
Transportation	6,037	5,817	6,085
Pupil accommodation	22,967	23,284	22,684
School generated funds	1,911	1,836	1,993
Other	99	99	123
TOTAL EXPENSES [NOTE 10]	124,292	129,399	128,844
Annual surplus	303	93	224
Accumulated deficit, beginning of year	(2,864)	(2,864)	(3,088)
Accumulated deficit, end of year	(2,561)	(2,771)	(2,864)

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

Lakehead District School Board Consolidated Statement of Cash Flows

Statement 3

Year ended August 31	2016	2015
	\$	\$
	<i>[Thousands of Dollars]</i>	
OPERATIONS		
Annual surplus	93	224
Non-cash charges		
Amortization of tangible capital assets	7,345	7,089
Loss on disposal of tangible capital assets	—	24
Amortization of deferred capital contributions	(7,214)	(6,983)
Increase (decrease) in retirement and other employee future benefits liabilities	(663)	533
Net change in non-cash working capital balances		
Increase in accounts receivable	(996)	(1,399)
(Increase) decrease in accounts receivable – Government of Ontario approved capital	(831)	1,569
Increase (decrease) in accounts payable and accrued liabilities	294	(67)
(Decrease) increase in other liabilities	(35)	38
Increase (decrease) in deferred revenue	1,733	(284)
(Increase) decrease in prepaid expenses	(60)	27
Cash (applied to) provided by operating transactions	(334)	771
INVESTING TRANSACTIONS		
Increase in investments	(146)	(153)
Cash applied to investing transactions	(146)	(153)
CAPITAL TRANSACTIONS		
Acquisition of tangible capital assets	(4,725)	(6,964)
Cash applied to capital transactions	(4,725)	(6,964)
FINANCING TRANSACTIONS		
Long-term debt issued	—	375
Principal payments on long-term debt	(1,182)	(1,183)
Grants received – deferred capital contributions	3,795	5,944
Revenue recovery – loss on disposal of tangible capital assets	—	(24)
Cash provided by financing transactions	2,613	5,112
CHANGE IN CASH AND CASH EQUIVALENTS	(2,592)	(1,234)
Opening cash and cash equivalents	8,617	9,851
Closing cash and cash equivalents	6,025	8,617

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

Lakehead District School Board Statement 4

Consolidated Statement of Change in Net Debt

Year ended August 31	2016	2016	2015
	Budget	Actual	Actual
	(Unaudited)		
	Note 1		
	\$	\$	\$
	<i>[Thousands of Dollars]</i>		
Annual surplus	303	93	224
Acquisition of tangible capital assets	(7,526)	(4,725)	(6,964)
Amortization of tangible capital assets	7,243	7,345	7,089
Loss on disposal of tangible capital assets	—	—	24
Use (acquisition) of prepaid expenses	—	(60)	27
	(283)	2,560	176
Decrease in net debt	20	2,653	400
Net debt, beginning of year	—	(118,571)	(118,971)
Net debt, end of year	20	(115,918)	(118,571)

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

Lakehead District School Board

Notes to the Consolidated Financial Statements

August 31, 2016

[Thousands of Dollars]

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Lakehead District School Board are prepared by 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 and Accumulated Deficit 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 requires 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.

Lakehead District School Board

Notes to the Consolidated Financial Statements

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[Thousands of Dollars]

As a result, revenue recognized in the Consolidated Statement of Operations and Accumulated Deficit and certain related deferred revenues and deferred capital contributions would be recorded differently under Canadian Public Sector Accounting Standards.

[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.

Consolidated entities

School Generated Funds

Interdepartmental and interorganizational transactions and balances between these organizations are eliminated.

[c] Trust funds

Trust funds and their related operations administered by the Board have not been included in the consolidated financial statements as they are not controlled by the Board.

[d] Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and demand deposits.

[e] Investments

Temporary investments consist of marketable securities which are liquid short-term investments with maturities of between three months and one year at the date of acquisition, and are carried on the Consolidated Statement of Financial Position at the lower of cost or market value.

