

Consolidated Financial Statements

Lakehead District School Board

August 31, 2015

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 2015 financial statements for the Lakehead District School Board have been audited by Grant Thornton 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

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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, 2015 and 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 the auditor's 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, the auditor considers internal control relevant to the Board'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 Board'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.

Basis for qualified opinion

In common with many school boards, individual schools derive revenue from school fundraising activities held throughout the year. Adequate documentation and controls were not in place throughout the year to allow us to obtain satisfactory audit verification as to the completeness of these revenues. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the individual schools and we were not able to determine whether adjustments might be necessary to school fundraising revenue, annual deficit, and cash flows from operating activities for the year ended August 31, 2015.

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 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.

Grant Thornton LLP

Thunder Bay, Canada
November 24, 2015

Chartered Professional Accountants
Licensed Public Accountants

Lakehead District School Board

Consolidated Statement of Financial Position

Statement 1

As at August 31

2015

2014

\$

\$

[Thousands of Dollars]

FINANCIAL ASSETS

Cash and cash equivalents	8,617	9,851
Investments <i>[note 2]</i>	10,489	10,336
Accounts receivable	7,170	5,771
Accounts receivable – Government of Ontario approved capital <i>[note 3]</i>	38,351	39,920
TOTAL FINANCIAL ASSETS	64,627	65,878

LIABILITIES

Accounts payable and accrued liabilities	7,406	7,473
Other liabilities	241	203
Long-term debt <i>[note 7]</i>	38,018	38,826
Deferred revenue <i>[note 4]</i>	7,973	8,257
Retirement and other employee future benefits liabilities <i>[note 6]</i>	16,922	16,389
Deferred capital contributions <i>[note 5]</i>	112,638	113,701
TOTAL FINANCIAL LIABILITIES	183,198	184,849

NET DEBT

(118,571) (118,971)

NON-FINANCIAL ASSETS

Prepaid expenses	27	54
Tangible capital assets – net <i>[note 11]</i>	115,680	115,829
TOTAL NON-FINANCIAL ASSETS	115,707	115,883

ACCUMULATED DEFICIT *[note 12]*

(2,864) (3,088)

See accompanying notes to the 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	2015	2015	2014
	Budget	Actual	Actual
	\$	\$	\$
<i>[Thousands of Dollars]</i>			
REVENUES			
Provincial legislative grants	109,972	112,916	106,862
Provincial grants – other	13	2,495	7,984
School Generated Funds	1,711	1,962	1,872
Federal grants and fees	3,094	2,437	2,906
Investment income	270	320	339
Other revenues – School boards	116	96	126
Other fees and revenues	1,285	1,835	1,723
Amortization of deferred capital contributions	7,008	7,007	6,587
TOTAL REVENUES	123,469	129,068	128,399
EXPENSES			
Instruction	87,702	93,281	95,283
Administration	4,551	4,678	4,855
Transportation	6,142	6,085	6,079
Pupil accommodation	23,364	22,684	21,606
School Generated Funds	1,693	1,993	1,911
Other	99	123	154
TOTAL EXPENSES [NOTE 10]	123,551	128,844	129,888
Annual surplus (deficit)	(82)	224	(1,489)
Accumulated deficit, beginning of year	(3,088)	(3,088)	(1,599)
Accumulated deficit, end of year	(3,170)	(2,864)	(3,088)

See accompanying notes to the consolidated financial statements.

Lakehead District School Board

Consolidated Statement of Cash Flows

Statement 3

Year ended August 31

2015

2014

\$

\$

[Thousands of Dollars]

OPERATIONS

Annual surplus (deficit)	224	(1,489)
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Non-cash charges

Amortization of tangible capital assets	7,089	6,647
Loss on disposal of tangible capital assets	24	63
Amortization of deferred capital contributions	(6,983)	(6,587)
Increase (decrease) in retirement and other employee future benefits liabilities	533	(494)

