

Consolidated Financial Statements

Lakehead District School Board

August 31, 2025

Management Report

Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated 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 consolidated financial statements. The preparation of consolidated 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 consolidated financial statements. These systems are monitored and evaluated by management.

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

The 2025 consolidated financial statements for the Lakehead District School Board have been audited by MNP 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 consolidated financial statements.



Sharand
Director of Education



Kalakua
Superintendent of Business

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Lakehead District School Board **Statement 1**
Consolidated Statement of Financial Position

As at August 31

2025

2024

	\$	\$
	<i>[Thousands of Dollars]</i>	
FINANCIAL ASSETS		
Cash and cash equivalents	13,480	5,114
Accounts receivable	6,719	9,225
Accounts receivable – Government of Ontario <i>[note 2]</i>	36,675	36,002
TOTAL FINANCIAL ASSETS	56,874	50,341
LIABILITIES		
Accounts payable and accrued liabilities	13,086	8,172
Other liabilities	275	244
Long-term debt <i>[note 8]</i>	23,077	24,928
Deferred revenue <i>[note 3]</i>	7,156	5,511
Retirement and other employee future benefits liabilities <i>[note 7]</i>	5,290	5,473
Deferred capital contributions <i>[note 4]</i>	176,125	177,472
Asset retirement obligation <i>[note 5]</i>	20,191	18,994
TOTAL FINANCIAL LIABILITIES	245,200	240,794
NET DEBT	(188,326)	(190,453)
NON-FINANCIAL ASSETS		
Prepaid expenses	343	540
Inventories of supplies	20	249
Tangible capital assets – net <i>[note 13]</i>	185,530	186,941
TOTAL NON-FINANCIAL ASSETS	185,893	187,730
ACCUMULATED DEFICIT <i>[note 14]</i>	(2,433)	(2,723)

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
Consolidated Statement of Operations and Accumulated
Deficit

Year ended August 31	2025	2025	2024
	Budget	Actual	Actual
	\$	\$	\$
<i>[Thousands of Dollars]</i>			
REVENUES			
Core education funding [note 11]	132,422	141,903	137,540
Provincial grants – other	8,060	9,735	20,124
School generated funds	2,314	2,802	2,632
Federal grants and fees	2,437	2,228	2,160
Investment income	60	489	456
Other revenues – school boards	258	173	325
Other fees and revenues	2,299	4,284	4,135
Amortization of deferred capital contributions	12,376	12,707	12,205
TOTAL REVENUES	160,226	174,321	179,577
EXPENSES			
Instruction	112,561	120,767	126,084
Administration	5,808	5,784	5,825
Transportation	8,012	7,703	7,903
Pupil accommodation	29,678	30,944	30,644
School generated funds	2,314	2,961	2,613
Other	2,567	5,872	5,893
TOTAL EXPENSES [NOTE 12]	160,940	174,031	178,962
Annual surplus (deficit)	(714)	290	615
Accumulated deficit, beginning of year	(2,723)	(2,723)	(3,338)
Accumulated deficit, end of year	(3,437)	(2,433)	(2,723)

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

2025

2024

	\$	\$
	<i>[Thousands of Dollars]</i>	
OPERATIONS		
Annual surplus	290	615
Non-cash charges		
Amortization of tangible capital assets (TCA)	12,928	12,552
Amortization of TCA – asset retirement obligations (ARO)	1,039	607
Increase of ARO liabilities excluding settlements	1,197	677
(Increase) of TCA-ARO asset excluding amortization on TCA-ARO	(1,197)	(676)
Amortization of deferred capital contributions	(12,707)	(12,205)
(Decrease) increase in retirement and other employee future benefits liabilities	(183)	(329)
Net change in non-cash working capital balances		
Decrease (increase) in accounts receivable	2,506	(647)
(Increase) decrease in accounts receivable–Delayed Grant Payment	(4,716)	1,406
Decrease in accounts receivable – Government of Ontario	4,043	6,854
Increase (decrease) in accounts payable and accrued liabilities	4,914	(7,003)
Increase in other liabilities	31	7
Increase (decrease) in deferred revenue	1,645	(408)
Decrease (increase) in prepaid expenses	197	(387)
Decrease in inventory of supplies	229	331
Settlement of asset retirement liability through abatement	—	(93)
Cash provided by operating transactions	10,216	1,301
CAPITAL TRANSACTION		
Acquisition of TCA and addition of TCA - ARO	(11,359)	(8,939)
Cash applied to capital transactions	(11,359)	(8,939)
FINANCING TRANSACTIONS		
Principal payments on long-term debt	(1,851)	(1,762)
Grants received – deferred capital contributions	11,360	8,898
Cash provided by financing transactions	9,509	7,136
CHANGE IN CASH AND CASH EQUIVALENTS	8,366	(502)
Opening cash and cash equivalents	5,114	5,616
Closing cash and cash equivalents	13,480	5,114

