



Grant Thornton

Financial Statements

Lakehead District School Board

August 31, 2011



Office of The Director

Jim McCuaig Education Centre
2135 Sills Street Thunder Bay ON P7E 5T2
Telephone (807) 625-5100 Fax (807) 622-0961

Catherine Siemieniuk, Director of Education

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 2011 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

Your Children Our Students The Future
www.lakeheadschoools.ca

Lakehead District School Board

Contents

	Page
Independent Auditor's Report	1 - 2
Statement 1 – Consolidated Statement of Financial Position	3
Statement 2 – Consolidated Statement of Operations and Accumulated Surplus	4
Statement 3 – Consolidated Statement of Cash Flows	5
Statement 4 – Consolidated Statement of Change in Net Debt	6
Notes to the Consolidated Financial Statements	7 - 21



Independent Auditor's Report

Grant Thornton LLP

979 Alloy Drive
Thunder Bay, ON
P7B 5Z8

T +1 807 345 6571
+1 800 446 4794 (Toll Free)
F +1 807 345 0032
E ThunderBay@ca.gt.com
www.GrantThornton.ca

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, 2011, and the consolidated statements of operations and accumulated surplus, 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 financial statements

Management is responsible for the preparation and fair presentation 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the

consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified 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 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.

Qualified opinion

In our opinion, except for the effects of the matter described in the *Basis for qualified opinion* paragraph, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Lakehead District School Board as at August 31, 2011, and the results of its operations and accumulated surplus, cash flows and change in net debt for the year then ended in accordance with the basis of accounting described in note 1 to the consolidated financial statements.

Basis of accounting and restriction on use

In addition to the modification of our opinion, we draw attention to note 1 to the consolidated financial statements which describes the basis of accounting. The consolidated financial statements are prepared to assist Lakehead District School Board to meet the requirements of the Ontario Ministry of Education. As a result, the consolidated financial statements may not be suitable for another purpose. Our report is intended solely for the Board of Trustees of Lakehead District School Board and the Ontario Ministry of Education and should not be used by parties other than the Board of Trustees of Lakehead District School Board and the Ontario Ministry of Education.

Grant Thornton LLP

Thunder Bay, Canada
November 21, 2011

Chartered Accountants
Licensed Public Accountants

Lakehead District School Board Consolidated Statement of Financial Position

Statement 1

As at August 31	2011	2010
	\$	\$ <i>[restated - note 2]</i>
	<i>[Thousands of Dollars]</i>	
FINANCIAL ASSETS		
Cash and cash equivalents	8,934	3,348
Investments <i>[note 3]</i>	6,116	74
Accounts receivable	8,362	16,362
Accounts receivable – Government of Ontario approved capital <i>[note 4]</i>	43,184	44,340
Assets held for sale <i>[note 5]</i>	475	—
TOTAL FINANCIAL ASSETS	67,071	64,124
LIABILITIES		
Accounts payable and accrued liabilities	6,934	7,151
Other	140	145
Long-term debt <i>[note 9]</i>	41,915	41,973
Deferred revenue <i>[note 6]</i>	6,538	5,303
Retirement and other employee future benefits liabilities <i>[note 8]</i>	25,958	24,407
Deferred capital contributions <i>[note 7]</i>	113,814	115,999
TOTAL FINANCIAL LIABILITIES	195,299	194,978
NET DEBT	(128,228)	(130,854)
NON-FINANCIAL ASSETS		
Prepaid expenses	54	—
Tangible capital assets – net <i>[note 13]</i>	116,124	118,397
TOTAL NON-FINANCIAL ASSETS	116,178	118,397
ACCUMULATED DEFICIT <i>[note 14]</i>	(12,050)	(12,457)