[f] 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 expenditures are incurred or services performed.

Lakehead District School Board

Notes to the Consolidated Financial Statements

August 31, 2016

[Thousands of Dollars]

[g] 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 contribution 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; and
- Property taxation revenues which were historically used to fund capital assets.

[h] 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, dental benefits, retirement gratuity, worker's compensation and long-term disability benefits. In 2012, changes were made to the Board's retirement gratuity plan and sick leave plan. 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 cost trends, disability recovery rates, long-term inflation rates and discount rates. In prior years, the cost of retirement gratuities that vested or accumulated over the periods of service provided by the employee were actuarially determined using management's best estimate of salary escalation, accumulated sick days at retirement and discount rates. As a result of the plan change, 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. The changes resulted in a plan curtailment and any unamortized actuarial gains and losses are recognized as at August 31, 2012. 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 accumulate over the periods of service provided by employees, such as retirement gratuities and sick days, 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.

Lakehead District School Board

Notes to the Consolidated Financial Statements

August 31, 2016

[Thousands of Dollars]

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 (OMERS) 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.

[I] Tangible capital assets

Tangible capital assets are recorded at historical cost less accumulated amortization. Historical cost includes amounts that are directly attributable 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:

Land improvements with finite lives	15 years
Buildings and building improvements	40 years
Portable structures	20 years
Other buildings	20 years
First-time equipping of schools	10 years
Furniture	10 years
Equipment	5 - 15 years
Computer hardware	5 years
Computer software	5 years
Vehicles	5 - 10 years
Leasehold improvements	over the lease term

Assets under construction are not amortized until the asset is available for productive use.

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[Thousands of Dollars]

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

Works of art and cultural and historic assets are not recorded as assets in these consolidated financial statements.

[j] 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, and 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 that 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.

[k] 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 balances.

[l] 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 with the guidelines of the funding model. Given differences between the funding model and the basis of accounting used by the school board in the preparation of the financial statements, the budget figures presented have been adjusted to conform with this basis of accounting as it is used to prepare the consolidated financial statements. The budget figures are unaudited.

Lakehead District School Board

Notes to the Consolidated Financial Statements

August 31, 2016

[Thousands of Dollars]

[m] Use of estimates

The preparation of 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. Actual results could differ from these estimates. Use of estimates include the useful lives of tangible capital assets, actuarial assumption for retirement and other employee future benefit liabilities and the allowance for doubtful accounts.

[n] Property tax revenue

Under Public Sector Accounting Standards, the entity that determines and sets the tax levy records the revenue in the 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 the Provincial Legislative Grants.

2. INVESTMENTS

Investments are recorded at cost. The total market value of the Board's investments at August 31, 2016 was approximately \$10,635 [2015 - \$10,489]. The Board's investments are comprised of cash and Guaranteed Investment Certificates.

3. ACCOUNTS RECEIVABLE – GOVERNMENT OF ONTARIO APPROVED CAPITAL

The Province of Ontario has replaced variable capital funding with a one-time debt support grant in 2009-10. The Board received a one-time grant that recognizes capital and unfunded debt as of August 31, 2010 that is supported by the existing capital programs. The Board will receive this grant in cash over the remaining term of the existing capital debt instruments. The Board may also receive yearly capital grants to support capital programs which would be reflected in this account receivable.

As at August 31, 2016, the Board has a receivable from the Province of Ontario of \$39,182 [2015 - \$38,351] with respect to capital grants.

Lakehead District School Board

Notes to the Consolidated Financial Statements

August 31, 2016

[Thousands of Dollars]

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 year-end is comprised of:

	Balance as at August 31, 2015 \$	Externally restricted revenue and investment income \$	Revenue recognized in period \$	Transfers to deferred capital contributions \$	Balance as at August 31, 2016 \$
Gain on disposal of tangible capital assets	4,078	—	—	—	4,078
Distant school	228	—	—	—	228
Education Programs - Other	280	—	280	—	—
Education Programs – OLE	45	—	45	—	—
Child care retrofit	37	—	—	37	—
School renewal	2,359	2,572	—	595	4,336
Other grants	917	118	—	—	1,035
Pupil accommodation	29	—	—	—	29
	7,973	2,690	325	632	9,706

5. DEFERRED CAPITAL CONTRIBUTIONS

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.

