



Grant Thornton

Financial Statements

Lakehead District School Board

August 31, 2012



Superintendent of Business

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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 2012 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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Lakehead District School Board

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Independent Auditor's Report

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To the Board of Trustees of
Lakehead District School Board

We have audited the accompanying consolidated financial statements of Lakehead District School Board, which comprise the consolidated statement of financial position as at August 31, 2012 and August 31, 2011, 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 surplus, and cash flows from operating activities for the years ended August 31, 2012 and August 31, 2011 and financial assets as at August 31, 2012 and August 31, 2011 and accumulated deficit as at August 31, 2012 and August 31, 2011.

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, 2012 and August 31, 2011 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 describe 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 19, 2012

Chartered Accountants
Licensed Public Accountants

Lakehead District School Board

Consolidated Statement of Financial Position

Statement 1

As at August 31

2012

2011

\$

\$

[Thousands of Dollars]

FINANCIAL ASSETS

Cash and cash equivalents	15,978	8,934
Investments <i>[note 2]</i>	71	6,116
Accounts receivable	8,034	8,362
Accounts receivable – Government of Ontario approved capital <i>[note 3]</i>	44,135	43,184
Assets held for sale <i>[note 4]</i>	122	475
TOTAL FINANCIAL ASSETS	68,340	67,071

LIABILITIES

Accounts payable and accrued liabilities	7,959	6,934
Other	199	140
Long-term debt <i>[note 8]</i>	41,753	41,915
Deferred revenue <i>[note 5]</i>	6,682	6,538
Retirement and other employee future benefits liabilities <i>[note 7]</i>	18,294	25,958
Deferred capital contributions <i>[note 6]</i>	114,816	113,814
TOTAL FINANCIAL LIABILITIES	189,703	195,299

NET DEBT

(121,363) (128,228)

NON-FINANCIAL ASSETS

Prepaid expenses	38	54
Tangible capital assets – net <i>[note 12]</i>	117,065	116,124
TOTAL NON-FINANCIAL ASSETS	117,103	116,178

ACCUMULATED DEFICIT *[note 13]*

(4,260) (12,050)

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	2012	2012	2011
	Budget	Actual	Actual
	\$	\$	\$
<i>[Thousands of Dollars]</i>			
REVENUES			
Provincial legislative grants	92,863	94,967	93,941
Provincial grants – other	182	4,182	3,421
Local taxation	21,451	19,929	20,233
School Generated Funds	2,150	2,194	2,165
Federal grants and fees	3,022	2,380	2,633
Investment income	100	256	124
Other revenues – School boards	141	97	188
Other fees and revenues	1,979	1,488	1,897
Amortization of deferred capital contributions	5,908	5,813	5,494
TOTAL REVENUES	127,796	131,306	130,096
EXPENSES			
Instruction	91,308	90,189	94,876
Administration	4,739	4,624	5,044
Transportation	6,280	6,338	6,637
Pupil accommodation	22,720	20,080	20,617
School Generated Funds	2,150	2,186	2,167
Other	99	99	348
TOTAL EXPENSES [NOTE 11]	127,296	123,516	129,689
Annual surplus	500	7,790	407
Accumulated deficit, beginning of year	(12,598)	(12,050)	(12,457)
Accumulated deficit, end of year	(12,098)	(4,260)	(12,050)

See accompanying notes to the consolidated financial statements.

Lakehead District School Board Consolidated Statement of Cash Flows

Statement 3

Year ended August 31

2012 2011

\$ \$

[Thousands of Dollars]

OPERATIONS

Annual surplus 7,790 407

Non-cash charges

Amortization of tangible capital assets 5,873 5,555
Gain on disposal of tangible capital assets — (63)
Amortization of deferred capital contributions (5,813) (5,494)
Increase (decrease) in retirement and other employee future benefits liabilities (7,664) 1,551

Net change in non-cash working capital balances

Decrease in accounts receivable 328 8,000
(Increase) decrease in accounts receivable – Government of Ontario (951) 1,156
Decrease in assets held for sale 353 —
Increase (decrease) in accounts payable and accrued liabilities 1,025 (217)
Increase (decrease) in other liabilities 59 (5)
Increase in deferred revenue 144 1,235
Decrease (increase) in prepaid expenses 16 (54)

