



Grant Thornton

Financial Statements

Lakehead District School Board

August 31, 2010



Office of The Director

Jim McCuaig Education Centre
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Catherine Siemieniuk, Director of Education

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 generally accepted accounting principles for local governments established by the Public Sector Accounting Board [PSAB] of the Canadian Institute of Chartered Accountants. 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 2010 financial statements for the Lakehead District School Board have been audited by Grant Thornton LLP, independent external auditors appointed by the Board. The accompanying Auditors' 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.

A handwritten signature in black ink, appearing to read "Catherine Siemieniuk", written over a horizontal line.

Catherine Siemieniuk
Director of Education

A handwritten signature in black ink, appearing to read "Kathy Pozihun", written over a horizontal line.

Kathy Pozihun
Superintendent of Business

Your Children Our Students The Future

www.lakeheadschoools.ca

Lakehead District School Board

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Grant Thornton

Auditors' Report

To the Board of Trustees of
Lakehead District School Board

Grant Thornton LLP

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We have audited the consolidated statement of financial position of Lakehead District School Board as at August 31, 2010 and the consolidated statements of operations and accumulated surplus, cash flows and change in net debt for the year then ended. These consolidated financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, we conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

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, net revenue, financial assets and net financial position.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of school fundraising revenue referred to in the preceding paragraph, these consolidated financial statements present fairly, in all material respects, the financial position of Lakehead District School Board as at August 31, 2010 and the results of its operations and accumulated surplus, cash flows and change in net debt for the year then ended in accordance with Canadian generally accepted accounting principles.

Grant Thornton LLP

Thunder Bay, Canada
November 17, 2010

Chartered Accountants
Licensed Public Accountants

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

Statement 1

As at August 31	2010	2009
	\$	\$ [restated - note 2]
	[Thousands of Dollars]	
FINANCIAL ASSETS		
Cash and cash equivalents	3,348	4,209
Investments [note 3]	74	73
Accounts receivable	16,362	10,792
Accounts receivable – Government of Ontario [note 4]	44,340	—
TOTAL FINANCIAL ASSETS	64,124	15,074
LIABILITIES		
Short-term debt [note 5]	—	23,321
Accounts payable and accrued liabilities	7,151	15,136
Other	145	106
Long-term debt [note 6]	41,973	9,019
Deferred revenue [note 7]	3,190	2,518
Retirement and other employee future benefits liabilities [note 8]	24,407	23,121
TOTAL FINANCIAL LIABILITIES	76,866	73,221
NET DEBT	(12,742)	(58,147)
NON-FINANCIAL ASSETS		
Tangible capital assets – net [note 11]	118,397	116,259
TOTAL NON-FINANCIAL ASSETS	118,397	116,259
ACCUMULATED SURPLUS [note 12]	105,655	58,112

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 Surplus

Year ended August 31	2010	2010	2009
	Budget	Actual	Actual
	\$	\$	\$
	<i>[note 16]</i>		<i>[restated - note 2]</i>
<i>[Thousands of Dollars]</i>			
REVENUES			
Provincial legislative grants	81,823	135,836	87,316
Provincial grants – other	79	6,068	2,094
Local taxation	29,138	21,946	24,140
School Generated Funds	1,500	2,216	2,398
Federal grants and fees	1,395	3,023	1,338
Investment income	150	35	95
Other revenues - School boards	227	176	221
Other fees and revenues	1,847	2,405	3,619
TOTAL REVENUES	116,159	171,705	121,221
EXPENSES			
Instruction	86,771	92,387	88,827
Administration	4,377	4,971	5,256
Transportation	6,134	6,619	6,229
Pupil accommodation	20,600	18,491	17,093
School Generated Funds	1,500	2,147	2,411
Other	99	3,262	2,007
TOTAL EXPENSES [NOTE 10]	119,481	127,877	121,823
Annual surplus (deficit)	(3,322)	43,828	(602)
Accumulated surplus, beginning of year	58,334	58,112	58,714
Opening surplus adjustment <i>[note 17]</i>	—	3,715	—
Accumulated surplus, end of year	55,012	105,655	58,112

See accompanying notes to the consolidated financial statements.

