

Consolidated Financial Statements of

**THE LIMESTONE
DISTRICT SCHOOL BOARD**

Year ended August 31, 2011

THE LIMESTONE DISTRICT SCHOOL BOARD

Consolidated Financial Statements

Year ended August 31, 2011

Management Report

Independent Auditors' Report

Consolidated Financial Statements

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MANAGEMENT REPORT

Management's Responsibility for the Consolidated Financial Statements

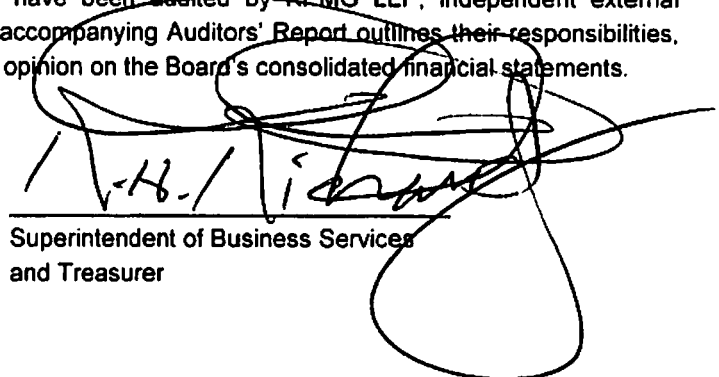
The accompanying consolidated financial statements of The Limestone District School Board are the responsibility of Board management and have been prepared in compliance with legislation, based on the financial reporting provisions described in note 1 to the consolidated financial statements. A summary of the significant accounting policies are also described in note 1 to the consolidated 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 consolidated financial statements. These systems are monitored and evaluated by management.

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

The consolidated financial statements have been audited by KPMG 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 Board's consolidated financial statements.


Director of Education


Superintendent of Business Services
and Treasurer

November 9, 2011



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INDEPENDENT AUDITORS' REPORT

To the Trustees of Limestone District School Board

We have audited the accompanying consolidated financial statements of Limestone District School Board, which comprise the consolidated statement of financial position as at August 31, 2011, the consolidated statements of operations and accumulated deficit, change in net debt and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information. The consolidated 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.

Auditors' 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 our 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, we consider 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 audit opinion.



Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Limestone District School Board as at 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 describes the basis of accounting. The consolidated financial statements are prepared to assist the Limestone 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.

KPMG LLP

Chartered Accountants, Licensed Public Accountants

November 9, 2011

Kingston, Canada

THE LIMESTONE DISTRICT SCHOOL BOARD



Consolidated Statement of Financial Position

August 31, 2011, with comparative figures for 2010

	2011	2010 (restated, note 2)
Financial assets:		
Cash	\$ 24,077,977	\$ 20,679,718
Accounts receivable:		
Municipalities	5,119,004	4,700,315
Government of Ontario (note 3)	50,428,674	41,848,344
Other	2,592,420	2,469,875
Investments	1,156,141	1,110,368
Total financial assets	83,374,216	70,808,620
Financial liabilities:		
Accounts payable and accrued liabilities	19,594,525	15,947,933
Net long-term liabilities (note 9)	40,568,675	37,874,352
Deferred revenue (note 6)	6,705,000	5,018,198
Funds held in trust (note 14)	1,237,845	1,219,655
Employee benefit liability (note 5(d))	28,062,977	27,040,211
Deferred capital contributions (note 7)	110,751,678	100,660,173
Total financial liabilities	206,920,700	187,760,522
Net debt	(123,546,484)	(116,951,902)
Non-financial assets:		
Prepaid expenses	301,722	287,620
Tangible capital assets (note 16)	113,250,711	102,523,308
Total non-financial assets	113,552,433	102,810,928
Contingent liabilities and commitments (notes 10, 12, and 13)		
Accumulated deficit	\$ (9,994,051)	\$ (14,140,974)

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

On Behalf of the Board:

Director of Education

Chair of the Board

THE LIMESTONE DISTRICT SCHOOL BOARD

Consolidated Statement of Operations and Accumulated Surplus

Year ended August 31, 2011, with comparative figures for 2010

	Budget (unaudited)	2011	2010 (restated, note 2)
Revenues:			
Local taxation	\$ 58,514,000	\$ 60,216,673	\$ 58,766,212
Provincial grants:			
Student focused funding	162,536,227	162,950,659	165,363,503
Other	3,011,493	5,292,043	4,462,701
Federal grants and fees	175,043	86,523	152,167
Other – school boards	185,000	187,635	182,704
Investment income	100,000	296,310	115,751
Other	3,319,715	8,329,420	5,214,668
School fundraising	6,200,000	6,267,150	6,696,194
	<u>234,041,478</u>	<u>243,626,413</u>	<u>240,953,900</u>
Expenses (note 18):			
Instruction	173,183,398	176,987,372	168,963,040
Administration	6,712,344	6,952,143	6,939,009
Transportation	14,185,218	13,904,579	13,564,941
Pupil accommodation	34,922,583	34,005,581	32,334,857
Other	457,419	1,657,419	457,419
School funded activities	6,200,000	5,972,396	6,476,179
	<u>235,660,962</u>	<u>239,479,490</u>	<u>228,735,445</u>
Annual surplus (deficit)	(1,619,484)	4,146,923	12,218,455
Accumulated deficit, beginning of year	(14,140,974)	(14,140,974)	(26,359,429)
Accumulated deficit, end of year (note 20)	(15,760,458)	\$ (9,994,051)	\$ (14,140,974)

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

THE LIMESTONE DISTRICT SCHOOL BOARD

Consolidated Statement of Change in Net Debt

Year ended August 31, 2011, with comparative figures for 2010

	2011	2010 (restated note 2)
Annual surplus	\$ 4,146,923	\$ 12,218,455
Acquisition of tangible capital assets	(17,422,442)	(9,512,058)
Amortization of tangible capital assets	6,695,039	6,308,280
	(10,727,403)	(3,203,778)
Use of (acquisition of) prepaid expenses	(14,102)	18,338
Change in net debt	(6,594,582)	9,033,015
Net debt, beginning of year	(116,951,902)	(125,984,917)
Net debt, end of year	\$ (123,546,484)	\$ (116,951,902)

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

THE LIMESTONE DISTRICT SCHOOL BOARD

Consolidated Statement of Cash Flows

Year ended August 31, 2011, with comparative figures for 2010

	2011	2010 (restated note 2)
Operating transactions:		
Annual surplus	\$ 4,146,923	\$ 12,218,455
Non-cash items including amortization	6,695,039	6,308,280
Change in non-cash operating working capital:		
Increase in accounts receivable	(9,121,564)	(40,921,533)
Increase in accounts payable and accrued liabilities	3,646,592	2,480,320
Increase in deferred revenue	1,686,802	975,019
Increase (decrease) in employee benefit liability	1,022,766	(4,034,499)
Decrease (increase) in prepaid expenses	(14,102)	18,338
Increase in funds held in trust	18,190	18,974
	<u>3,933,723</u>	<u>(35,155,101)</u>
Net increase (decrease) in cash from operating transactions	8,080,646	(22,936,646)
Capital transactions:		
Cash used to acquire tangible capital assets	(17,422,442)	(9,512,058)
Investing transactions:		
Increase in investments	(45,773)	(92,916)
Financing transactions:		
Increase in deferred capital contributions	10,091,505	35,540,065
Long-term liabilities issued	3,664,849	3,592,032
Debt repayment	(970,526)	(854,300)
Net increase in cash from financing transactions	<u>12,785,828</u>	<u>38,277,797</u>
Increase in cash	3,398,259	5,736,177
Cash, beginning of year	20,679,718	14,943,541
Cash, end of year	<u>\$ 24,077,977</u>	<u>\$ 20,679,718</u>

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

THE LIMESTONE DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements

Year ended August 31, 2011

1. Significant accounting policies:

The consolidated financial statements are prepared by management in accordance with the basis of accounting described below.

(a) 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 Limestone District School Board ("Board") and which are controlled by the Board.

These consolidated financial statements include:

- The Limestone District School Board Charitable Trust
- Tri-Board Student Transportation Services:

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

(b) 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 consolidated 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.