Cash provided by operating transactions 1,160 12,071

INVESTING TRANSACTIONS

(Increase) decrease in investments 6,045 (6,042)

Cash applied to investing transactions 6,045 (6,042)

CAPITAL TRANSACTIONS

Proceeds on sale of tangible capital assets 122 587
Acquisition of tangible capital assets (6,936) (4,281)

Cash applied to capital transactions (6,814) (3,694)

FINANCING TRANSACTIONS

Long-term debt issued 1,174 1,193
Principal payments on long-term debt (1,336) (1,251)
Grants received – deferred capital contributions 6,815 3,309

Cash provided by financing transactions 6,653 3,251

CHANGE IN CASH AND CASH EQUIVALENTS

Opening cash and cash equivalents 8,934 3,348

Closing cash and cash equivalents 15,978 8,934

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

2012**2011****Actual****Actual****\$****\$****[Thousands of Dollars]****Annual surplus****7,790****407**

Acquisition of tangible capital assets

(6,936)**(4,281)**

Amortization of tangible capital assets

5,873**5,555**

Gain on disposal of tangible capital assets

—**(63)**

Proceeds on sale of tangible capital assets

—**587**

Transfers to assets held for sale

122**475**

Use (acquisition) of prepaid expenses

16**(54)****(925)****2,219****Decrease in net debt****6,865****2,626**

Net debt, beginning of year

(128,228)**(130,854)****Net debt, end of year****(121,363)****(128,228)**

See accompanying notes to the consolidated financial statements.

Lakehead District School Board

Notes to the Consolidated Financial Statements

August 31, 2012

[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, 2012

[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.

Regulation 395/11, "Accounting Policies and Practices Public Entities" was released in the fall of 2011 requiring that the school board comply with the related accounting policy requirements described above. Prior to the release of this Regulation the consolidated financial statements as at and for the year ended August 31, 2011 were originally prepared under a special purpose framework as directed by the Ontario Ministry of Education. As a result, these are the first financial statements of the School Board 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 ("new financial reporting framework"). The School Board has applied this new financial reporting framework retrospectively to the comparative information in these consolidated financial statements. There are no changes to accumulated surplus on the Consolidated Statement of Financial Position as at August 31, 2011 or the annual surplus on the Consolidated Statement of Operations and Accumulated Deficit for the year ended August 31, 2011 as a result of the transition to this new financial reporting framework.

[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.

Lakehead District School Board

Notes to the Consolidated Financial Statements

August 31, 2012

[Thousands of Dollars]

[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.

[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.

Lakehead District School Board

Notes to the Consolidated Financial Statements

August 31, 2012

[Thousands of Dollars]

[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, retirement gratuity, worker's compensation and long-term disability benefits. On September 11, 2012, the Government of Ontario passed Bill 115, Putting Students First Act which included changes to the Board's retirement gratuity plan, sick leave plan and retiree health, life and dental 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 future actuarial gains and losses arising from changes to the discount rate will be 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. The changes to the retiree health, life and dental plans resulted in a plan curtailment and any unamortized actuarial gains and losses associated with the employees impacted by the change are recognized as at August 31, 2012.

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.

Lakehead District School Board

Notes to the Consolidated Financial Statements

August 31, 2012

[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. 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.

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.

Lakehead District School Board

Notes to the Consolidated Financial Statements

August 31, 2012

[Thousands of Dollars]

[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.

[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 revenue and expenses during the year. Actual results could differ from these estimates.

2. INVESTMENTS

Investments are recorded at cost. The total market value of the Board's investments at August 31, 2012 was approximately \$71 [2011 - \$6,116]. The Board's investments are comprised of cash, money market fund and Guaranteed Investment Certificates.

Lakehead District School Board

Notes to the Consolidated Financial Statements

August 31, 2012

[Thousands of Dollars]

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.