**Lakehead District School Board
Consolidated Statement of Cash Flows**

Statement 3

Year ended August 31	2010	2009
	\$	\$
		<i>[restated - note 2]</i>
	<i>[Thousands of Dollars]</i>	
OPERATIONS		
Annual surplus (deficit)	43,828	(602)
Adjustment to opening balance <i>[note 17]</i>	(119)	—
Non-cash charges		
Amortization of tangible capital assets	5,249	4,458
Loss on disposal of tangible capital assets	177	1,908
Write-down of tangible capital assets	2,356	—
Net change in non-cash working capital balances		
Increase in accounts receivable	(5,570)	(1,282)
Increase in accounts receivable – Government of Ontario	(44,340)	—
Decrease in prepaid expenses	—	97
Increase (decrease) in accounts payable and accrued liabilities	(7,985)	4,504
Increase in other liabilities	39	44
Increase in deferred revenue	672	479
Increase (decrease) in retirement and other employee future benefits liabilities	1,286	(114)
Cash provided by (applied to) operating transactions	(4,407)	9,492
INVESTING TRANSACTIONS		
Increase in investments	(1)	(7)
CAPITAL TRANSACTIONS		
Proceeds on sale of tangible capital assets	40	1,751
Acquisition of tangible capital assets	(6,126)	(28,036)
Cash applied to capital transactions	(6,086)	(26,285)
FINANCING TRANSACTIONS		
Long-term debt issued	33,498	1,078
Principal payments on long-term debt	(544)	(491)
Cash provided by financing transactions	32,954	587
CHANGE IN CASH AND CASH EQUIVALENTS		
Opening cash and cash equivalents	(19,112)	(2,899)
Closing cash and cash equivalents	3,348	(19,112)
Represented by		
Cash and cash equivalents	3,348	4,209
Short-term debt	—	(23,321)
Closing cash and cash equivalents	3,348	(19,112)

See accompanying notes to the consolidated financial statements.

**Lakehead District School Board
Consolidated Statement of Change in Net Debt**

Statement 4

Year ended August 31	2010	2009
	Actual	Actual
	\$	\$
	<i>[Thousands of Dollars]</i>	
Annual surplus (deficit)	43,828	(602)
Acquisition of tangible capital assets	(6,126)	(28,036)
Amortization of tangible capital assets	5,249	4,458
Loss on disposal of tangible capital assets	177	1,908
Proceeds on sale of tangible capital assets, net of deferrals	40	1,187
Write-down of tangible capital assets	2,356	—
Use of prepaid expenses	—	97
	1,696	(20,386)
(Increase) decrease in net debt	45,524	(20,988)
Net debt, beginning of year	(58,147)	(37,159)
Adjustment to opening balance <i>[note 17]</i>	(119)	—
Net debt, end of year	(12,742)	(58,147)

See accompanying notes to the consolidated financial statements.

Lakehead District School Board

Notes to the Consolidated Financial Statements

August 31, 2010

[Thousands of Dollars]

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Lakehead District School Board are prepared by management in accordance with generally accepted accounting principles established by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants.

[a] Reporting entity

The consolidated financial statements reflect the assets, liabilities, revenue 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.

[b] 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.

[c] Basis of accounting

Revenue and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenue as it is earned and measurable; expenses are the cost of goods and services acquired in the period whether or not payment has been made or invoices received.

[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.

Lakehead District School Board

Notes to the Consolidated Financial Statements

August 31, 2010

[Thousands of Dollars]

[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] Retirement and other employee future benefits

The Board provides defined retirement and other future benefits to specified employee groups. These benefits include pension, life insurance and health care benefits, retirement gratuity, worker's compensation and long-term disability benefits. The Board has adopted the following policies with respect to accounting for these employee benefits:

- [i] The costs of self-insured retirement and other employee future benefit plans are actuarially determined using management's best estimate of salary escalation, accumulated sick days at retirement, insurance and health care cost trends, disability recovery rates, long-term inflation rates and discount rates.

