Consolidated financial statements of

Superior-Greenstone District School Board

August 31, 2011

Superior-Greenstone District School Board
August 31, 2011

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SUPERIOR-GREENSTONE DISTRICT SCHOOL BOARD
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MANAGEMENT REPORT

Management's Responsibility for the Financial Statements

The accompanying financial statements of the Superior-Greenstone District School Board are the responsibility of the Board management and 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 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 controls 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 financial statements have been audited by Deloitte & Touche LLP, independent external auditors appointed by the Board. The accompanying Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Board's financial statements.

David Tamblyn
Director of Education

Cathy Tsubouchi
Superintendent of Business

January 23, 2012

Deloitte.

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Independent Auditor's Report

To the Board of Trustees of the
Superior-Greenstone District School Board

We have audited the accompanying consolidated financial statements of Superior-Greenstone District School Board, which comprise the consolidated statement of financial position as at August 31, 2011, and the consolidated statements of operations, change in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information. The financial statements have been prepared by management based on the financial reporting provisions described in Note 1 to the consolidated financial statements.

Management's Responsibility for the Consolidated 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 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 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 consolidated 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 the individual schools and we were not able to determine whether adjustments might be necessary to school fundraising revenue, annual surplus (deficit), and cash flows from operating activities for the years ended August 31, 2011 and 2010, financial assets as at august 31, 2011 and 2010, and accumulated deficit as at September 1 and August 31 for both the 2011 and 2010 fiscal years. Our opinion on the financial statements for the year ended August 31, 2010 was modified accordingly because of the possible effects of this limitation in scope.

Opinion

In our opinion, except for the possible effect of the matter described in the Basis for Qualified Opinion paragraph, the consolidated financial statements of Superior-Greenstone District School Board for the year ended August 31, 2011 present fairly, in all material respects, the consolidated financial position of Superior-Greenstone District School Board at as August 31, 2011, and its consolidated results of operations and changes in its consolidated net debt and consolidated cash flows for the year then ended in accordance with the basis of accounting described in Note 1 to the consolidated financial statements.

Basis of Accounting

Without modifying our opinion, we draw attention to Note 1 to the consolidated financial statements which describe the basis of accounting. The consolidated financial statements are prepared to assist Superior-Greenstone 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.

Deloitte & Touche LLP

Chartered Accountants
Licensed Public Accountants
January 23, 2012

Superior-Greenstone District School Board
Consolidated statement of financial position
as at August 31, 2011

	2011	2010 (Restated - Note 2)
	$	$
Financial assets		
Cash and cash equivalents	**3,246,583**	3,263,375
Accounts receivable (Note 3)	**4,347,872**	4,285,304
Accounts receivable - Province of Ontario (Note 4)	**13,243,954**	8,856,416
Property held for sale (Note 5)	**233,977**	-
Investments (Note 6)	**129,350**	131,385
Total financial assets	**21,201,736**	16,536,480
Liabilities		
Temporary borrowing	**5,700,000**	-
Accounts payable and accrued liabilities	**3,877,089**	3,465,545
Deferred revenue (Note 7)	**2,009,577**	2,577,024
Obligation under capital leases (Note 9)	**209,109**	213,996
Deferred capital contributions (Note 8)	**52,536,912**	47,665,439
Net long-term debt (Note 10)	**5,586,686**	5,719,841
Retirement and other employee future benefits payable (Note 11)	**11,986,652**	11,825,970
Total liabilities	**81,906,025**	71,467,815
Net debt	**(60,704,289)**	(54,931,335)
Non-financial assets		
Tangible capital assets (Note 18)	**53,884,567**	49,121,851
Prepaid expenses and supplies	**46,181**	49,099
Total non-financial assets	**53,930,748**	49,170,950
Accumulated deficit (Note 19)	**(6,773,541)**	(5,760,385)

Commitments and contingent liabilities (Note 15)