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

Lakehead District School Board **Statement 4**
Consolidated Statement of Changes in Net Debt

Year ended August 31	2025	2025	2024
	Budget	Actual	Actual
	\$	\$	\$
<i>[Thousands of Dollars]</i>			
Annual surplus (deficit)	(714)	290	615
Acquisition of TCA and TCA - ARO	(11,059)	(11,359)	(8,939)
Amortization of TCA and TCA - ARO	13,289	13,967	13,159
Changes in estimate of TCA - ARO	—	(1,197)	(676)
Acquisition of supplies inventories	—	(36)	(33)
Consumption of supplies inventories	—	265	364
Consumption (acquisition) of prepaid expenses	—	197	(387)
	2,230	1,837	3,488
Decrease in net debt	1,516	2,127	4,103
Net debt, beginning of year	(190,453)	(190,453)	(194,556)
Net debt, end of year	(188,937)	(188,326)	(190,453)

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

Lakehead District School Board

Notes to the Consolidated Financial Statements

August 31, 2025

[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.

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August 31, 2025

[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.

The reporting entity is comprised of:

- Lakehead District School Board
- School Generated Funds
- Student Transportation Services of Thunder Bay

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] 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, performance obligations and transactions. These amounts are recognized as revenue in the fiscal year the related expenditures 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 contribution as defined in Ontario Regulation 395/11 of the Financial Administration Act. These amounts are recognized as revenue at

Lakehead District School Board

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August 31, 2025 **[Thousands of Dollars]**

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 purposes;
- Other restricted contributions received or receivable for capital purposes; and
- Property taxation revenues which were historically used to fund capital assets.

[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, dental benefits, retirement gratuity, worker's compensation and long-term disability benefits.

As part of ratified labour collective agreements for unionized employees that bargain centrally and ratified central discussions with the principals and vice-principals' associations, Employee Life and Health Trusts (ELHTs) were established for all employee groups in 2016-18. The ELHTs provide health, life and dental benefits to teachers (excluding daily occasional teachers), education workers (excluding casual and temporary staff), other school board staff and retired individuals up to a school board's participation date into the ELHT. These benefits are being provided through a joint governance structure between the bargaining/employee groups, school board trustees associations and the Government of Ontario. The Board is no longer responsible to provide certain benefits to ETFO (June 1, 2017), OSSTF (June 1, 2017), OSSTF-EW (June 1, 2017), CUPE (March 1, 2018), principal/vice principal (April 1, 2018), principal/vice principal retirees (April 1, 2018), OCEW (June 1, 2018), non-unionized employees (June 1, 2018), and non-unionized retirees (June 1, 2018). Upon transition of the employee groups' health, dental and life benefits to the ELHT, school boards are required to remit a negotiated amount per full-time equivalency (FTE) on a monthly basis. Funding for the ELHTs is based on the existing benefits funding embedded within the Core Education Funding and additional ministry funding in the form of a Crown contribution and Stabilization Adjustment.

Benefits for employee groups that have transitioned to the ELHT are similar to a defined contributions plan and the Board is no longer responsible for the continuation of group benefits for employees on LTD. Since all employee groups have transitioned to the ELHT as at August 31, 2018, the liability for the continuation of group benefits for employees on LTD has been eliminated.

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. The cost of retirement gratuities are actuarially determined using the employee's salary, banked sick days (if applicable) 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

Lakehead District School Board

Notes to the Consolidated Financial Statements

August 31, 2025 **[Thousands of Dollars]**

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.

For those self-insured benefit obligations that arise from specific events that occur from time to time, such as obligations for worker's compensation and long-term disability, 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.

[h] Financial Instruments

Financial instruments are classified into three categories; fair value, amortized cost or cost. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. The following chart shows the measurement method for each type of financial instrument.