The Board has a receivable from the Province of Ontario of \$44,135 as at August 31, 2012 [2011 - \$43,184] with respect to capital grants.

4. ASSETS HELD FOR SALE

As of August 31, 2012, \$121 [2011 - \$457] related to buildings and \$1 [2011 - \$18] related to land were recorded as assets held for sale. During the year, one school property and a piece of land were sold. Net proceeds of \$525 [2011 - \$nil] were received on the sales of these properties, which had a carrying value of \$475 [2011 - \$nil].

5. DEFERRED REVENUE

Revenues received and that have been set aside for specific purposes by legislation, regulation or agreement are included in deferred revenue and reported on the Consolidated Statement of Financial Position.

Deferred revenue set-aside for specific purposes by legislation, regulation or agreement as at year-end is comprised of:

	Balance as at August 31, 2011 \$	Externally restricted revenue and investment income \$	Revenue recognized in period \$	Transfers to deferred capital contributions \$	Balance as at August 31, 2012 \$
Gain on disposal of tangible capital assets	3,553	525	—	—	4,078
Distant school	228	—	—	—	228
Energy efficiency	128	—	—	(128)	—
Renewable energy	417	—	—	(417)	—
School renewal	—	449	—	—	449
Green schools	2	—	—	—	2
Proceeds on disposition – assets held for resale	457	(457)	121	—	121
Other grants	1,716	51	—	—	1,767
Pupil accommodation	29	—	—	—	29
Teacherage	8	—	—	—	8
	6,538	568	121	(545)	6,682

Lakehead District School Board

Notes to the Consolidated Financial Statements

August 31, 2012

[Thousands of Dollars]

6. 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.

	2012 \$	2011 \$
Opening balance	113,814	115,999
Additions to deferred capital contributions	6,936	4,281
Disposals/transfers to financial assets	(121)	(972)
Amortization	(5,813)	(5,494)
	114,816	113,814

7. RETIREMENT AND OTHER EMPLOYEE FUTURE BENEFITS

Retirement and Other Employee Future Benefits Liabilities

	2012 Retirement Benefits \$	Other Employee Future Benefits \$	Total Employee Future Benefits \$	2011 Total Employee Future Benefits \$
Accrued employee future benefits obligations	8,737	9,557	18,294	30,013
Unamortized actuarial losses	—	—	—	(4,055)
Employee future benefits liabilities	8,737	9,557	18,294	25,958

Retirement and Other Employee Future Benefits Expenses

	2012 Retirement Benefits \$	Other Employee Future Benefits \$	Total Employee Future Benefits \$	2011 Total Employee Future Benefits \$
Current year benefit cost	964	266	1,230	7,653
Interest on accrued benefit obligation	584	219	803	613
Curtailment gain	(6,624)	(5,574)	(12,198)	—
Recognition of unamortized actuarial losses on plan amendments	3,037	1,617	4,654	(4,055)
Employee future benefits expenses*	(2,039)	(3,472)	(5,511)	4,211

* 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, 2012

[Thousands of Dollars]

Plan changes

On September 11, 2012, the Government of Ontario passed Bill 115, Putting Students First Act. As a result, employees eligible for retirement gratuity will receive payout upon retirement based on their accumulated vested sick days under the plan, years of service and salary as of August 31, 2012. All accumulated non-vested sick days are eliminated as of September 1, 2012, and are replaced with a new sick leave and short-term disability plan with no provisions for accumulation of unused days.

Effective September 1, 2013, any new retiree accessing Retirement Life Insurance and Health Care Benefits will pay the full premiums for such benefits and will be included in a separate experience pool that is self-funded.

Actuarial Assumptions

The accrued benefit obligations for employee future benefit plans as at August 31, 2012 are based on actuarial valuations for accounting purposes as at August 31, 2011. These actuarial valuations were based on assumptions about future events. The economic assumptions used in these valuations are the Board's best estimates of expected rates of:

	2012 %	2011 %
Inflation	2.0	2.0
Wage and salary escalation	0	3.0
Insurance and health care cost escalation	3.0 – 9.0	3.0 – 10.0
Discount on accrued benefit obligations	3.0	4.0

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, 2012, the Board contributed \$1,723 [2011 - \$1,449] 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.