Approved by the Board

Director of Education

Chair of the Board

Superior-Greenstone District School Board

Consolidated statement of operations
year ended August 31, 2011

		2011	2010
	Budget (Unaudited - Note 20)	Actual	Actual (Restated - Note 2)
	$	$	$
Revenues			
Provincial grants			
Student focused funding	**24,921,442**	**26,588,742**	27,511,802
Deferred capital contributions recognized	**2,387,843**	**2,435,474**	2,408,039
Other	**539,312**	**814,625**	1,400,812
Local taxation	**4,220,684**	**3,218,135**	3,194,091
School fundraising	**515,000**	**398,911**	436,583
Federal grants and fees	**3,053,254**	**2,916,196**	3,459,180
Investment income	**-**	**55,504**	20,707
Other revenues - School Boards	**765,000**	**149,129**	933,811
Other fees and revenues	**364,965**	**1,420,584**	753,775
Total revenues	**36,767,500**	**37,997,300**	40,118,800
Expenses (Note 13)			
Instruction	**25,123,694**	**26,735,220**	27,475,165
Administration	**2,003,410**	**2,208,344**	2,077,936
Transportation	**2,218,764**	**1,534,570**	2,249,860
School operations/pupil accommodation	**7,262,316**	**8,125,292**	6,706,931
School funded activities	**515,000**	**407,030**	440,061
Other	**58,977**	**-**	89,028
Total expenses	**37,182,161**	**39,010,456**	39,038,981
Annual (deficit) surplus	**(414,661)**	**(1,013,156)**	1,079,819
Accumulated deficit, beginning of year	**(7,108,156)**	**(5,760,385)**	(6,840,204)
Accumulated deficit, end of year	**(7,522,817)**	**(6,773,541)**	(5,760,385)

Superior-Greenstone District School Board

Consolidated statement of change in net debt
year ended August 31, 2011

	2011	2010 (Restated - Note 2)
	$	$
Annual (deficit) surplus	**(1,013,156)**	1,079,819
Acquisition of tangible capital assets	**(7,488,775)**	(4,310,562)
Net book value of tangible capital assets reclassified as properties held for sale during the year	**233,977**	-
Amortization of tangible capital assets	**2,492,082**	2,417,710
	(5,775,872)	(813,033)
Acquisition of prepaid expenses and supplies	**(46,181)**	(49,099)
Use of prepaid expenses and supplies	**49,099**	106,090
Change in net debt	**(5,772,954)**	(756,042)
Net debt, beginning of year	**(54,931,335)**	(54,175,293)
Net debt, end of year	**(60,704,289)**	(54,931,335)

Superior-Greenstone District School Board

Consolidated statement of cash flows
year ended August 31, 2011

	2011	2010 (Restated - Note 2)
	$	$
Operating activities		
Annual (deficit) surplus	**(1,013,156)**	1,079,819
Items not involving cash		
Amortization	**2,492,082**	2,417,710
Net book value of tangible capital assets reclassed as property held for sale during the year (Note 5)	**233,977**	-
Deferred capital contributions recognized (Note 8)	**(2,435,474)**	(2,408,039)
Change in non-cash assets and liabilities		
Increase in accounts receivable	**(62,568)**	(470,960)
Increase in accounts receivable - Province of Ontario	**(4,387,538)**	(8,856,416)
Increase in property held for sale	**(233,977)**	-
Increase (decrease) in accounts payable and accrued liabilities	**411,544**	(852,014)
(Decrease) increase in deferred revenue	**(567,447)**	928,481
Increase in retirement and other employee future benefits payable	**160,682**	38,729
Decrease in prepaid expenses and supplies	**2,918**	56,991
Net change in cash from operating activities	**(5,398,957)**	(8,065,699)
Capital activity		
Acquisition of tangible capital assets	**(7,488,775)**	(4,310,562)
Net change in cash from capital activities	**(7,488,775)**	(4,310,562)
Investing activity		
Decrease in investments	**2,035**	146,672
Net change in cash from investing activities	**2,035**	146,672
Financing activities		
Capital grant contributions (Note 8)	**7,306,947**	8,856,416
Long-term debt issued	**47,764**	2,290,309
Increase in temporary borrowing	**5,700,000**	-
Debt principal repaid	**(180,919)**	(82,802)
Obligation under capital lease incurred	**44,091**	232,361
Repayment of obligations under capital lease	**(48,978)**	(18,371)
Net change in cash from financing activities	**12,868,905**	11,277,913
Change in cash and cash equivalents	**(16,792)**	(951,676)
Cash and cash equivalents, beginning of year	**3,263,375**	4,215,051
Cash and cash equivalents, end of year	**3,246,583**	3,263,375