Financial Instrument	Measurement Method
Cash	Cost
Accounts receivable	Amortized Cost
Accounts payable and accrued liabilities	Amortized Cost
Long-term debt	Amortized Cost
Other liabilities	Amortized Cost

Amortized cost is measured using the effective interest rate method. The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability (or a group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period, based on the effective interest rate. Transaction costs related to the acquisition of investments are added to the amortized cost. It is applied to financial assets or financial liabilities that are not in the fair value category and is now the method that must be used to calculate amortized cost. Cost category: Amounts are measured at cost less any amount for valuation allowance. Valuation allowances are made when collection is in doubt.

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[Thousands of Dollars]

[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 and legally or contractually required retirement activities. 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	3 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.

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. 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.

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

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Notes to the Consolidated Financial Statements

August 31, 2025 *[Thousands of Dollars]*

[j] Asset Retirement Obligations

Asset Retirement Obligations (ARO) are provisions for legal obligations for the retirement of tangible capital assets that are either in productive use or no longer in productive use.

An ARO liability is recognized when, as at the financial reporting date:

- there is a statutory, contractual or legal obligation to incur retirement costs in relation to a tangible capital asset;
- the past transaction or event giving rise to the liability has occurred;
- it is expected that future economic benefits will be given up;
- a reasonable estimate of the amount can be made

A corresponding amount is added to the carrying value of the related tangible capital asset and is then amortized over its remaining useful life.

The estimated amounts of future costs to retire the asset is reviewed annually and adjusted to reflect the current best estimate of the liability. Adjustments may result from changes in the assumption used to estimate the amount required to settle the obligation. These amounts are recognized as an increase or decrease in the carrying amount of the asset retirement obligation liability, with a corresponding adjustment to the carrying amount of the related asset. If the related asset is no longer in productive use, all subsequent changes in the estimate of the liability for the ARO are recognized as an expense in the period incurred.

[k] 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 Ontario 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.

[l] Other Revenues

Other revenues from transactions with performance obligations, for example, fees from the sale of goods or rendering of services, are recognized as the board satisfies a performance obligation by providing the promised goods or services to the payor. Other revenue from transactions with no performance obligations, for example, fines and penalties, are recognized when the board has the authority to claim or retain an inflow of economic resources and when a past transaction or event is an asset. Amounts received prior to the end of the year that will be recognized in subsequent fiscal year are deferred and reported as a liability.

Lakehead District School Board

Notes to the Consolidated Financial Statements

August 31, 2025

[Thousands of Dollars]

[m] 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.

[n] 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.

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

[p] Education Property Tax Revenue

Under Canadian 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, education property tax revenue received from the municipalities is recorded as part of Core Education Funding, under Education Property Tax.

Lakehead District School Board

Notes to the Consolidated Financial Statements

August 31, 2025

[Thousands of Dollars]

2. 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, 2025, the board has a receivable from the Province of Ontario of \$28,797 [2024 - \$32,840] with respect to capital and operating grants.

The Ministry of Education introduced a cash management strategy effective September 1, 2018. As part of the strategy, the ministry delays part of the grant payment to school boards where the adjusted accumulated surplus and deferred revenue balances are in excess of certain criteria set out by the Ministry. The balance of delayed grant payments included in the receivable balance from the Government of Ontario at August 31, 2025 is \$7,878 [2024 - \$3,162].

3. 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, 2024	Externally restricted revenue and investment income	Revenue recognized in period	Transfers to deferred capital contributions	Balance as at August 31, 2025
	\$	\$	\$	\$	\$
Gain on disposal of tangible capital assets	989	—	—	—	989
Indigenous Education	223	3,250	3,072	—	401
Student Mental Health	143	711	736	—	118
Experiential Learning	9	—	9	—	—
School renewal	2,880	2,427	—	1,243	4,064
Other grants	1,018	1,804	1,258	—	1,564
MPBSD in kind	249	36	265	—	20
	5,511	8,228	5,340	1,243	7,156

Lakehead District School Board
Notes to the Consolidated Financial Statements
August 31, 2025 *[Thousands of Dollars]*

4. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions include grants and contributions received that are used for the acquisition of tangible capital assets in accordance with Ontario Regulation 395/11 that have been expended by year end. Amounts are recognized into revenue as the liability is extinguished over the useful life of the asset.