Net change in non-cash working capital balances

Increase (decrease) in accounts receivable	(1,399)	538
Decrease in accounts receivable – Government of Ontario approved capital	1,569	1,829
(Decrease) increase in accounts payable and accrued liabilities	(67)	336
Increase (decrease) in other liabilities	38	(27)
Decrease in deferred revenue	(284)	(492)
Increase (decrease) in prepaid expenses	27	(30)

Cash provided by operating transactions	771	294
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INVESTING TRANSACTIONS

Decrease in investments	(153)	(147)
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Cash applied to investing transactions	(153)	(147)
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CAPITAL TRANSACTIONS

Acquisition of tangible capital assets	(6,964)	(5,976)
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Cash applied to capital transactions	(6,964)	(5,976)
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FINANCING TRANSACTIONS

Long-term debt issued	375	—
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Principal payments on long-term debt	(1,183)	(1,498)
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Grants received – deferred capital contributions	5,944	5,976
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Revenue recovery – loss on disposal of tangible capital assets	(24)	(63)
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Cash provided by financing transactions	5,112	4,415
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CHANGE IN CASH AND CASH EQUIVALENTS

	(1,234)	(1,414)
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Opening cash and cash equivalents	9,851	11,265
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Closing cash and cash equivalents	8,617	9,851
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See accompanying notes to the consolidated financial statements.

Lakehead District School Board

Statement 4

Consolidated Statement of Change in Net Debt

Year ended August 31	2015	2015	2014
	Budget	Actual	Actual
	\$	\$	\$
<i>[Thousands of Dollars]</i>			
Annual surplus (deficit)	(82)	224	(1,489)
Acquisition of tangible capital assets	(5,743)	(6,964)	(5,976)
Amortization of tangible capital assets	7,008	7,089	6,647
Loss on disposal of tangible capital assets	—	24	63
Use (acquisition) of prepaid expenses	—	27	(30)
	1,265	176	704
Decrease (increase) in net debt	1,183	400	(785)
Net debt, beginning of year	—	(118,971)	(118,186)
Net debt, end of year	1,183	(118,571)	(118,971)

See accompanying notes to the consolidated financial statements.

Lakehead District School Board

Notes to the Consolidated Financial Statements

August 31, 2015

[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

August 31, 2015

[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, 2015

[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, sick days and 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.

Lakehead District School Board

Notes to the Consolidated Financial Statements

August 31, 2015

[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.

Lakehead District School Board

Notes to the Consolidated Financial Statements

August 31, 2015

[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.

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.

[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, 2015

[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.

[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, 2015 was approximately \$10,489 [2014 - \$10,336]. The Board's investments are comprised of cash and Guaranteed Investment Certificates.

3. ACCOUNTS RECEIVABLE – GOVERNMENT OF ONTARIO

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, 2015, the Board has a receivable from the Province of Ontario of \$38,351 [2014 - \$39,920] with respect to capital grants.

Lakehead District School Board

Notes to the Consolidated Financial Statements

August 31, 2015

[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, 2014 \$	Externally restricted revenue and investment income \$	Revenue recognized in period \$	Transfers to deferred capital contributions \$	Balance as at August 31, 2015 \$
Gain on disposal of tangible capital assets	4,174	—	—	96	4,078
Distant school	228	—	—	—	228
Education Programs - Other	—	2,510	—	2,230	280
Education Programs – Other	266	115	—	381	—
Full Day Kindergarten	199	—	—	199	—
Education Programs – OLE	—	147	—	102	45
Child care retrofit	412	14	—	389	37
School renewal	1,877	2,438	—	1,956	2,359
Other grants	1,064	—	147	—	917
Pupil accommodation	29	—	—	—	29
Teacherage	8	—	—	8	—
	8,257	5,224	147	5,361	7,973

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.