	2016 \$	2015 \$
Opening balance	112,638	113,701
Additions to deferred capital contributions	3,795	5,920
Amortization	(7,214)	(6,983)
	109,219	112,638

Lakehead District School Board

Notes to the Consolidated Financial Statements

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[Thousands of Dollars]

6. RETIREMENT AND OTHER EMPLOYEE FUTURE BENEFITS

Retirement and Other Employee Future Benefits Liabilities

	2016			2015
	Retirement Benefits	Other Employee Future Benefits	Total Employee Future Benefits	Total Employee Future Benefits
	\$	\$	\$	\$
Accrued employee future benefits obligations	7,167	10,116	17,283	17,666
Unamortized actuarial losses	(1,024)	—	(1,024)	(744)
Employee future benefits liabilities	6,143	10,116	16,259	16,922

Retirement and Other Employee Future Benefits Expenses

	2016			2015
	Retirement Benefits	Other Employee Future Benefits	Total Employee Future Benefits	Total Employee Future Benefits
	\$	\$	\$	\$
Current year benefit cost	—	1,597	1,597	2,741
Interest on accrued benefit obligation	(129)	233	104	457
Change due to voluntary payout	186	—	186	—
Recognition of unamortized actuarial losses on plan amendments	75	(23)	52	21
Employee future benefits expenses*	132	1,807	1,939	3,219
Benefit payments	(1,119)	(1,483)	(2,602)	(2,686)
Change in employee future benefits	(987)	324	(663)	533

* Retirement gratuity benefits are being amortized over the Employee Average Remaining Service Life (EARSL), which has been determined to be 10.9 years.

* Excluding pension contributions to the OMERS, a multi-employer pension plan, described below.

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[Thousands of Dollars]

Actuarial Assumptions

The accrued benefit obligations for employee future benefit plans as at August 31, 2016 are based on actuarial valuations for accounting purposes as at August 31, 2016. These actuarial valuations were based on assumptions about future events. These valuations take into account the plan changes outlined above and the economic assumptions used in these valuations are the Board's best estimates of expected rates of:

	2016 %	2015 %
Inflation	1.5	1.5
Wage and salary escalation	0	0
Health and dental care cost escalation	3.0 – 8.0	3.0 – 8.5
Discount on accrued benefit obligations	2.05	2.45

Retirement Benefits

[i] Ontario Teacher's Pension Plan

Teachers and related employee groups are eligible to be members of Ontario Teacher's 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 \$1,920 [2015 - \$1,903] 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.

Lakehead District School Board

Notes to the Consolidated Financial Statements

August 31, 2016

[Thousands of Dollars]

1. Voluntary Retirement Gratuity Early Payout Provision

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

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

Some employees took 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 option was accompanied by actuarial gains in the board's 2015-16 year-end financial statements. This resulted in the board's future benefit liability decreasing by \$681.

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. The Board has accumulated \$750 [2015 - \$750] in a reserve fund to assist with financing future claims and the insurance deductible on catastrophic claims.

[ii] Long-Term Disability, Dental and Health Benefits

Currently, the Board administers benefits through a health and welfare trust. The Board provides long-term disability benefits including partial salary compensation and payment of life insurance premiums and health care benefits during the period an employee is unable to work or until their normal retirement date. The Board also provides dental and extended health benefits to active employees. The Board provides these benefits through an unfunded defined benefit plan. The benefit costs and liabilities related to these plans are included in the Board's consolidated financial statements. The Board has accumulated assets of \$5,872 [2015 - \$6,255] in a trust fund to assist with financing future claims and rate fluctuations.