	2025	2024
	\$	\$
Opening balance	177,472	180,779
Additions to deferred capital contributions	11,360	8,898
Amortization	(12,707)	(12,205)
	176,125	177,472

5. ASSET RETIREMENT OBLIGATIONS

As at August 31, 2025, all liabilities for asset retirement obligations are reported at current costs in nominal dollars without discounting.

As at August 31	2025	2024
Liabilities for ARO at Beginning of Year	18,994	18,410
Adjustments to Opening Balance	—	1
Increase in Liabilities Reflecting Changes in the Estimate of Liabilities ¹	1,197	676
Liabilities Settled During the Year	—	(93)
Liabilities for ARO at End of Year	20,191	18,994

¹ Reflecting changes in the estimated cash flows

The Board made an inflation adjustment increase in estimates of 1.18% as at March 31, 2025 (3.66% as at March 31, 2024) in line with the Provincial government fiscal year end, to reflect costs as at that date. This adjustment is based on the average Consumer Price Index (CPI) for the period of September 1, 2024 to March 31, 2025. This rate is being used to update costs assumptions made in the ARO costing models to be reflective of March 31, 2025 costs. An additional revaluation adjustment of 0.74% was made as of August 31, 2025 to reflect an inflation adjustment subsequent to the March 31, 2025 liability revaluation. The total inflation adjustment for the period September 1, 2024 to August 31, 2025 of 1.92% is based on the average Consumer Price Index (CPI) for this period.

The revaluation adjustment has been added to the Tangible Capital Asset – Asset Retirement Obligation balance to be amortized over the remaining useful life of the underlying asset, except in the case where the related ARO asset has no remaining useful life, in which case it is expensed directly.

Lakehead District School Board

Notes to the Consolidated Financial Statements

August 31, 2025 *[Thousands of Dollars]*

6. FINANCIAL INSTRUMENTS

Risks arising from financial instruments and risk management

The Board is exposed to a variety of financial risks including credit risk, liquidity risk and interest rate risk. The Board's overall risk management program seeks to minimize potential adverse effects on the board's financial performance.

Credit risk

The Board's principal financial assets are cash and cash equivalents and accounts receivable which are subject to credit risk. The carrying amounts of financial assets on the Statement of Financial Position represent the board's maximum credit exposure as at the Statement of Financial Position date.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Board is exposed to interest rate risk to the extent that its operating line of credit bears interest at a floating rate, which fluctuates as the bank's prime lending rate increases or decreases.

The Board structures its finances to stagger the maturities of debt, thereby minimizing exposure to interest rate fluctuations. This would include the fixed rate debt with Ontario Financing Authority (Note 8).

Liquidity Risk

Liquidity risk is the risk that the Board will encounter difficulty in meeting its obligations associated with financial liabilities. Liquidity risk includes the risk that, as a result of operational liquidity requirements, the Board will not have sufficient funds to settle a transaction on the due date; will be forced to sell financial assets at a value which is less than what they are worth; or may be unable to settle or recover a financial asset. The Board is exposed to this risk mainly in respect of its accounts payable and accrued liabilities, other liabilities, and long-term debt.

The Board's financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, other liabilities and long-term debt. It is the board's opinion that the board is not exposed to significant interest rate or currency risks arising from these financial instruments except as otherwise disclosed.

Lakehead District School Board

Notes to the Consolidated Financial Statements

August 31, 2025

[Thousands of Dollars]

7. RETIREMENT AND OTHER EMPLOYEE FUTURE BENEFITS

Retirement and Other Employee Future Benefits Liabilities

	2025			2024
	Retirement Benefits	Other Employee Future Benefits	Total Employee Future Benefits	Total Employee Future Benefits
	\$	\$	\$	\$
Accrued employee future benefits obligations	2,766	2,563	5,329	5,584
Unamortized actuarial losses	(39)	—	(39)	(111)
Employee future benefits liabilities	2,727	2,563	5,290	5,473

Retirement and Other Employee Future Benefits Expenses

	2025			2024
	Retirement Benefits	Other Employee Future Benefits	Total Employee Future Benefits	Total Employee Future Benefits
	\$	\$	\$	\$
Current year benefit cost	—	515	515	466
Interest on accrued benefit obligation	108	84	192	234
Recognition of unamortized actuarial losses on plan amendments	73	(43)	30	32
Employee future benefits expenses*	181	556	737	732
Benefit payments	(381)	(539)	(920)	(1,061)
Change in employee future benefits	(200)	17	(183)	(329)

* Retirement gratuity benefits are being amortized over the Employee Average Remaining Service Life (EARSL), which has been determined to be 6.7 years.