	2015 \$	2014 \$
Opening balance	113,701	114,375
Additions to deferred capital contributions	5,920	5,913
Amortization	(6,983)	(6,587)
	112,638	113,701

Lakehead District School Board

Notes to the Consolidated Financial Statements

August 31, 2015

[Thousands of Dollars]

6. RETIREMENT AND OTHER EMPLOYEE FUTURE BENEFITS

Retirement and Other Employee Future Benefits Liabilities

	2015			2014
	Retirement Benefits	Other Employee Future Benefits	Total Employee Future Benefits	Total Employee Future Benefits
	\$	\$	\$	\$
Accrued employee future benefits obligations	7,874	9,792	17,666	16,626
Unamortized actuarial losses	(744)	—	(744)	(237)
Employee future benefits liabilities	7,130	9,792	16,922	16,389

Retirement and Other Employee Future Benefits Expenses

	2015			2014
	Retirement Benefits	Other Employee Future Benefits	Total Employee Future Benefits	Total Employee Future Benefits
	\$	\$	\$	\$
Current year benefit cost	—	2,741	2,741	1,275
Interest on accrued benefit obligation	218	239	457	525
Curtailment gain	—	—	—	136
Recognition of unamortized actuarial losses on plan amendments	21	—	21	(17)
Employee future benefits expenses*	239	2,980	3,219	1,919
Benefit payments	(1,072)	(1,614)	(2,686)	(2,413)
Change in employee future benefits	(833)	1,366	533	(494)

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

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

Lakehead District School Board

Notes to the Consolidated Financial Statements

August 31, 2015

[Thousands of Dollars]

Actuarial Assumptions

The accrued benefit obligations for employee future benefit plans as at August 31, 2015 are based on actuarial valuations for accounting purposes as at August 31, 2015. 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:

	2015 %	2014 %
Inflation	1.5	2.0
Wage and salary escalation	0	0
Insurance and health care cost escalation	3.0 – 8.5	3.0 – 8.5
Discount on accrued benefit obligations	2.45	2.85

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, 2015, the Board contributed \$1,903 [2014 - \$1,905] 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, 2015

[Thousands of Dollars]

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 [2014 - \$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 \$6,255 [2014 - \$6,393] in a trust fund to assist with financing future claims and rate fluctuations.

An outcome of the most recent round of contract negotiations is that benefits (excluding long-term disability) will be moving to union and federation controlled trusts, and will no longer be managed at the Board level. The Board's current health and welfare trust needs to be closed because of this. It is expected that these changes will be in effect by September, 2017.

[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 \$7 [2014 - \$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, 2015 (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, 2015.

Lakehead District School Board

Notes to the Consolidated Financial Statements

August 31, 2015

[Thousands of Dollars]

7. LONG-TERM DEBT

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

	2015 \$	2014 \$
Royal Bank of Canada		
Fixed rate term loan repayable in blended monthly instalments of \$37,526 at 3.87%, maturing November, 2014.	—	69
Ontario Financing Authority		
Fixed rate term loan payable in blended semi-annual instalments of \$192,974 at 4.56%, maturing November, 2031.	4,442	4,619
Fixed rate term loan payable in blended semi-annual instalments of \$16,141 at 4.90%, maturing March, 2033.	380	394
Fixed rate term loan payable in blended semi-annual instalments of \$38,371 at 5.06%, maturing March, 2034.	924	953
Fixed rate term loan payable in blended semi-annual instalments of \$1,210,794 at 5.23%, maturing April, 2035.	29,731	30,564
Fixed rate term loan payable in blended semi-annual instalments of \$41,524 at 4.83%, maturing March, 2036.	1,083	1,112
Fixed rate term loan payable in blended semi-annual instalments of \$37,691 at 3.97%, maturing November, 2036.	1,083	1,115
Fixed rate term loan payable in blended semi-annual instalments of \$10,791 at 2.99%, maturing March, 2040.	375	—
	38,018	38,826

Lakehead District School Board

Notes to the Consolidated Financial Statements

August 31, 2015

[Thousands of Dollars]

Principal payments relating to long-term debt of \$38,018, outstanding as at August 31, 2015, are due as follows:

	Principal \$	Interest \$	Total \$
2016	1,181	1,899	3,080
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
Thereafter	31,476	13,421	44,897
	38,018	22,285	60,303

8. TEMPORARY BORROWING

The Board has lines of credit available to the maximum of \$65 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, 2015, the amount drawn under the operating facility was \$nil [2014 - \$nil].