1. Significant accounting policies

The consolidated financial statements of the Superior-Greenstone District School Board (the "Board") are the representations of management prepared in accordance with the basis of accounting as described in Note 1a) below.

Significant accounting policies adopted are as follows:

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, a directive was provided by the Ontario Ministry of Education (the "Ministry") 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 Ministry provided direction on the adoption of this new standard in memorandum 2011:B08. The Ministry 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, accumulated surplus, revenues, expenses and annual surplus of the reporting entity. The reporting entity is comprised of all organizations which are controlled by the Board.

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

All material interdepartmental and inter-entity transactions and balances between these organizations are eliminated on consolidation.

c) *Trust funds*

Trust funds and their related operations administered by the Board amounting to $245,500 (2010 - $243,789) are not included in the consolidated financial statements.

d) *Cash and cash equivalents*

Cash and cash equivalents are comprised of cash on hand, demand deposits and investments which are highly liquid, subject to insignificant risk of changes in value and have an initial term to maturity of less than 90 days.

1. Significant accounting policies (continued)

e) Deferred revenue

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

f) Retirement and other employee future benefits

The Board provides defined retirement and other future benefits to specified employee groups. These benefits include health and dental, retirement gratuity, non-vesting accumulating sick leave, and early retirement incentive 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.

For self insured retirement and other employee future benefits that vest and accumulate over the periods of service provided by employees, such as retirement gratuities, 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 the past service of employees are amortized over the expected average remaining service life of the employee group.

For non-vesting accumulating sick days, the accrued benefit obligation is the actuarial present value of the future expected cash flows with respect to the existing sick leave bank balances determined as at the valuation date. These cash flows will reflect expected salary increases and survivorship at each future date.

For those self insured benefit obligations that arise from specific events that occur from time to time, such as obligations for life insurance, dental and health care benefits for certain employees 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.

Actuarial gains and losses related to obligations for long-term disability are amortized over the expected average service life of the employee group.

ii) The Board's contributions to multi-employer defined benefits pension plans, such as the Ontario Municipal Employees Retirement System pensions, are recorded in the period in which they become payable.

iii) The costs of insured benefits for active employees reflected in these consolidated financial statements are the Board's portion of insurance premiums owed for coverage of employees during the period.

g) Tangible capital assets

Tangible capital assets are recorded at cost less accumulated amortization. Cost includes amounts that are directly attributable to acquisition, design, construction, development or betterment of the asset, as well as interest related to financing during construction.

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.

1. Significant accounting policies (continued)

g) Tangible capital assets (continued)

Tangible capital assets, except land, are amortized on a straight line basis over their estimated useful lives as follows:

Asset class	Estimated useful life in years
Land improvements	15
Buildings and building improvements	40
Portable structures	20
Other buildings	20
First-time equipping of schools	10
Furniture	10
Equipment	5-15
Leased equipment	Over lease term
Computer hardware	5
Computer software	5
Vehicles	5-15

Assets under construction are not amortized until the asset is available for productive use. One-half of the annual amortization is charged in the year of acquisition and the year of disposal.

Land permanently removed from service and held for resale is recorded at the 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.

h) 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, all 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. Amounts are recognized into revenue as the liability is extinguished over the useful life of the asset.

i) Investment income

Investment income earned is reported as revenue in the period earned. Investment income earned on externally restricted funds such as pupil accommodation and special education forms part of the respective deferred revenue balances.

j) Long term debt

Long term debt includes debentures and Ontario financing Authority (OFA) loans which were arranged for financing Board's capital projects or high priority renewal projects. Long term debt is recorded net of related sinking fund balances.