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	2011	2011	2010
	Budget	Actual	Actual
	\$	\$	\$
			<i>[restated - note 2]</i>
<i>[Thousands of Dollars]</i>			
REVENUES			
Provincial legislative grants	86,830	93,941	129,710
Provincial grants – other	89	3,421	6,068
Local taxation	25,667	20,233	21,946
School Generated Funds	1,500	2,165	2,216
Federal grants and fees	2,981	2,633	3,023
Investment income	100	124	35
Other revenues - School boards	188	188	176
Other fees and revenues	1,871	1,897	2,405
Amortization of deferred capital contributions	5,663	5,494	5,188
TOTAL REVENUES	124,889	130,096	170,767
EXPENSES			
Instruction	90,124	94,876	92,387
Administration	4,533	5,044	4,971
Transportation	6,455	6,637	6,619
Pupil accommodation	21,679	20,617	18,491
School Generated Funds	1,500	2,167	2,147
Other	99	348	3,262
TOTAL EXPENSES [NOTE 12]	124,390	129,689	127,877
Annual surplus	499	407	42,890
Accumulated deficit, beginning of year	(12,457)	(12,457)	(55,347)
Accumulated deficit, end of year	(11,958)	(12,050)	(12,457)

See accompanying notes to the consolidated financial statements.

Lakehead District School Board Consolidated Statement of Cash Flows

Statement 3

Year ended August 31

2011

2010

\$

\$

[restated
- note 2]

[Thousands of Dollars]

OPERATIONS

Annual surplus	407	42,890
Adjustment to opening balance	—	(119)

Non-cash charges

Amortization of tangible capital assets	5,555	5,249
(Gain) loss on disposal of tangible capital assets	(63)	177
Write-down of tangible capital assets	—	2,356
Amortization of deferred capital contributions	(5,494)	(5,188)

Net change in non-cash working capital balances

(Increase) decrease in accounts receivable	8,000	(5,570)
(Increase) decrease in accounts receivable – Government of Ontario	1,156	(44,340)
Increase in prepaid expenses	(54)	—
Decrease in accounts payable and accrued liabilities	(217)	(7,985)
Increase (decrease) in other liabilities	(5)	39
Increase in deferred revenue	1,235	1,718
Increase in retirement and other employee future benefits liabilities	1,551	1,286
Cash provided by (applied to) operating transactions	12,071	(9,487)

INVESTING TRANSACTIONS

Increase in investments	(6,042)	(1)
Cash applied to investing transactions	(6,042)	(1)

CAPITAL TRANSACTIONS

Proceeds on sale of tangible capital assets	587	40
Acquisition of tangible capital assets	(4,281)	(6,126)
Cash applied to capital transactions	(3,694)	(6,086)

FINANCING TRANSACTIONS

Long-term debt issued	1,193	33,498
Principal payments on long-term debt	(1,251)	(544)
Grants received – deferred capital contributions	3,309	5,080
Cash provided by financing transactions	3,251	38,034

CHANGE IN CASH AND CASH EQUIVALENTS

Opening cash and cash equivalents	3,348	(19,112)
Closing cash and cash equivalents	8,934	3,348

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	2011	2010
	Actual	Actual
	\$	\$
	<i>[Thousands of Dollars]</i>	
Annual surplus	407	42,890
Acquisition of tangible capital assets	(4,281)	(6,126)
Amortization of tangible capital assets	5,555	5,249
(Gain) loss on disposal of tangible capital assets	(63)	177
Proceeds on sale of tangible capital assets	587	40
Transfers to assets held for sale	475	—
Write-down of tangible capital assets	—	2,356
Acquisition of prepaid expenses	(54)	—
	2,219	1,696
Decrease in net debt	2,626	44,586
Net debt, beginning of year	(130,854)	(175,440)
Net debt, end of year	(128,228)	(130,854)

See accompanying notes to the consolidated financial statements.

Lakehead District School Board

Notes to the Consolidated Financial Statements

August 31, 2011

[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

These consolidated financial statements have been prepared in accordance with Ontario Regulation 196/10 which requires school boards to comply with all regulations, policies, guidelines, directives and similar instruments. In 2004, directive was provided by the Ontario Ministry of Education within memorandum 2004:B2 requiring school boards to adopt Public Sector Accounting Standards established by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA).

In March, 2011, PSAB released a new Public Sector Accounting Standard PS 3410 "Government Transfers". The Ontario Ministry of Education provided direction on the adoption of this new standard in memorandum 2011:B08. The Ontario Ministry of Education required the implementation of this Government Transfers standard on a retroactive basis as described in note 2 to the financial statements.