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. Any actuarial gains and losses related to past service of employees are amortized over the expected average remaining service life of the employee group.

For those self-insured benefit obligations that arise from specific events that occur from time to time, such as obligations for worker's compensation, long-term disability and life insurance and health care benefits for those on disability leave, the cost is recognized immediately in the period the events occur. Any actuarial gains and losses that are related to these benefits are recognized immediately in the period they arise.

- [ii] The costs of multi-employer defined pension plan benefits, such as the Ontario Municipal Employees Retirement System (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, 2010

[Thousands of Dollars]

[h] 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.

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

[i] Reserves and reserve funds

Certain amounts, as approved by the Board Trustees, are set aside in reserves and reserve funds for future operating and capital purposes. Transfer to and/or from reserves and reserve funds are an adjustment to the respective fund when approved.

Lakehead District School Board

Notes to the Consolidated Financial Statements

August 31, 2010

[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.

[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 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 generally accepted accounting principles established by the Public Sector Accounting Board, the budget figures presented have been adjusted to conform with this basis of accounting as it is used to prepare the consolidated financial statements. The budget figures are unaudited.

[m] Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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. CHANGE IN ACCOUNTING POLICIES

The Board has implemented Public Sector Accounting Board ("PSAB") Section 1200, "Financial Statement Presentation" and Section 3150, "Tangible Capital Assets". Section 1200 establishes general reporting principles and standards for the disclosure of information in government financial statements. Section 3150 requires governments to record and amortize their tangible capital assets in their financial statements. In prior years, tangible capital asset additions were expensed in the year of acquisition or construction.

The financial information recorded includes the actual or estimated historical cost of the tangible capital assets. Historical cost includes the costs directly related to the acquisition, design, construction, development, improvement or betterment of tangible capital assets. Cost includes overheads directly attributable to construction and development.

Lakehead District School Board

Notes to the Consolidated Financial Statements

August 31, 2010

[Thousands of Dollars]

When historical cost records were not available, other methods were used to estimate the costs and accumulated amortization of the assets. The estimates for land and buildings were determined by the Ministry of Education using an estimation methodology called the Book Value Calculator, using historical information provided by the Board. Other assets classes are recorded as historical cost where adequate information was available. If adequate information was not available, an alternative method was used to estimate a reasonable cost.

This change has been applied retroactively and prior periods have been restated. This change in accounting policy has changed amounts reported in the prior period as follows:

\$

Accumulated surplus at August 31, 2009	
Operating fund balance	—
Capital fund balance	(38,868)
Reserve fund balance	10,341
School activities fund	552
Amounts to be recovered	(32,246)
Accumulated surplus, as previously reported	(60,221)
Net book value of tangible capital assets recorded	116,259
Proceeds of disposition	2,074
Accumulated surplus, as restated	58,112
<hr/>	
Annual surplus for the year ended August 31, 2009	
Change in net liabilities, as previously reported	(22,272)
Add: Capital expenditure capitalized, previously expensed	28,036
Less: Amortization expense not previously recorded	(4,458)
Loss on disposal of tangible capital assets	(1,908)
Annual surplus, as restated	(602)

3. INVESTMENTS

Investments are recorded at cost. The total market value of the Board's investments at August 31, 2010 was approximately \$74 [2009 - \$73]. The Board's investments are comprised of cash and Guaranteed Investment Certificates and yield a step-up annual rate of 3.6%.

4. ACCOUNTS RECEIVABLE – GOVERNMENT OF ONTARIO

The Province of Ontario (Province) has replaced variable capital funding with a one-time debt support grant. 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 has a receivable from the Province of Ontario of \$44,340 as at August 31, 2010 with respect to this one-time grant.