1. Significant accounting policies (continued)

k) Use of estimates

The preparation of financial statements in conformity with the basis of accounting described in Note 1 a) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the year. Actual results could differ from these estimates. Estimates are reviewed periodically by management, and, as adjustments become necessary they are reported in the period in which they became known. Accounts subject to estimates include allowance for doubtful accounts receivable, retirement and other employee future benefits payable, useful lives of tangible capital assets and the recognition of deferred amounts related to capital contributions.

2. Change in accounting policies

In fiscal 2011, the Board early adopted Public Sector Accounting Handbook section 3410 Government Transfers as described in Note 1a. 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. 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 deferred capital contribution 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 outstanding debt that is not supported by the 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:

	$
Accumulated deficit at August 31, 2010	
Accumulated surplus, as previously reported	41,905,055
Transfer to deferred capital contributions	(47,665,439)
Accumulated deficit, as restated	(5,760,385)
Annual surplus for the year ended August 31, 2010	
Annual surplus, as previously reported	7,528,196
Plus: Capital grants recognized in revenue	2,408,039
Less: In-year provincial capital grant contributions	(8,856,416)
Annual surplus, as restated	1,079,819

The Impact for the year ended August 31, 2011 is as follows:

Annual deficit for the year ended August 31, 2011	
Annual surplus, before restatement impact	3,858,317
Plus: Capital grants recognized in revenue	2,435,474
Less: In-year provincial capital grant contributions	(7,306,947)
Annual deficit, as currently reported	(1,013,156)

3. Accounts receivable

Accounts receivable includes tuition fees receivable (payable) from the First Nations as follows:

	Balance at August 31, 2010	Invoices	Payments	**Balance at August 31, 2011**
	$	$	$	**$**
Aroland First Nation	890,700	443,451	(488,145)	**846,006**
Biinjitwaabek First Nation	161,012	263,888	(297,200)	**127,700**
Ginoogaming First Nation	10,699	13,649	(24,670)	**(322)**
Lac La Croix	533	-	-	**533**
Marten Falls First Nation	460	18,199	(19,084)	**(425)**
Pays Plat First Nation	53,680	77,396	(73,351)	**57,725**
Pic Mobert First Nation	40,625	359,434	(246,844)	**153,215**
Pic River First Nation	(142,329)	400,382	(582,276)	**(324,223)**
Red Rock First Nation	300,621	965,262	(808,340)	**457,543**
	1,316,001	2,541,661	(2,539,910)	**1,317,752**

4. Accounts receivable - Province of Ontario

The account receivable from the Province of Ontario is composed of amounts related to capital grants in the amount of $13,243,954 (2010 - $8,856,416).

The Province of Ontario has replaced variable capital funding with a one-time debt support grant. The Board recorded a one-time grant that recognizes capital 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.

5. Property held for sale

As of August 31, 2011, $233,977 (2010 - $Nil) related to land was recorded as property held for sale.

6. Investments

Investments are comprised as follows:

	2011		2010	
	Cost	**Market value**	Cost	Market value
	$	**$**	$	$
Guaranteed investment certificates	**129,150**	**129,150**	131,185	131,185
Credit Union shares	**200**	**200**	200	200
	129,350	**129,350**	131,385	131,385

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 August 31 is comprised of:

	Balance at August 31, 2010	Increase	Revenue recognized	**Balance at August 31, 2011**
	$	$	$	**$**
Pupil accommodation	853,066	973,164	1,331,796	**494,434**
Proceeds of disposition	679,042	8,182	-	**687,224**
Special education	-	2,347,247	2,314,294	**32,953**
Other	1,044,916	3,522,347	3,772,297	**794,966**
Total deferred revenue	2,577,024	6,850,940	7,418,387	**2,009,577**