Lakehead District School Board

Notes to the Consolidated Financial Statements

August 31, 2012

[Thousands of Dollars]

[iii] Retirement Gratuities

The Board provides retirement gratuities to certain groups of employees hired prior to specified dates. The amount of the gratuities paid to eligible employees at retirement is based on their salary, accumulated sick days, and years of service at retirement. 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. As a result of the plan change, 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. The changes to the Board's retirement gratuity plan resulted in a one-time decrease to the Board's obligation of \$3,587 and a corresponding curtailment gain was reported in the Consolidated Statement of Operations and Accumulated Deficit as at August 31, 2012.

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 [2011 - \$750] in a reserve fund to assist with financing future claims and the insurance deductible on catastrophic claims.

[ii] Long-Term Disability Benefits

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 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 Board has accumulated assets of \$1,997 [2011 - \$1,898] in a trust fund to assist with financing future claims and rate fluctuations.

[iii] Sick Leave Benefits

As a result of the plan changes, the Board's liability related to compensated absences from sick leave accumulations has been eliminated, resulting in a one-time reduction to the obligation of \$3,957 and a corresponding curtailment gain was reported in the Consolidated Statement of Operations and Accumulated Deficit as at August 31, 2012.

Lakehead District School Board

Notes to the Consolidated Financial Statements

August 31, 2012

[Thousands of Dollars]

8. LONG-TERM DEBT

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

	2012 \$	2011 \$
Royal Bank of Canada		
Fixed rate term loan repayable in blended monthly instalments of \$37,526 at 3.87%, maturing November, 2014.	930	1,335
Ontario Financing Authority		
Fixed rate term loan payable in blended semi-annual instalments of \$192,974 at 4.56%, maturing November, 2031.	4,950	5,105
Fixed rate term loan payable in blended semi-annual instalments of \$16,141 at 4.90%, maturing March, 2033.	418	430
Fixed rate term loan payable in blended semi-annual instalments of \$38,371 at 5.06%, maturing March, 2034.	1,007	1,032
Fixed rate term loan payable in blended semi-annual instalments of \$1,210,794 at 5.23%, maturing April, 2035.	32,107	32,820
Fixed rate term loan payable in blended semi-annual instalments of \$41,524 at 4.83%, maturing March, 2036.	1,167	1,193
Fixed rate term loan payable in blended semi-annual instalments of \$37,691 at 3.97%, maturing November, 2036.	1,174	—
	41,753	41,915

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Notes to the Consolidated Financial Statements

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[Thousands of Dollars]

Principal payments relating to long-term debt of \$41,753, outstanding as at August 31, 2012, are due as follows:

	Principal \$	Interest \$	Total \$
2012	1,429	2,078	3,507
2013	1,498	2,011	3,509
2014	1,183	1,945	3,128
2015	1,171	1,888	3,059
2016	1,231	1,828	3,059
Thereafter	35,241	18,411	53,652
	41,753	28,161	69,914

9. 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. All loans are unsecured and due on demand.

As at August 31, 2012, the amount drawn under the operating facility was \$nil.

10. DEBT CHARGES AND CAPITAL LOANS

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

	2012 \$	2011 \$
Principal payments on long-term debt	1,336	1,251
Interest payments on long-term debt	2,135	2,126
	3,471	3,377

Lakehead District School Board

Notes to the Consolidated Financial Statements

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11. EXPENSES BY OBJECT

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

	2012 Budget \$	2012 Actual \$	2011 Actual \$
Expenses			
Salaries and wages	85,565	87,014	85,075
Employee benefits	14,598	7,318	14,991
Staff development	303	1,613	1,293
Supplies and services	11,505	12,122	12,390
Interest	2,125	2,159	2,139
Fees and contracted services	7,163	7,288	7,867
Other	129	129	379
Amortization of tangible capital assets	5,908	5,873	5,555
	127,296	123,516	129,689

Lakehead District School Board
Notes to the Consolidated Financial Statements
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[Thousands of Dollars]