THE LIMESTONE DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2011

1. Significant accounting policies (continued):

(c) 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 recorded on the Consolidated Statement of Financial Position at the lower of cost or market value.

Investments are recorded at lower of cost plus or minus amortization of bond discounts or premiums or market. Interest on the investments is accrued as earned. Gains or losses on the sale of investments are recognized in the year of sale. Amortization of bond discounts or premiums are accrued over the term of the investment.

(d) Non-financial assets:

Non-financial assets are not available to discharge existing liabilities and are held for use in the period of service. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

(e) 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.

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

Rate	Estimated Useful Lives
Land improvements with finite lives	15 years
Buildings	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

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 the lower of cost and net realizable value. Cost includes amounts for improvements to prepare the land for sale or servicing. Building permanently removed from service ceases to be amortized and the carrying value is written down to its residual value.

THE LIMESTONE DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2011

1. Significant accounting policies (continued):

(e) Tangible capital assets (continued):

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

(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 costs 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, accumulated sick leave, 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 the 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 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.

THE LIMESTONE DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2011

1. Significant accounting principles (continued):

(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, any 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.

(i) Accumulated surplus – available for compliance, internally appropriated:

Certain amounts, as approved by the Board of Trustees, are set aside as internally appropriated funds for future operating and capital purposes. Transfers to and/or from internally appropriated funds are an adjustment to the respective fund when approved.

(j) Investment income:

Investment income is reported as revenue in the period earned.

Investment income earned on restricted funds 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 within 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 consolidated 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.

(l) Use of estimates:

The preparation of consolidated financial statements in conformity with the basis of accounting described in note 1(b) requires management to make estimates and assumptions that affect the reported amount 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 current estimates. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in the Consolidated Statement of Operations and Accumulated Surplus in the period in which they become known. Significant estimates include assumptions used in estimating provisions for accrued liabilities and in performing actuarial valuations of employee benefit liabilities.

THE LIMESTONE DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2011

1. Significant accounting principles (continued):

(m) Financial instruments:

The Consolidated Statement of Financial Position current value for cash, accounts receivable, accounts payable and accrued liabilities and deferred revenue approximates fair value because of their limited term to maturity. The Consolidated Statement of Financial Position value of the long-term liabilities approximates fair value because the Board's current rate of borrowing for similar debt instruments of comparable maturity is not materially different.

2. Change in accounting policies:

In fiscal 2011, the Board early adopted Public Sector Accounting Handbook Section 3410 *Government Transfers* as described in Note 1b. 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 Ontario Ministry of Education ("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:

	2010
Accumulated surplus at August 31, 2010:	
Accumulated surplus, as previously reported	\$ 86,737,711
Transfer to deferred capital contributions	(100,660,173)
Transfer of net book value of disposed assets to deferred revenue	(218,512)
Accumulated surplus (deficit), as restated	(14,140,974)
Annual surplus for the year ended August 31, 2010:	
Annual surplus, as previously reported	\$ 47,758,520
Add: Amounts recognized in revenue	6,308,279
Less: In-year Provincial capital contributions	(41,848,344)
Annual surplus, as restated	\$ 12,218,455
Total accumulated surplus, as restated, as at August 31, 2010	\$ (14,140,974)

THE LIMESTONE DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2011

3. Accounts receivable – Government of Ontario:

The Province of Ontario (the “Province”) has replaced variable capital funding with a one-time debt support grant that has been recognized in 2010. The Limestone District School Board (the “Board”) will receive 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 has an account receivable from the Province of \$50,428,674 as at August 31, 2011 (2010 - \$41,848,344) with respect to capital grants.

4. Temporary borrowing:

The Board’s financing agreement with its bank provides for an operating credit facility as follows:

The Board has a revolving term loan of up to \$20,000,000 to finance capital expenses under the Ministry’s “Good Places to Learn” Program, with \$Nil utilized as at August 31, 2011 (2010 - \$Nil) under the facility by way of a demand revolving loan and/or overdraft or by a bankers’ acceptance having terms of 180 days or less and a stamping fee of 0.50% per annum.