9. DEBT CHARGES AND CAPITAL LOANS

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

	2015 \$	2014 \$
Principal payments on long-term debt	1,183	1,498
Interest payments on long-term debt	1,945	2,028
	3,128	3,526

Lakehead District School Board

Notes to the Consolidated Financial Statements

August 31, 2015

[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:

	2015 Budget \$	2015 Actual \$	2014 Actual \$
Expenses			
Salaries and wages	81,293	83,968	85,953
Employee benefits	14,279	14,936	13,937
Staff development	295	976	1,231
Supplies and services	11,449	12,173	12,322
Interest	1,962	1,967	2,038
Fees and contracted services	6,979	7,081	7,012
Other	226	630	685
Amortization of tangible capital assets	7,068	7,089	6,647
Loss on disposal of tangible capital assets	—	24	63
	123,551	128,844	129,888

Lakehead District School Board

Notes to the Consolidated Financial Statements

August 31, 2015

[Thousands of Dollars]

11. TANGIBLE CAPITAL ASSETS - NET

	Cost				Accumulated Amortization					Net Book Value		
	Balance Sept. 1, 2014 \$	Additions and transfers \$	Disposals \$	Transfers from assets held for sale \$	Balance Aug. 31, 2015 \$	Balance Sept. 1, 2014 \$	Amortization \$	Disposals, write-offs, adjustment \$	Transfer from assets for sale \$	Balance Aug. 31, 2015 \$	Aug. 31, 2015 \$	Aug. 31, 2014
Land	1,021	—	—	—	1,021	—	—	—	—	—	1,021	1,021
Land improvements	2,685	373	—	—	3,058	1,036	213	—	—	1,249	1,809	1,649
Buildings	174,513	5,785	47	—	180,251	64,827	5,783	23	—	70,587	109,664	109,686
Furniture and equipment	9,185	806	—	—	9,991	5,796	1,047	—	—	6,843	3,148	3,389
Vehicles	385	—	—	—	385	301	46	—	—	347	38	84
Total	187,789	6,964	47	—	194,706	71,960	7,089	23	—	79,026	115,680	115,829

Lakehead District School Board

Notes to the Consolidated Financial Statements

August 31, 2015

[Thousands of Dollars]

12. ACCUMULATED DEFICIT

Accumulated deficit consists of the following:

	2015 \$	2014 \$
Surplus (deficit)		
Operating surplus available for compliance	4,723	4,944
Amounts restricted for future use by Board motion	6,732	6,701
Unfunded amounts to be recovered	(15,916)	(16,361)
School Generated Funds	576	607
Revenues recognized for land	1,021	1,021
Total deficit	(2,864)	(3,088)

13. RESTRICTED SURPLUSES

Restricted amounts are made up of the following:

	2015 \$	2014 \$
Retirement gratuity	1,172	1,154
Archives	20	20
Transition assistance	32	32
Old Fort William	72	71
Demutualization	901	888
WSIB	750	750
Facility stabilization	440	440
Board capital – other needs	506	1,306
Financial stabilization	1,864	1,916
Committed capital	975	—
Fort William Stadium	—	124
	6,732	6,701

14. TRUST FUNDS

Trust funds administered by the Board amounting to \$815 [2014 - \$826] 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.

Lakehead District School Board

Notes to the Consolidated Financial Statements

August 31, 2015

[Thousands of Dollars]

15. 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.

16. 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.

17. 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.

Lakehead District School Board

Notes to the Consolidated Financial Statements

August 31, 2015

[Thousands of Dollars]

18. SUBSEQUENT EVENTS

Subsequent to August 31, 2015, Ontario Secondary Schools Teachers Federation 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 not occurred for Ontario Secondary Schools Teachers Federation.

The voluntary retirement gratuity early payout provision provides Ontario Secondary Schools Teachers Federation 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 Ontario Secondary Schools Teachers Federation have until June 30, 2016 to declare their participation in the voluntary retirement gratuity early payout option.