Lakehead District School Board

Notes to the Consolidated Financial Statements

August 31, 2010

[Thousands of Dollars]

5. SHORT-TERM DEBT

The Board has lines of credits available to the maximum of \$65 million to address operating requirements and/or to bridge capital expenditures.

Interest on the operating facilities equal the bank's prime lending rate. All loans are unsecured, due on demand and are in the form of bank overdrafts.

As at August 31, 2010, the amount drawn under the operating facility was \$nil [2009 - \$23,321].

6. LONG-TERM DEBT

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

	2010 \$	2009 \$
Royal Bank of Canada		
Fixed rate term loan repayable in blended monthly instalments of \$37,526 at 4.87%, maturing November, 2014.	1,726	2,096
Ontario Financing Authority		
Fixed rate term loan payable in blended semi-annual instalments of \$192,974 at 4.56%, maturing November, 2031.	5,254	5,395
Fixed rate term loan payable in blended semi-annual instalments of \$16,141 at 4.90%, maturing March, 2033.	440	450
Fixed rate term loan payable in blended semi-annual instalments of \$38,371 at 5.06%, maturing March, 2034.	1,055	1,078
Fixed rate term loan payable in blended semi-annual instalments of \$1,210,794 at 5.23%, maturing April, 2035.	33,498	—
	41,973	9,019

Lakehead District School Board

Notes to the Consolidated Financial Statements

August 31, 2010

[Thousands of Dollars]

Principal payments relating to long-term debt of \$41,973, outstanding as at August 31, 2010 are due as follows:

	Principal \$	Interest \$	Total \$
2011	1,251	2,099	3,350
2012	1,311	2,039	3,350
2013	1,373	1,977	3,350
2014	1,439	1,911	3,350
2015	1,122	1,848	2,970
Thereafter	35,477	20,934	56,411
	41,973	30,808	72,781

7. 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:

	2010 \$	2009 \$
		<i>[restated - note 2]</i>
Gain on disposal of tangible capital assets	853	853
Distant school	228	228
Energy efficiency	93	448
Green schools	60	—
Other grants	1,919	989
Pupil accommodation	29	—
Teacherage	8	—
	3,190	2,518

Lakehead District School Board

Notes to the Consolidated Financial Statements

August 31, 2010

[Thousands of Dollars]

8. RETIREMENT AND OTHER EMPLOYEE FUTURE BENEFITS

Retirement and Other Employee Future Benefits Liabilities

	2010		2009
	Retirement Benefits	Other Employee Future Benefits	Total Employee Future Benefits
	\$	\$	\$
Accrued employee future benefits obligations	13,582	14,232	26,813
Unamortized actuarial losses	(1,856)	(1,551)	(3,692)
Employee future benefits liability	11,726	12,681	23,121

Retirement and Other Employee Future Benefits Expenses

	2010		2009
	Retirement Benefits	Other Employee Future Benefits	Total Employee Future Benefits
	\$	\$	\$
Current year benefit cost	2,675	3,906	5,744
Interest on accrued benefit obligation	583	—	558
Recognition of unamortized actuarial losses on plan amendments	(1,856)	(1,551)	(3,692)
Employee future benefits expenses*	1,402	2,355	2,610

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

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.

Lakehead District School Board

Notes to the Consolidated Financial Statements

August 31, 2010

[Thousands of Dollars]

[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, 2010, the Board contributed \$1,313 [2009 - \$1,268] 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 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. Provisions and interest credits totalling \$1,462 [2009 - \$1,441] have been accumulated in the Retirement Gratuity Reserve Fund.

[iv] Retirement Life Insurance and Health Care Benefits

The Board continues to provide life insurance, dental and health care benefits to certain employee groups after retirement until the members reach 65 years of age. 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.

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 [2009 - \$750] in a reserve fund to assist with financing future claims and the insurance deductible on catastrophic claims.