12. TANGIBLE CAPITAL ASSETS - NET

	Cost			Accumulated Amortization			Net Book Value	
	Balance Sept. 1, 2011 \$	Additions and transfers \$	Disposals \$	Transfers to assets held for sale \$	Balance Aug. 31, 2012 \$	Balance Sept. 1, 2011 \$	Amortization \$	Aug. 31, 2012 \$
Land	1,022	—	—	(1)	1,021	—	—	1,021
Land improvements	2,149	69	—	—	2,218	480	166	1,572
Buildings	159,899	6,032	—	(300)	165,631	49,561	4,890	111,359
Furniture and equipment	6,159	741	—	—	6,900	3,215	770	2,915
Vehicles	221	100	—	—	321	76	47	198
Construction in progress	6	(6)	—	—	—	—	—	—
Capital leased assets	64	—	—	—	64	64	—	—
Total	169,520	6,936	—	(301)	176,155	53,396	5,873	117,065
								116,124

Lakehead District School Board

Notes to the Consolidated Financial Statements

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[Thousands of Dollars]

13. ACCUMULATED DEFICIT

Accumulated deficit consists of the following:

	2012 \$	2011 \$
Surplus (deficit)		
Operating surplus available for compliance	5,917	5,917
Amounts restricted for future use by Board motion	6,537	6,471
Unfunded amounts to be recovered	(18,364)	(26,098)
School Generated Funds	628	620
Revenues recognized for land	1,022	1,040
Total deficit	(4,260)	(12,050)

14. RESTRICTED SURPLUSES

Restricted amounts are made up of the following:

	2012 \$	2011 \$
Retirement gratuity	1,496	1,484
Archives	20	20
Transition assistance	32	32
Old Fort William	69	68
Demutualization	862	849
WSIB	750	750
Facility stabilization	440	440
Board capital – other needs	1,306	1,306
Financial stabilization	1,446	1,474
Fort William Stadium	116	48
	6,537	6,471

15. TRUST FUNDS

Trust funds administered by the Board amounting to \$802 [2011 - \$775] 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

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[Thousands of Dollars]

16. ONTARIO SCHOOL BOARD INSURANCE EXCHANGE (OSBIE)

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

The ultimate premiums over a five-year period are based on the reciprocals and the Board's actual claims experience. Periodically, the Board may receive a refund or be asked to pay an additional premium based on its pro-rata share of claims experience.

17. PARTNERSHIP IN STUDENT TRANSPORTATION SERVICES OF THUNDER BAY

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

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

18. REPAYMENT OF "55 SCHOOL BOARD TRUST" FUNDING

On June 1, 2003, the Board received \$1,329,731 from 55 School Board Trust for its capital related debt eligible for provincial funding support pursuant to a 30-year agreement it entered into with the trust. 55 School Board Trust was created to refinance the outstanding not permanently financed (NPF) debt of participating boards who are beneficiaries of the trust. Under the terms of the agreement, 55 School Board Trust repaid the Board's debt in consideration for the assignment by the Board to the trust of future provincial grants payable to the Board in respect of the NPF debt.

As a result of the above agreement, the liability in respect of the NPF debt is no longer reflected in the Board's financial position.

19. CONTINGENT LIABILITY

In September, 2009, the Provincial Legislature expanded the jurisdiction of Lakehead District School Board to include Collins District Area School Board. Land within this expanded jurisdiction has been determined to be contaminated. The costs of the clean-up of this contamination cannot be reasonably determined at this time and no provision for the clean-up has been recorded in the accounts. Actual cost net of grants will be recorded in the accounts as incurred.

Lakehead District School Board

Notes to the Consolidated Financial Statements

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[Thousands of Dollars]

20. SUBSEQUENT EVENT

On September 11, 2012, the Government of Ontario passed Bill 115, the Putting Students First Act that was introduced August 27, 2012. The requirements of this new legislation was used by the actuaries in the calculations of the Board's estimates for Retirement and Other Employee Future Benefits obligations. The impact of the changes to the various plans have been disclosed in note 7.