8. Deferred capital contributions

Government transfers for capital that meet the definition of a liability are referred to as deferred capital contributions. Amounts are recognized into revenue as the liability is extinguished over the useful life of the related 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 (Restated - Note 2)
	$	$
Balance, beginning of year	**47,665,439**	41,217,062
Capital grants recorded as deferred capital contributions	**7,306,947**	8,856,416
Revenue recognized in the period	**(2,435,474)**	(2,408,039)
Balance, end of year	**52,536,912**	47,665,439

9. Obligations under capital leases

The Board has obligations under various capital leases with expiries ranging from 2014 to 2016 and interest rates ranging from 1.39% to 2.76%. Principal and interest payments relating to capital lease obligations of $209,109 (2010 - $213,996) outstanding as at August 31 are due as follows:

	Principal payment	Interest	Total
	$	$	$
2011/2012	61,401	3,364	64,765
2012/2013	62,529	2,235	64,764
2013/2014	61,818	1,079	62,897
2014/2015	19,688	362	20,050
2015/2016	3,673	165	3,838
	209,109	7,205	216,314

10. Net long-term debt

a) Long-term debt reported on the consolidated statement of financial position is comprised of the following:

	2011	2010
	$	$
4.56% Ontario Financing Authority, GPL 1	**1,337,186**	1,375,967
4.85% Ontario Financing Authority, GPL 2	**904,706**	927,540
5.01% Ontario Financing Authority, GPL 3	**1,100,821**	1,126,025
5.23% Ontario Financing Authority, GPL 4	**2,243,973**	2,290,309
	5,586,686	5,719,841

On November 15, 2006, the Board entered into a loan agreement with the Ontario Financing Authority to refinance $1,498,725 of the GPL Phase 1 outstanding at that time. The loan is repayable by semi-annual installments of principal and interest of $50,544 based on a 25 year amortization schedule and bears interest of 4.56%. The annual principal and interest costs will be funded by the Ministry.

On March 3, 2008, the Board entered into a loan agreement with the Ontario Financing Authority to refinance $970,022 of the GPL Phase 2 outstanding at that time. The loan is repayable by semi-annual installments of principal, interest and administration fee of $34,004 based on a 25 year amortization schedule and bears interest of 4.85%. The annual principal, interest and administration costs will be funded by the Ministry.

On March 13, 2009, the Board entered into a loan agreement with the Ontario Financing Authority to refinance $1,150,000 of the GPL Phase 3 outstanding at that time. The loan is repayable by semi-annual installments of principal, interest and administration fee of $40,944 based on a 25 year amortization schedule and bears interest of 5.01%. The annual principal, interest and administration costs will be funded by the Ministry.

On April 14, 2010, the Board entered into a loan agreement with the Ontario Financing Authority to refinance $2,290,309 of the GPL Phase 3 and 4 outstanding at that time. The loan is repayable by semi-annual installments of principal, interest and administration fee of $82,784 based on a 25 year amortization schedule and bears interest of 5.23%. The annual principal, interest and administration costs will be funded by the Ministry.

b) Principal payments relating to the net long-term debt of $5,586,686 outstanding as at August 31, 2011 are due as follows:

	Principal	Interest	Total
	$	$	$
2011/12	139,825	276,728	416,553
2012/13	146,830	269,721	416,551
2013/14	154,185	262,383	416,568
2014/15	161,912	254,639	416,551
2015/16	170,025	246,525	416,550
Thereafter	4,813,909	2,484,919	7,298,828
	5,586,686	3,794,915	9,381,601

11. Retirement and other employee future benefits

Retirement and other employee future benefit liabilities

	Retirement benefits	Other employee future benefits	**2011** Total employee future benefits	2010 Total employee future benefits
	$	**$**	**$**	$
Accrued employee future benefit obligation	**3,810,516**	**8,386,097**	**12,196,613**	11,084,470
Unamortized actuarial gains (losses)	**650,952**	**(860,913)**	**(209,961)**	741,500
Accrued employee future benefit liability, end of year	**4,461,468**	**7,525,184**	**11,986,652**	11,825,970

Actual benefit payments made during the year totaled $1,095,973 (2010 - $1,096,217).