Lakehead District School Board

Notes to the Consolidated Financial Statements

August 31, 2016

[Thousands of Dollars]

[iii] Sick Leave 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 \$(15) [2015 - \$7].

For accounting purposes, the valuation of the accrued benefit obligation for the sick leave top-up is based on actuarial assumptions about future events determined as at August 31, 2016 (the date at which the probabilities of usage were determined) and is based on the average daily salary and banked sick days of employees as at August 31, 2016.

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: ETFO, OSSTF, OSSTF-EW, CUPE, OCEW, 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. As of 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.

Lakehead District School Board

Notes to the Consolidated Financial Statements

August 31, 2016

[Thousands of Dollars]

7. LONG-TERM DEBT

Long-term debt reported on the Consolidated Statement of Financial Position is comprised of the following:

	2016 \$	2015 \$
Ontario Financing Authority		
Fixed rate term loan payable in blended semi-annual instalments of \$192,974 at 4.56%, maturing November, 2031.	4,256	4,442
Fixed rate term loan payable in blended semi-annual instalments of \$16,141 at 4.90%, maturing March, 2033.	367	380
Fixed rate term loan payable in blended semi-annual instalments of \$38,371 at 5.06%, maturing March, 2034.	894	924
Fixed rate term loan payable in blended semi-annual instalments of \$1,210,794 at 5.23%, maturing April, 2035.	28,853	29,731
Fixed rate term loan payable in blended semi-annual instalments of \$41,524 at 4.83%, maturing March, 2036.	1,051	1,083
Fixed rate term loan payable in blended semi-annual instalments of \$37,691 at 3.97%, maturing November, 2036.	1,051	1,083
Fixed rate term loan payable in blended semi-annual instalments of \$10,751 at 2.99%, maturing March, 2040.	364	375
	36,836	38,018

Lakehead District School Board

Notes to the Consolidated Financial Statements

August 31, 2016

[Thousands of Dollars]

Principal payments relating to long-term debt of \$36,836, outstanding as at August 31, 2016, are due as follows:

	Principal \$	Interest \$	Total \$
2017	1,242	1,839	3,081
2018	1,305	1,776	3,081
2019	1,372	1,710	3,082
2020	1,442	1,640	3,082
2021	1,516	1,567	3,083
Thereafter	29,959	11,854	41,813
	36,836	20,386	57,222

8. TEMPORARY BORROWING

The Board has lines of credit available to a maximum of \$33.5 million to address operating requirements and/or bridge capital expenditures.

Interest on the operating facilities equal the bank's prime lending rate less 1%. All loans are unsecured and due on demand.

As at August 31, 2016, the amount drawn under the operating facility was \$nil [2015 - \$nil].

9. DEBT CHARGES AND CAPITAL LOANS

Total payments for the year for long-term debt are as follows:

	2016 \$	2015 \$
Principal payments on long-term debt	1,182	1,183
Interest payments on long-term debt	1,915	1,945
	3,097	3,128

Lakehead District School Board

Notes to the Consolidated Financial Statements

August 31, 2016

[Thousands of Dollars]

10. EXPENSES BY OBJECT

The following is a summary of the expenses reported on the Consolidated Statement of Operations and Accumulated Deficit by object:

	2016 Budget \$	2016 Actual \$	2015 Actual \$
	<i>(Unaudited)</i>		
	<i>Note 1</i>		
Expenses			
Salaries and wages	82,386	85,350	83,968
Employee benefits	13,913	14,063	14,936
Staff development	294	924	976
Supplies and services	11,325	12,261	12,173
Interest	1,915	1,939	1,967
Fees and contracted services	6,983	6,904	7,081
Other	172	613	630
Amortization of tangible capital assets	7,304	7,345	7,089
Loss on disposal of tangible capital assets	—	—	24
	124,292	129,399	128,844

Lakehead District School Board
Notes to the Consolidated Financial Statements

August 31, 2016

[Thousands of Dollars]