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

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August 31, 2025 *[Thousands of Dollars]*

Actuarial Assumptions

The accrued benefit obligations for employee future benefit plans as at August 31, 2025 are based on actuarial valuations for accounting purposes as at August 31, 2025. Actuarial valuations were performed by SBCI as at August 31, 2025 for all benefits. These actuarial valuations were based on assumptions about future events. These valuations take into account any plan changes and the economic assumptions used in these valuations are the board's best estimates of expected rates of:

	2025 %	2024 %
Inflation	2	2
Wage and salary escalation	0	0
Discount on accrued benefit obligations	3.8	3.8

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 most recent actuarial valuation of the Plan was conducted at December 31, 2024. The results of this valuation disclosed total actuarial liabilities of \$142,489 million (2023 - \$136,185 million) in respect of benefits accrued for service with actuarial assets at that date of \$139,576 million (2023 - \$131,983 million) indicating an actuarial deficit of \$2,913 million (2023 - \$4,202 million). Because OMERS is a multi-employer plan, any pension plan surpluses or deficits are a joint responsibility of the Ontario organizations and their employees. The Board contributions equal the employee contributions to the plan. During the year ended August 31, 2025, the Board contributed \$2,541 [2024 - \$2,638] 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, 2025 *[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 \$1,000 [2024 - \$1,000] in a reserve fund to assist with financing future claims and the insurance deductible on catastrophic claims.

[ii] Long-Term Disability Salary Compensation

The costs of salary compensation paid to employees on long-term disability leave are fully insured and are not included in the defined benefit plan.

[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 \$(10) [2024 - \$(3)].

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, 2025 (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, 2025.

Lakehead District School Board

Notes to the Consolidated Financial Statements

August 31, 2025

[Thousands of Dollars]

8. LONG-TERM DEBT

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

	2025	2024
	\$	\$
Ontario Financing Authority		
Fixed rate term loan payable in blended semi-annual instalments of \$193 at 4.56%, maturing November, 2031.	2,150	2,428
Fixed rate term loan payable in blended semi-annual instalments of \$16 at 4.90%, maturing March, 2033.	207	229
Fixed rate term loan payable in blended semi-annual instalments of \$38 at 5.06%, maturing March, 2034.	541	588
Fixed rate term loan payable in blended semi-annual instalments of \$1,211 at 5.23%, maturing April, 2035.	18,539	19,936
Fixed rate term loan payable in blended semi-annual instalments of \$42 at 4.83%, maturing March, 2036.	693	741
Fixed rate term loan payable in blended semi-annual instalments of \$38 at 3.97%, maturing November, 2036.	691	737
Fixed rate term loan payable in blended semi-annual instalments of \$11 at 2.99%, maturing March, 2040.	256	269
	23,077	24,928

Lakehead District School Board

Notes to the Consolidated Financial Statements

August 31, 2025

[Thousands of Dollars]

Principal payments relating to long-term debt of \$23,077, outstanding as at August 31, 2025, are due as follows:

	Principal \$	Interest \$	Total \$
2026	1,947	1,150	3,097
2027	2,047	1,050	3,097
2028	2,152	945	3,097
2029	2,262	835	3,097
2030	2,378	719	3,097
Thereafter	12,291	1,740	14,031
	23,077	6,439	29,516

9. 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, 2025, the amount drawn under the operating facility was \$nil [2024 - \$nil].