Retirement and other employee future benefit expenses

	Retirement benefits	Other employee future benefits	**2011** Total employee future benefits	2010 Total employee future benefits
	$	**$**	**$**	$
Current year benefit cost	**213,328**	**499,194**	**712,522**	694,967
Interest on accrued benefit obligation	**174,399**	**368,626**	**543,025**	523,861
Amortization of actuarial gains	**(85,780)**	**86,887**	**1,107**	(83,882)
Employee future benefits expenses	**301,947**	**954,707**	**1,256,654**	1,134,946

The following items are included in the accrued employee future benefit liability:

i) 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 financial statements.

ii) Retirement life insurance and health care benefits

Employees are able to continue coverage for life insurance, dental and health care benefits after retirement until the members reach 65 years of age; however, the retirees pay a premium associated with this coverage.

iii) Sick leave accumulations

The Board provides compensated absences from sick leave accumulations through an unfunded defined benefit plan.

11. Retirement and other employee future benefits (continued)

Other employee future benefits

Long-term disability life insurance and health care benefits

The Board provides life insurance, dental and health care benefits to employees on long-term disability leave for a period of two years after the date of disability. The insurance carrier waives the life insurance premiums for employees on long-term disability, however, the Board is responsible for the payment of the costs of insurance, dental and health care benefits under this plan. The Board provides these benefits through an unfunded defined benefit plan. The costs of salary compensation paid to employees on long-term disability leave are fully insured and not included in this plan.

The accrued benefit obligations for employee future benefit plans as at August 31, 2011 are based on a full actuarial valuation that was completed as of August 31, 2009. 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

Wage and salary escalation	3%
Medical cost increases	9% grading down to 4.5% in 2030 and thereafter
Discount rate on accrued benefit obligations	4.00%
Dental cost increases	6% grading down to 4.5% in 2014 and thereafter

The Board has designated reserves for certain of these employee future benefit obligations. The balance of these reserves totaled $856,934 at August 31, 2011 (2010 - $1,240,360).

Above amounts exclude pension contributions to the Ontario Municipal Employees Retirement System, a multi-employer pension plan, as 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 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's contributions equal the employee contributions to the Plan. During the year ended August 31, 2011, the Board contributed $464,176 (2010 - $442,067) 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 financial statements.

12. Areas of jurisdiction without municipal organization

The Board performs the duties of levying taxes, conducting elections of members, and certain other duties in a territory without municipal organization. Certain costs are recoverable through a levy on all ratable property in the area and other costs (approved) are recoverable through an offset to the local taxation revenue.

13. Expenses by object

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

		2011	2010
	Budget (unaudited)	**Actual**	Actual (Restated - Note 2)
	$	**$**	$
Salary and wages	**23,277,889**	**24,224,549**	24,453,578
Employee benefits	**3,969,308**	**5,023,790**	4,556,310
Staff development	**725,855**	**456,562**	444,072
Supplies and services	**3,668,651**	**4,253,944**	3,618,605
Interest	**-**	**290,694**	212,995
Rental expenses	**81,097**	**47,364**	110,418
Fees and contract services	**270,104**	**2,148,216**	2,813,384
Other	**2,801,414**	**72,446**	305,120
Transfers to other boards	**-**	**809**	106,790
Amortization of tangible capital assets	**2,387,843**	**2,492,082**	2,417,710
	37,182,161	**39,010,456**	39,038,981

14. Ontario School Board Insurance Exchange (OSBIE)

The Board participates for its liability, property and automobile insurance in the Ontario School Boards' Insurance Exchange (OSBIE), a reciprocal insurance company licensed under the Insurance Act that is funded by the member boards across Ontario. Liability insurance is available to a maximum of $20 million per occurrence.

The ultimate premiums over a five year period are based on both the reciprocal's 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. The current five year term expires in January 2012.