11. TANGIBLE CAPITAL ASSETS - NET

	<u>Cost</u>				<u>Accumulated Amortization</u>					<u>Net Book Value</u>	
	Balance Sept. 1, 2015 \$	Additions and transfers \$	Disposals \$	Transfers from assets held for sale \$	Balance Sept. 1, 2015 \$	Amortization \$	Disposals, write-offs, adjustment \$	Transfer from assets for sale \$	Balance Aug. 31, 2016 \$	Aug. 31, 2016 \$	Aug. 31, 2015
Land	1,021	—	—	—	—	—	—	—	—	1,021	1,021
Land improvements	3,058	693	—	—	1,249	266	—	—	1,515	2,236	1,809
Buildings	180,251	3,608	—	—	70,587	6,037	—	—	76,624	107,235	109,664
Furniture and equipment	9,991	368	1,278	—	6,843	1,008	1,278	—	6,573	2,508	3,148
Vehicles	385	34	—	—	347	32	—	—	379	40	38
Leasehold Improvements	—	22	—	—	—	2	—	—	2	20	—
Total	194,706	4,725	1,278	—	79,026	7,345	1,278	—	85,093	113,060	115,680

Lakehead District School Board

Notes to the Consolidated Financial Statements

August 31, 2016

[Thousands of Dollars]

12. ACCUMULATED DEFICIT

Accumulated deficit consists of the following:

	2016	2015
	\$	\$
Surplus (deficit)		
Operating surplus available for compliance	3,471	4,723
Amounts restricted for future use by Board motion	7,126	6,732
Unfunded amounts to be recovered	(15,001)	(15,916)
School generated funds	612	576
Revenues recognized for land	1,021	1,021
Total deficit	(2,771)	(2,864)

13. INTERNALLY RESTRICTED SURPLUSES

Restricted amounts are made up of the following:

	2016	2015
	\$	\$
Retirement gratuity	807	1,172
Archives	20	20
Transition assistance	32	32
Old Fort William	73	72
Demutualization	915	901
WSIB	750	750
Facility stabilization	440	440
Board capital – other needs	306	506
Financial stabilization	1,948	1,864
Committed capital	1,835	975
	7,126	6,732

14. TRUST FUNDS

Trust funds administered by the Board amounting to \$810 [2015 - \$815] have not been included in the Consolidated Statement of Financial Position, nor have their operations been included in the Consolidated Statement of Operations and Accumulated Deficit.

15. CONTINGENCIES

In the ordinary course of business, there are outstanding claims against the Board for which the amount of the settlement, if any, is not determinable at this time. These contingencies will be recognized in the financial statements as liabilities and expenses, net of insurance proceeds where applicable, when it is determined that the claims are likely and are reasonably estimable.

Lakehead District School Board

Notes to the Consolidated Financial Statements

August 31, 2016

[Thousands of Dollars]

16. ONTARIO SCHOOL BOARD INSURANCE EXCHANGE (OSBIE)

The Board is a member of the Ontario School Board Insurance Exchange (OSBIE), a reciprocal insurance company licenced under the Insurance Act. OSBIE insures general public liability, property damage and certain other risks. Liability insurance is available to a maximum of \$20 million per occurrence.

The ultimate premiums over a five-year period are based on the reciprocals 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.

17. PARTNERSHIP IN STUDENT TRANSPORTATION SERVICES OF THUNDER BAY

The Board has entered into an agreement with the Thunder Bay Catholic District School Board and Conseil Scolaire de District Catholique des Aurores boréales in order to provide common administration of student transportation in the Region. This agreement was executed in an effort to increase delivery efficiency and cost effectiveness of student transportation for each of the Boards. Under the agreement, decisions related to the financial and operating activities member Boards are shared. No partner is in a position to exercise unilateral control.

The Board's consolidated financial statements reflect its pro-rata share of expenses.

18. REPAYMENT OF "55 SCHOOL BOARD TRUST" FUNDING

On June 1, 2003, the Board received \$1,329,731 from 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. 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, 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.