The Ministry direction requires school boards to record a liability (deferred capital contribution) equal to the amount of the net book value of the depreciable assets at September 1, 2010 that have been Ministry approved. This direction, therefore, results in property tax revenue which was used to acquire or construct depreciable capital assets prior to 1998 when school boards ceased to have taxing authority, being afforded the same treatment as government capital grants, which is to recognize related revenue over the remaining useful life of the asset as disclosed in note 2. Under the Public Sector Accounting Standards property tax revenue should be recorded as revenue when received or receivable in accordance with Public Sector Accounting Standard PS 3510 "Tax Revenue".

These consolidated financial statements have been prepared in accordance with the financial reporting framework described above.

[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.

Lakehead District School Board

Notes to the Consolidated Financial Statements

August 31, 2011

[Thousands of Dollars]

School Generated Funds, which include the assets, liabilities, revenues and expenses of various organizations that exist at the school level and which are controlled by the Board are reflected in the consolidated financial statements.

Consolidated entities

School Generated Funds

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

[c] Trust funds

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

[d] Cash and cash equivalents

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

[e] Investments

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

[f] Deferred revenue

Certain amounts are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the delivery of specific services and transactions. These amounts are recognized as revenue in the fiscal year the related expenditures are incurred or services performed.

[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.

Lakehead District School Board

Notes to the Consolidated Financial Statements

August 31, 2011

[Thousands of Dollars]

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.

[h] 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

Lakehead District School Board

Notes to the Consolidated Financial Statements

August 31, 2011

[Thousands of Dollars]

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.

[i] 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.

[j] 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.

[k] Budget figures

Budget figures have been provided for comparison purposes and have been derived from the budget approved by the Trustees. The budget approved by the Trustees is developed in accordance with the provincially mandated funding model for school boards and is used to manage program spending with the guidelines of the funding model. Given differences between the funding model and the basis of accounting used by the school board in the preparation of the financial statements, the budget figures presented have been adjusted to conform with this basis of accounting as it is used to prepare the consolidated financial statements. The budget figures are unaudited.

Lakehead District School Board

Notes to the Consolidated Financial Statements

August 31, 2011

[Thousands of Dollars]

[I] 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. CHANGE IN ACCOUNTING POLICIES

In fiscal 2011, the Board early adopted Public Sector Accounting Handbook Section 3410 Government Transfers as described in note 1[a]. This change has been applied retroactively and prior periods have been restated. 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.

At the direction of the Ministry, the Board has calculated the opening DCC balance as at September 1, 2010 as the value of the depreciable tangible capital assets less the unsupported capital debt, both at August 31, 2010. The unsupported capital debt is the portion of the Board's outstanding debt that is not supported by Ministry funding. This calculation provides a cost-effective solution to determine the opening balance, allowing for the standard to be implemented retroactively. Retroactive implementation results in a set of financial statements that is relevant, understandable to the user, and comparable over periods and amongst school boards in Ontario.

This change in accounting policy has changed amounts reported in the prior period as follows:

	\$
<hr/>	
Accumulated surplus at August 31, 2010	
Accumulated surplus, as previously reported	105,655
Transfer to deferred capital contributions	(115,999)
Proceeds of disposition	(2,113)
Accumulated deficit, as restated	(12,457)
<hr/>	
Annual surplus for the year ended August 31, 2010	
Change in net assets/liabilities, as previously reported	43,828
Add: Amounts recognized in revenue	5,188
Less: In-year provincial capital contributions	(6,126)
Annual surplus, as restated	42,890

Lakehead District School Board

Notes to the Consolidated Financial Statements

August 31, 2011

[Thousands of Dollars]

3. INVESTMENTS

Investments are recorded at cost. The total market value of the Board's investments at August 31, 2011 was approximately \$6,116 [2010 - \$74]. The Board's investments are comprised of cash, money market fund and Guaranteed Investment Certificates.

4. 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 \$43,184 as at August 31, 2011 [2010 - \$44,340] with respect to capital grants.