15. Commitments and contingent liabilities

a) The Board enters into contracts for the capital construction and renovation of various new and existing schools. The following summarizes the Board's commitment under these contracts as at August 31, 2011:

	Contract value	Incurred to date	Amount remaining
	$	$	$
Construction of school	5,186,119	4,904,737	281,382

15. Commitments and contingent liabilities (continued)

b) The Board is committed to various operating leases for premises and equipment expiring in fiscal 2015/2016. The aggregate minimum lease payments are as follows:

	Minimum lease payments
	$
2011/2012	31,231
2012/2013	10,057
2013/2014	5,478
2014/2015	3,222
2015/2016	966
Total	50,954

c) The Board has been named as the defendant in certain legal actions in which damages have been sought. The outcome of these actions is not determinable as at August 31, 2011, therefore, no provision has been made for these claims in the consolidated financial statements. Any losses arising from these actions will be recorded in the year that the related litigation is settled or it is determined that the claim is likely and a reasonable estimate can be made.

16. Repayment of “55 School Board Trust” funding

On June 1, 2003, the Board received $1,718,287 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.

The flow-through of $128,014 in respect of the above agreement for the year ended August 31, 2011 (2010 - $128,014) is not recorded in these consolidated financial statements.

17. Service Contract/CFSA Approval with the Ministry Of Community and Social Services

The Board has a Service Contract/CFSA Approval with the Ministry of Community and Social Services. One requirement of the Service Contract/CFSA Approval is the production by Management of a report, TPAR, which shows a summary by service of all revenues and expenditures and any resulting surplus or deficit that relates to the Service Contract/CFSA Approval.

A review of this report shows the Teacher Diagnostician services to be in a break-even position as at August 31, 2011 and therefore no amounts are repayable to the Ministry of Community and Social Services.

18. Tangible capital assets

	Cost Balance at August 31, 2010	Additions	(transfers)	Disposals	**Cost Balance at August 31, 2011**
	$	$	$	$	**$**
Land	1,242,416	133,525	(233,977)	-	**1,141,964**
Land improvements	1,300,348	158,961	-	-	**1,459,309**
Buildings	60,132,435	3,318,637	4,967,380	-	**68,418,452**
Equipment (5 years)	35,043	-		(27,080)	**7,963**
Equipment (10 years)	373,667	156,294	-	-	**529,961**
Equipment (15 years)	48,038	-	-	-	**48,038**
First time equipping	258,572	249,117	-	-	**507,689**
Furniture	22,251	10,874	-	(7,840)	**25,285**
Computer hardware	982,141	55,012	-	(426,260)	**610,893**
Computer software	214,475	-	-	(168,948)	**45,527**
Vehicles-<1 ton	-	34,968	-	-	**34,968**
Assets permanently removed from service	1,454,800	-	-	-	**1,454,800**
Construction in progress	1,608,789	3,358,591	(4,967,380)	-	**-**
Capital leases - Other	232,367	12,796	-	-	**245,163**
	67,905,342	7,488,775	(233,977)	(630,128)	**74,530,012**

	Accumulated amortization				**August 31, 2011**	August 31, 2010
	Balance at August 31, 2010	Amortization	Disposals, write-offs	**Balance at August 31, 2011**	**Net book value**	Net book value
	$		$	**$**	**$**	$
Land	-	-	-	**-**	**1,141,964**	1,242,416
Land improvements	319,656	100,834	-	**420,490**	**1,038,819**	980,692
Buildings	15,891,123	2,060,938	-	**17,952,061**	**50,466,391**	44,241,313
Equipment (5 years)	26,761	4,301	(27,080)	**3,982**	**3,981**	8,281
Equipment (10 years)	81,075	45,181	-	**126,256**	**403,705**	292,592
Equipment (15 years)	14,412	3,202	-	**17,614**	**30,424**	33,626
First time equipping	151,013	38,313	-	**189,326**	**318,363**	107,559
Furniture	14,782	2,377	(7,840)	**9,319**	**15,966**	7,468
Computer hardware	629,478	159,304	(426,260)	**362,522**	**248,372**	352,663
Computer software	175,036	26,000	(168,948)	**32,088**	**13,438**	39,439
Vehicles-<1 ton	-	3,497	-	**3,497**	**31,471**	-
Assets permanently removed from service	1,454,800	-	-	**1,454,800**	**-**	-
Construction in progress	-	-	-	**-**	**-**	1,608,789
Capital leases - Other	25,355	48,135	-	**73,490**	**171,673**	207,013
	18,783,491	2,492,082	(630,128)	**20,645,445**	**53,884,567**	49,121,851