Lakehead District School Board

Notes to the Consolidated Financial Statements

August 31, 2010

[Thousands of Dollars]

(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 \$1,169 [2009 - \$857] in a trust fund to assist with financing future claims and rate fluctuations.

The accrued benefit obligations for employee future benefit plans as at August 31, 2010 are based on actuarial valuations for accounting purposes as at August 31, 2010. 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:

	2010	2009
	%	%
Inflation	2.0	2.0
Wage and salary escalation	3.0	2.0 – 3.0
Insurance and health care cost escalation	3.5 – 10.0	3.5 – 10.5
Discount on accrued benefit obligations	4.5	4.5

9. DEBT CHARGES

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

	2010	2009
	\$	\$
Principal payments on long-term debt	544	491
Interest payments on long-term debt	542	386
	1,086	877

Lakehead District School Board

Notes to the Consolidated Financial Statements

August 31, 2010

[Thousands of Dollars]

10. EXPENSES BY OBJECT

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

	2010 Budget \$	2010 Actual \$	2009 Actual \$
	<i>[note 16]</i>		<i>[restated - note 2]</i>
Expenses			
Salaries and wages	79,954	82,825	79,698
Employee benefits	14,142	14,467	13,111
Staff development	296	1,392	1,482
Supplies and services	9,958	12,784	13,359
Interest	509	753	386
Fees and contracted services	6,890	7,713	7,119
Other	128	161	302
Amortization of tangible capital assets	5,248	5,249	4,458
Write-down of tangible capital assets	2,356	2,356	—
Loss on disposal of tangible capital assets	—	177	1,908
	119,481	127,877	121,823

Lakehead District School Board Notes to the Consolidated Financial Statements

August 31, 2010

[Thousands of Dollars]

11. TANGIBLE CAPITAL ASSETS - NET

	Balance		Adjustment		Cost		Disposals		Balance		Accumulated Amortization		Disposals		Balance		Net Book Value	
	Sept. 1, 2009	\$	to Opening Balance	\$	Sept. 1, 2009	\$	Aug. 31, 2010	\$	Aug. 31, 2009	\$	to Opening Balance	\$	Aug. 31, 2010	\$	Aug. 31, 2009	\$	Aug. 31, 2010	\$
Land	1,036		13		—		1,049		—		—		—		—		1,049	1,036
Land improvements	1,542		146		—		1,883		—		19		131		—		1,545	1,354
Buildings	154,363		5,855		1,046		164,196		43,052		2,161		4,487		1,527		112,969	111,311
Furniture and equipment	4,454		—		—		5,264		1,915		—		608		—		2,741	2,539
Vehicles	38		—		—		135		38		—		10		—		87	—
Capital leased assets	64		—		—		64		45		—		13		—		6	19
Total	161,497		6,014		1,046		172,591		45,238		2,180		5,249		1,527		118,397	116,259

[a] Write-down of tangible capital assets

The write-down of tangible capital assets during the year was \$2,356 [2009 - \$nil].

[b] Asset inventories for resale (assets permanently removed from service)

The Board has identified land and building properties that qualify as "assets permanently removed from service". \$948 related to buildings have been included in the net book value ending balance as of August 31, 2010 [2009 - \$744].

Lakehead District School Board

Notes to the Consolidated Financial Statements

August 31, 2010

[Thousands of Dollars]

12. ACCUMULATED SURPLUS

Accumulated surplus consists of the following:

	2010	2009
	\$	\$
Surplus		
Operating surplus available for compliance	4,063	4,063
Invested in tangible capital assets	118,397	116,259
Amounts restricted for future use by Board motion [note 13]	6,362	6,278
Unfunded amounts to be recovered	(24,552)	(32,246)
School Generated Funds	622	552
Portion of proceeds on disposition related to book value of the disposed assets	2,113	2,074
Not permanently financed capital	(1,350)	(38,868)
Total surplus	105,655	58,112

13. RESTRICTED SURPLUSES

Restricted amounts are made up of the following:

	2010	2009
	\$	\$
Retirement gratuity	1,462	1,441
Archives	20	20
Transition assistance	32	32
Old Fort William	67	66
Demutualization	838	824
WSIB	750	750
Facility stabilization	440	440
Board capital – other needs	1,306	1,306
Financial stabilization	1,399	1,399
Fort William Stadium	48	—
	6,362	6,278

14. TRUST FUNDS

Trust funds administered by the Board amounting to \$760 [2009 - \$602] 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 Surplus.