10. DEBT CHARGES AND CAPITAL LOANS

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

	2025 \$	2024 \$
Principal payments on long-term debt	1,851	1,762
Interest payments on long-term debt	1,246	1,336
	3,097	3,098

Lakehead District School Board

Notes to the Consolidated Financial Statements

August 31, 2025

[Thousands of Dollars]

11. CORE EDUCATION FUNDING

School boards in Ontario receive the majority of their funding from the provincial government. This funding comes in two forms: provincial legislative grants and local taxation in the form of education property tax. The provincial government sets the education property tax rate. Municipalities in which the board operates collect and remit education property taxes on behalf of the Province of Ontario. The Province of Ontario provides additional funding up to the level set by the education funding formulas. Seventy six percent of the consolidated revenues of the board are directly controlled by the provincial government through the core education funding. The payment amounts of this funding are as follows:

	2025	2024
	\$	\$
Provincial Legislative Grants	117,336	114,280
Education Property Tax	24,567	23,260
Core Education Funding	141,903	137,540

12. EXPENSES BY OBJECT

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

	2025 Budget \$	2025 Actual \$	2024 Actual \$
Expenses			
Salaries and wages	102,877	109,223	115,033
Employee benefits	19,737	19,393	19,727
Staff development	244	320	310
Supplies and services	13,494	14,261	14,489
Interest	1,265	1,288	1,402
Fees and contracted services	9,540	9,450	9,704
Other	494	792	791
Transfer to Other Boards	—	5,336	4,347
Amortization of TCA and TCA-ARO	13,289	13,968	13,159
	160,940	174,031	178,962

Lakehead District School Board
Notes to the Consolidated Financial Statements

August 31, 2024

[Thousands of Dollars]

13. TANGIBLE CAPITAL ASSETS – NET

	Cost					
	Balance Sept. 1 2024	Additions and Transfers	Disposals	Transfers to Assets Held for Sale	Revaluation of TCA – ARO	Balance at Aug. 31 2025
Land	1,000	---	---	---	---	1,000
Land Improvements	25,907	421	---	---	---	26,328
Buildings	310,294	9,925	---	---	1,197	321,416
Furniture and Equipment	8,177	904	1,288	---	---	7,793
Vehicles	553	109	---	---	---	662
Total	345,931	11,359	1,288	---	1,197	357,199

	Accumulated Amortization					Net Book Value	
	Balance Sept. 1 2024	Amortization	Disposals, Write-offs, Revaluation of TCA-ARO	Transfers to Assets Held for Sale	Balance at Aug. 31 2025	Aug. 31, 2025	Aug. 31, 2024
Land	---	---	---	---	---	1,000	1,000
Land Improvements	8,394	1,571	---	---	9,965	16,363	17,513
Buildings	144,094	11,408	---	---	155,502	165,914	166,200
Furniture and Equipment	6,112	934	1,288	---	5,758	2,035	2,065
Vehicles	390	54	---	---	444	218	163
Total	158,990	13,967	1,288	---	171,669	185,530	186,941

Lakehead District School Board **Notes to the Consolidated Financial Statements**

August 31, 2024

[Thousands of Dollars]

14. ACCUMULATED DEFICIT

Accumulated deficit consists of the following:

	2025 \$	2024 \$
Deficit		
Operating surplus available for compliance	3,043	1,441
Amounts restricted for future use	6,729	6,864
Unfunded amounts to be recovered	(1,017)	(1,017)
Interest accrual	(309)	(331)
School Generated Funds	679	838
Revenues recognized for land	1,000	1,000
ARO to be covered in the future	(12,558)	(11,518)
Total deficit	(2,433)	(2,723)

15. INTERNALLY RESTRICTED SURPLUSES

Restricted amounts are made up of the following:

	2025 \$	2024 \$
Retirement gratuity	1,276	1,257
Old Fort William	84	82
Demutualization	1,047	1,032
WSIB	1,000	1,000
Financial stabilization	2,987	2,997
Committed capital	335	496
	6,729	6,864

16. TRUST FUNDS

Trust funds administered by the Board amounting to \$932 [2024 - \$926] 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, 2024

[Thousands of Dollars]

17. 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 of Ontario. OSBIE insures general liability, property damage and certain other risks. Liability insurance is available to a maximum of \$20 million per occurrence.

Premiums paid to OSBIE for the policy year ending December 31, 2024 amounted to \$160 (2023 - \$157).

Any school board wishing to join OSBIE must execute a reciprocal insurance exchange agreement whereby every member commits to a five-year subscription period, the current one of which will end on December 31, 2026.

OSBIE exercises stewardship over the assets of the reciprocal, including the guarantee fund. While no individual school board enjoys any entitlement to access the assets of the reciprocal, the agreement provides for two circumstances when a school board, that is a member of a particular underwriting group, may receive a portion of the accumulated funds of the reciprocal.