Assets under construction

Assets under construction having a value of $Nil (2010 - $1,608,789) have not been amortized. Amortization will commence when the asset is put into service.

19. Accumulated deficit

Accumulated deficit consists of the following:

	2011	2010 (Restated - Note 2)
	$	$
Accumulated deficit		
Invested in tangible capital assets	**1,138,546**	1,242,416
School generated funds	**301,283**	309,402
Employee future benefits	**(11,986,652)**	(11,825,970)
Vacation accrual	**(93,310)**	(116,867)
Interest accrual	**(81,084)**	(82,368)
Working funds	**2,828,978**	3,195,183
Reserves and reserve funds	**1,118,698**	1,517,819
Total accumulated deficit	**(6,773,541)**	(5,760,385)

Reserves and reserve funds set aside for specific purposes by the Board of Trustees consist of the following:

	2011	2010
	$	$
Reserve and reserve funds		
Retirement gratuities	**856,934**	1,240,360
Pupil accommodation - school renewal	**159,517**	159,490
Capital - equipment	**45,637**	45,035
Insurance	**13,241**	22,934
Winning Teams	**43,369**	50,000
Total reserve and reserve funds	**1,118,698**	1,517,819

20. Budget data

The unaudited budget data presented in these consolidated financial statements is based upon the 2011 budgets approved by the Board on June 21, 2010. The budget was prepared prior to the release of the Government Transfers standard, which was released in March 2011. As a result, there are some changes in how the deferred capital grant contributions taken into income is calculated for the consolidated financial statements, versus for the budget. This includes the treatment of sinking fund interest and other components. The chart below reconciles the approved budget to the budget figures reported in the Consolidated Statement of Operations. Where amounts were not budgeted for, the actual amounts for 2011 were used in order to adjust the budget numbers to reflect the same basis of accounting as that used to report the actual results.

20. Budget data (continued)

As boards only budget the Statement of Operations, the budget figures in the Consolidated Statement of Change in Net Debt have not been provided.

	2010-11 budget	Changes	Restated 2010-11 budget
	$	$	$
Revenue			
Total revenue as in the 2010-11 budget	37,319,013	-	37,319,013
Add/deduct adjustment due to adoption of Government transfer standard	-	(551,513)	(551,513)
Total revenue	37,319,013	(551,513)	36,767,500
Total expenses	37,182,161	-	37,182,161
Annual surplus (deficit)	136,852	(551,513)	(414,661)
Accumulated deficit at beginning of year	(7,108,156)	-	(7,108,156)
Accumulated deficit at end of year	(6,971,304)	(551,513)	(7,522,817)

21. Transportation consortium

On June 16, 2008, the Board entered into an agreement with Conseil scolaire de district catholique des Aurores boreales, Counseil scolaire de district du Grand Nord de l'Ontario and Superior North Catholic District School Board 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 of East of Thunder Bay Transportation Consortium are shared. No partner is in a position to exercise unilateral control.

The Board's consolidated financial statements reflect its share of the Ministry transportation grants and related expenses.

The following provides condensed unaudited financial information:

	2011		2010	
	Total	**Board portion**	Total	Board portion
	$	**$**	$	$
Revenue	**2,404,215**	**1,692,162**	2,449,845	1,744,401
Expenses	**2,264,660**	**1,501,965**	2,229,582	1,485,106
Annual surplus	**139,555**	**190,197**	220,263	259,295