Lakehead District School Board

Notes to the Consolidated Financial Statements

August 31, 2010

[Thousands of Dollars]

15. ONTARIO SCHOOL BOARD INSURANCE EXCHANGE (OSBIE)

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

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

16. BUDGET DATA

The unaudited budget data presented in these consolidated financial statements is based upon the 2010 budgets approved by the Board on June 23, 2009. Capitalization of assets, amortization, and gains and losses on disposal were not contemplated on development of the budget and, as such, have not been included. The chart below reconciles the approved budget to the budget figures reported in the Consolidated Statement of Operations and Accumulated Surplus. Where amounts were not budgeted for, the actual amounts for 2010 were used in order to adjust the budget numbers to reflect the same basis of accounting as that used to report the actual results.

As the Consolidated Statement of Change in Net Debt is a new statement in 2009 - 2010 financial statements, the budget figures in that statement have not been provided.

Consolidated Statement of Operations and Accumulated Surplus For the year ended August 31

	2009 - 2010 Budget \$	Change \$	Restated 2009 - 2010 Budget \$
Total revenue	116,159	—	116,159
EXPENSES			
Total expenses as in 2009 - 2010 budget	115,034	—	115,034
Less capital asset expenditure	—	(3,158)	(3,158)
Add amortization of tangible capital assets	—	5,249	5,249
Add write-down of tangible capital assets	—	2,356	2,356
Total expenses	115,034	4,447	119,481
Annual surplus (deficit)	1,125	(4,447)	(3,322)
Accumulated surplus, beginning of year	—	—	58,334
Accumulated surplus, end of year	—	—	55,012

Lakehead District School Board

Notes to the Consolidated Financial Statements

August 31, 2010

[Thousands of Dollars]

17. AMALGAMATION

On September 1, 2009, the Provincial Legislature through legislation expanded the jurisdiction of the Lakehead District School Board to include Armstrong Public School (Northern District Area School Board) and Bernier-Stokes Public School (Collins District Area School Board). The amalgamation was accounted for under the purchase method. Under this method, the net assets and liabilities were accounted for at their carrying value in an adjustment to opening surplus to record the balances in the financial statements of the Board.

An adjustment to opening accumulated surplus due to the amalgamation is as follows:

	\$
Net book value of tangible capital assets acquired	3,834
Employee future benefits liability acquired	(119)
Adjustment to opening accumulated surplus	3,715

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 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.

Lakehead District School Board

Notes to the Consolidated Financial Statements

August 31, 2010

[Thousands of Dollars]

19. FUTURE ACCOUNTING FOR CONTRIBUTIONS USED FOR CAPITAL

In the Ministry of Finance addendum to the 2010 Ontario Budget: Ontario's Plan to Enhance Accountability, Transparency and Financial Management, the government provided direction to school boards on the accounting treatment of capital contributions. This addendum proposes that, effective the fiscal year beginning on September 1, 2010, school boards in Ontario will adopt accounting policies consistent with the Province of Ontario, which include a policy to recognize government transfers and external contributions used in the acquisition of tangible capital assets over the period that the asset is expected to provide service. This policy is to ensure consistency with the current practice of senior governments in Canada and other major broader public-sector organizations (hospitals, colleges and universities), and to ensure that school board operating surpluses or deficits are not distorted by capital grant revenues.

This accounting treatment is not currently a recognized option by the Public Sector Accounting Standards Board (PSAB) and could not be implemented within these financial statements.