5. ASSETS HELD FOR SALE

As of August 31, 2011, \$457 [2010 - \$nil] related to buildings and \$18 [2010 - \$nil] related to land were recorded as assets held for sale.

6. 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:

	2011	2010
	\$	\$
		<i>[restated - note 2]</i>
Gain on disposal of tangible capital assets	3,553	2,966
Distant school	228	228
Energy efficiency	128	93
Renewable energy	417	—
Green schools	2	60
Proceeds on disposition – assets held for resale	457	—
Other grants	1,716	1,919
Pupil accommodation	29	29
Teacherage	8	8
	6,538	5,303

Lakehead District School Board

Notes to the Consolidated Financial Statements

August 31, 2011

[Thousands of Dollars]

7. 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. The Ministry provided direction to the school boards in the establishment of the opening balance of the deferred capital contributions as disclosed in note 2.

	2011 \$	2010 \$
		<i>[restated - note 2]</i>
Opening balance	115,999	116,107
Additions to deferred capital contributions	4,281	6,126
Disposals/transfers to financial assets	(972)	(1,046)
Amortization	(5,494)	(5,188)
	113,814	115,999

8. RETIREMENT AND OTHER EMPLOYEE FUTURE BENEFITS

Retirement and Other Employee Future Benefits Liabilities

	2011		2010
	Retirement Benefits \$	Other Employee Future Benefits \$	Total Employee Future Benefits \$
Accrued employee future benefits obligations	15,021	14,992	30,013
Unamortized actuarial losses	(2,439)	(1,616)	(4,055)
Employee future benefits liability	12,582	13,376	25,958

Lakehead District School Board

Notes to the Consolidated Financial Statements

August 31, 2011

[Thousands of Dollars]

Retirement and Other Employee Future Benefits Expenses

	2011			2010
	Retirement Benefits \$	Other Employee Future Benefits \$	Total Employee Future Benefits \$	Total Employee Future Benefits \$
Current year benefit cost	3,471	4,182	7,653	6,581
Interest on accrued benefit obligation	613	—	613	583
Recognition of unamortized actuarial losses on plan amendments	(2,439)	(1,616)	(4,055)	(3,407)
Employee future benefits expenses*	1,645	2,566	4,211	3,757

* 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.

[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, 2011, the Board contributed \$1,449 [2010 - \$1,313] 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.

Lakehead District School Board

Notes to the Consolidated Financial Statements

August 31, 2011

[Thousands of Dollars]

[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 [2010 - \$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 \$1,898 [2010 - \$1,169] 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, 2011 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:

	2011	2010
	%	%
Inflation	2.0	2.0
Wage and salary escalation	3.0	3.0
Insurance and health care cost escalation	3.0 – 10.0	3.5 – 10.0
Discount on accrued benefit obligations	4.0	4.5

Lakehead District School Board

Notes to the Consolidated Financial Statements

August 31, 2011

[Thousands of Dollars]

9. LONG-TERM DEBT

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

	2011	2010
	\$	\$
Royal Bank of Canada		
Fixed rate term loan repayable in blended monthly instalments of \$37,526 at 3.87%, maturing November, 2014.	1,335	1,726
Ontario Financing Authority		
Fixed rate term loan payable in blended semi-annual instalments of \$192,974 at 4.56%, maturing November, 2031.	5,105	5,254
Fixed rate term loan payable in blended semi-annual instalments of \$16,141 at 4.90%, maturing March, 2033.	430	440
Fixed rate term loan payable in blended semi-annual instalments of \$38,371 at 5.06%, maturing March, 2034.	1,032	1,055
Fixed rate term loan payable in blended semi-annual instalments of \$1,210,794 at 5.23%, maturing April, 2035.	32,820	33,498
Fixed rate term loan payable in blended semi-annual instalments of \$41,524 at 4.83%, maturing March, 2036.	1,193	—
	41,915	41,973

Lakehead District School Board

Notes to the Consolidated Financial Statements

August 31, 2011

[Thousands of Dollars]

Principal payments relating to long-term debt of \$41,915, outstanding as at August 31, 2011, are due as follows:

	Principal \$	Interest \$	Total \$
2012	1,336	2,096	3,432
2013	1,400	2,032	3,432
2014	1,467	1,966	3,433
2015	1,152	1,901	3,053
2016	1,138	1,846	2,984
Thereafter	35,422	19,748	55,170
	41,915	29,589	71,504

10. 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, 2011, the amount drawn under the operating facility was \$nil.