5. Employee benefits liability:

(a) Retirement gratuities and benefits, post retirement benefits and workers’ compensation:

The Board provides retirement gratuities and benefits and post-retirement benefits to various employees. An independent actuarial study of the retirement gratuities and benefits and post-retirement benefits has been undertaken. The most recent valuation of the employee future benefits was completed as at August 31, 2009. The next valuation of the plan will be effective August 31, 2012.

(i) Retirement gratuities and benefits:

Retirement gratuities and retirement benefits are provided to various employees of the Board, under the terms of the Board’s collective agreements with its employees, when employees cease to be employed because of age or ill health and where the employee will be receiving a pension. The amount of the payment is determined based on a formula that depends on the salary at retirement, accumulated sick days at retirement, and years of service at retirement.

THE LIMESTONE DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2011

5. Employee benefits liability:

(a) Retirement gratuities and benefits, post retirement benefits and workers' compensation (continued):

(i) Retirement gratuities and benefits (continued):

For teaching staff such payments are contingent upon the completion of 10 years of service. In order for elementary teachers and administrators to be eligible for a retirement gratuity payment they must have been employed prior to either September 1, 1980 or September 1, 1981 depending on which predecessor board they were employed with. Elementary teachers and administrators who began employment after that date may be eligible for a retirement benefit payment. For non-teaching staff such payments are generally contingent upon the completion of 8 years of service. For most of the non-teaching staff there is no further accumulation of sick days towards a retirement payment and in order to be eligible for a payment they must have been employed prior to either April 23, 1986 or June 30, 1998 depending on which predecessor board they were employed with.

The Board has a liability related to these retirement gratuities and benefits. The benefit costs and liabilities related to this plan are included in the Board's consolidated financial statements. At August 31, 2011, the Board's accrued benefit liability relating to retirement gratuities and benefits is \$ 16,565,480 (2010 - \$16,133,650). Accumulated surplus has been internally appropriated for these liabilities, which amounted to \$987,749 for retirement gratuities and benefits respectively as at August 31, 2011 (2010 - \$701,675).

(ii) Post-retirement benefits:

The Board offers its permanent employees extended health and dental benefits and pays the costs of the benefits provided. The Board also offers life insurance and Accidental Death and Dismemberment to its permanent employees and pays a share of the costs of the benefit provided which will vary depending on the collective agreement of the employee. Early retirees are allowed to continue their coverage under the Board sponsored extended health, dental care and insurance plans until age 65. Most employees are required to reimburse the Board for the full cost of the benefits. The post-retirement benefit costs and liabilities are included in the Board's consolidated financial statements.

At August 31, 2011, the Board's accrued benefit liability relating to post-retirement benefits is \$456,555 (2010 - \$483,349).

THE LIMESTONE DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2011

5. Employee benefits liability (continued):

(a) Retirement gratuities and benefits, post retirement benefits and workers' compensation (continued):

(iii) Accumulated sick leave:

The Board provides accumulated sick leave benefits to certain groups of employees. Under the plan, employees can accumulate unused sick leave days available for use in future years. The Board provides these benefits through an unfunded benefit plan. The amount of the accrued benefit liability for accumulated sick leave that does not vest has, however, been actuarially determined using the Projected Unit Credit Actuarial Cost Method as at August 31, 2011 and is \$8,537,898 (2010 - \$8,332,116).

Retirement gratuities and benefits and other post-retirement benefit expenses:

				2011	2010
	Retirement gratuities and benefits	Other post- retirement benefit expenses	Sick leave benefits	Total retirement and post- retirement benefits	Total retirement and post- retirement benefits
Accrued benefit liability					
September 1	\$ 16,133,650	\$ 483,349	\$ 8,332,116	\$ 24,949,115	\$ 28,867,096
Current year benefit cost	1,247,080	15,167	566,516	1,828,763	1,745,796
Increase (decrease) due to plan amendment					(4,305,155)
Amortization of actuarial loss (gain)	45,491	(12,666)	144,969	177,794	177,794
Interest on accrued benefit obligation	748,011	15,184	432,462	1,195,657	1,181,521
Benefit payments	(1,608,752)	(44,479)	(938,165)	(2,591,396)	(2,717,937)
Accrued benefit liability					
August 31	16,565,480	456,555	8,537,898	25,559,933	24,949,115
Net employee future benefit expenses	\$ 2,040,582	\$ 17,685	\$ 1,143,947	\$ 3,202,214	\$ (1,200,044)
Accrued employee future benefit obligations at August 31	\$ 18,129,651	\$ 346,211	\$ 10,230,419	\$ 28,706,281	\$ 26,951,477
Unamortized actuarial gain (loss)	(1,564,171)	110,344	(1,692,521)	(3,146,348)	(2,002,362)
Accrued benefit liability at August 31	\$ 16,565,480	\$ 456,555	\$ 8,537,898	\$ 25,559,933	\$ 24,949,115