- 1) In the event that the board of directors determines, in its absolute discretion, that the exchange has accumulated funds in excess of those required to meet the obligations of the Exchange, in respect of claims arising in prior years in respect of the underwriting group, the Board of Directors may reduce the actuarially determined rate for policies of insurance or may grant premium credits or policyholder dividends for that underwriting group in any subsequent underwriting year.
- 2) Upon termination of the exchange of reciprocal contracts of insurance within an Underwriting Group, the assets related to the Underwriting Group, after payment of all obligations, and after setting aside an adequate reserve for further liabilities, shall be returned to each Subscriber in the Underwriting Group according to its subscriber participation ratio and after termination the reserve for future liabilities will be reassessed from time to time and when all liabilities have been discharged, any remaining assets returned as the same basis upon termination.

In the event that a Board or other Board organization ceases to participate in the exchange of contracts of insurance within an Underwriting Group or within the Exchange, it shall continue to be liable for any Assessment(s) arising during or after such ceased participation in respect of claims arising prior to the effective date of its termination of membership in the Underwriting Group or in the exchange, unless satisfactory arrangements are made with the board of directors to buy out such liability.

Lakehead District School Board

Notes to the Consolidated Financial Statements

August 31, 2024

[Thousands of Dollars]

18. 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 Catholic 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.

Each Board participates in the shared costs associated with this service for the transportation of their respective students through the Student Transportation Services of Thunder Bay. The Board's consolidated financial statements reflect its pro-rata share of expenses. The Board's pro-rata share of administrative costs for 2025 is 54.8% [2024 – 54.2%].

	2025	2024
	\$	\$
Administrative costs	440	458
Student Transportation	7,263	7,445
Total Expenditure	7,703	7,903

19. 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. The flow-through of \$99 (2024 \$99) in grants in respect of the above agreement for the year ended August 31, 2025, is recorded in these consolidated financial statements.

Lakehead District School Board

Notes to the Consolidated Financial Statements

August 31, 2024

[Thousands of Dollars]

20. CONTINGENCIES

In the ordinary course of business, there are outstanding claims against the Board for which the amount of 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.

21. RELATED PARTY DISCLOSURES

The Board has a financing relationship with the Ontario Financing Authority (OFA) for long-term debt. Those debt instruments are disclosed in Note 8.

Lakehead District School Board

Notes to the Consolidated Financial Statements

August 31, 2024

[Thousands of Dollars]

22. FUTURE ACCOUNTING STANDARD ADOPTION

The board is in the process of assessing the impact of the upcoming new standards and the extent of the impact of their adoption on its financial statements.

Applicable for fiscal years beginning on or after April 1, 2026 (in effect for the board for as of September 1, 2026 for the year ending August 31, 2027). Standards must be implemented at the same time:

New Public Sector Accounting Standards (PSAS) Conceptual Framework:

This new model is a comprehensive set of concepts that underlie and support financial reporting. It is the foundation that assists:

- preparers to account for items, transactions and other events not covered by standards;
- auditors to form opinions regarding compliance with accounting standards;
- users in interpreting information in financial statements; and
- Public Sector Accounting Board (PSAB) to develop standards grounded in the public sector environment.

The main changes are:

- Additional guidance to improve understanding and clarity
- Non-substantive changes to terminology/definitions
- Financial statement objectives foreshadow changes in the Reporting Model
- Relocation of recognition exclusions to the Reporting Model
- Consequential amendments throughout the Public Sector Accounting Handbook

The framework is expected to be implemented prospectively.

Reporting Model- PS 1202- Financial Statement Presentation:

This reporting model provides guidance on how information should be presented in the financial statements and will replace PS 1201- Financial Statement Presentation. The model is expected to be implemented retroactivity with restatement of prior year amounts.

The main changes are:

- Restructured Statement of Financial Position
- Introduction of financial and non-financial liabilities
- Amended non-financial asset definition
- New components of net assets- accumulated other and issued share capital
- Increased clarity regarding presentation of budget comparatives on the Statement of Operations
- Relocated net debt to its own statement
- Renamed the net debt indicator
- Revised the net debt calculation
- Removed the Statement of Change in Net Debt
- New Statement of Net Financial Assets/Liabilities
- New Statement of Changes in Net Assets Liabilities
- Financing transactions presented separately from operating, capital and investing transactions on the Statement of Cash Flows