11. DEBT CHARGES AND CAPITAL LOANS

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

	2011 \$	2010 \$
Principal payments on long-term debt	1,251	544
Interest payments on long-term debt	2,126	542
	3,377	1,086

Lakehead District School Board

Notes to the Consolidated Financial Statements

August 31, 2011

[Thousands of Dollars]

12. EXPENSES BY OBJECT

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

	2011 Budget \$	2011 Actual \$	2010 Actual \$
Expenses			
Salaries and wages	83,716	85,075	82,825
Employee benefits	14,592	14,991	14,467
Staff development	377	1,293	1,392
Supplies and services	10,384	12,390	12,784
Interest	2,127	2,139	753
Fees and contracted services	7,402	7,867	7,713
Other	129	379	161
Amortization of tangible capital assets	5,663	5,555	5,249
Write-down of tangible capital assets	—	—	2,356
Loss on disposal of tangible capital assets	—	—	177
	124,390	129,689	127,877

Lakehead District School Board
Notes to the Consolidated Financial Statements

August 31, 2011

[Thousands of Dollars]

13. TANGIBLE CAPITAL ASSETS - NET

	Cost			Transfers to assets held for sale \$	Balance Aug. 31, 2011 \$	Balance Sept. 1, 2010 \$	Accumulated Amortization		Net Book Value		
	Balance Sept. 1, 2010 \$	Additions and transfers \$	Disposals \$				Amortization adjustment for sale 2011 \$	Disposals, Transfer to write-offs, assets Aug. 31, 2011 \$	Aug. 31, 2011 \$	Aug. 31, 2010	
Land	1,049	—	(9)	(18)	1,022	—	—	—	1,022	1,049	
Land improvements	1,883	298	(32)	—	2,149	338	(8)	—	1,669	1,545	
Buildings	164,196	2,996	(5,171)	(2,122)	159,899	51,227	(4,680)	(1,665)	110,338	112,969	
Furniture and equipment	5,264	895	—	—	6,159	2,523	—	—	3,215	2,741	
Vehicles	135	86	—	—	221	48	—	—	76	145	
Construction in progress	—	6	—	—	6	—	—	—	—	87	
Capital leased assets	64	—	—	—	64	58	—	—	6	—	
Total	172,591	4,281	(5,212)	(2,140)	169,520	54,194	(4,688)	(1,665)	53,396	116,124	118,397

[a] Write-down of tangible capital assets

The write-down of tangible capital assets during the year was \$nil [2010 - \$2,356].

[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". \$nil related to buildings have been included in the net book value ending balance as of August 31, 2011 [2010 - \$948].

Lakehead District School Board

Notes to the Consolidated Financial Statements

August 31, 2011

[Thousands of Dollars]

14. ACCUMULATED SURPLUS (DEFICIT)

Accumulated surplus (deficit) consists of the following:

	2011	2010
	\$	\$
Deficit		
Operating surplus available for compliance	5,917	4,064
Amounts restricted for future use by Board motion	6,471	6,362
Unfunded amounts to be recovered	(26,098)	(24,552)
School Generated Funds	620	622
Revenues recognized for land	1,040	1,047
Total deficit	(12,050)	(12,457)

15. RESTRICTED SURPLUSES

Restricted amounts are made up of the following:

	2011	2010
	\$	\$
Retirement gratuity	1,484	1,462
Archives	20	20
Transition assistance	32	32
Old Fort William	68	67
Demutualization	849	838
WSIB	750	750
Facility stabilization	440	440
Board capital – other needs	1,306	1,306
Financial stabilization	1,474	1,399
Fort William Stadium	48	48
	6,471	6,362

16. TRUST FUNDS

Trust funds administered by the Board amounting to \$775 [2010 - \$760] 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, 2011

[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. 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.

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.

19. REPAYMENT OF "55 SCHOOL BOARD TRUST" FUNDING

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