THE LIMESTONE DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2011

5. Employee benefit liability (continued):

(a) Retirement gratuities and benefits, post retirement benefits and workers' compensation (continued):

(iv) Workplace Safety and Insurance Board:

This Board is a Schedule 2 employer with the Workplace Safety and Insurance Board (WSIB) and as such is potentially liable in respect of compensation and claims for work related injury up to the amount of its insurance deductibility. The Board recognizes WSIB payments on a claim basis rather than on a premium basis and reports such claims as expenses in the year in which the payments are made.

The Board carries catastrophic risk insurance and accumulated surplus has been internally appropriated for these liabilities which amounted to \$3,914,162 as at August 31, 2011 (2010 - \$3,601,326).

The amount of the liability for WSIB that was actuarially determined as at August 31, 2011 is \$2,503,044 (2010 - \$2,091,096).

Information with respect to the Board's Workplace Safety and Insurance Board future payments is as follows:

	2011	2010
Accrued benefit obligation, beginning of year	\$ 2,091,096	\$ 2,207,614
Expense recognized for the period	592,277	262,308
Benefits paid for the period	(180,329)	(378,826)
Accrued benefit obligation, end of year	\$ 2,503,044	\$ 2,091,096

(b) The Board has the following liabilities relating to employee benefits described in (a):

The amount of the accrued benefit obligation for retirement gratuities and benefits has been actuarially determined using the projected benefit method pro-rated on services, as at August 31, 2011 and is \$16,565,480 (2010 - \$16,133,650).

The amount of accrued benefit obligation for post-retirement benefits has been actuarially determined using the projected benefit method pro-rated on services for active lives and each retired life is calculated as the present value of the expected future subsidy from the valuation date to the date that the retiree turns 65. The balance as at August 31, 2011 is \$456,555 (2010 - \$483,349).

THE LIMESTONE DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2011

5. Employee benefit liability (continued):

- (b) The Board has the following liabilities relating to employee benefits described in (a) (continued):

The significant assumptions adopted in estimating the Board's accrued benefit obligation are as follows:

Discount rate	4.0% per annum
Salary escalation	3.0% per annum
Dental benefits escalation	6.0% per annum in 2003, decreasing by 0.5% per annum to an ultimate rate of 3.0%
Health benefits escalation	10.0% per annum in 2011, decreasing by 0.5% per annum to an ultimate rate of 4.0%
Inflation rate	2.0% per annum

- (c) Liability for vacation credits:

Compensated vacation expense is accrued for employees as entitlement to these payments is earned in accordance with the Board's benefit plans for vacation time. Vacation credits earned as at August 31, 2011 amount to \$1,604,752 (2010 - \$1,442,360) and are reported as part of the accounts payable and accrued liabilities.

- (d) Employee benefit liabilities:

	2011	2010
Employee benefit liabilities are comprised of:		
Retirement gratuities	\$ 16,565,480	\$ 16,133,650
Post-retirement benefits	456,555	483,349
Sick leave benefit	8,537,898	8,332,116
Workplace safety and insurance	2,503,044	2,091,096
	28,062,977	27,040,211
Vacation credits	1,604,752	1,442,360
	\$ 29,667,729	\$ 28,482,571

6. Deferred revenue:

Deferred revenue consists of amounts received by the Board that are restricted for specific purposes by the funder and amounts that are required to be set aside by the Board for specific purposes by legislation, regulation or agreement.

THE LIMESTONE DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2011

6. Deferred revenue (continued):

Deferred revenue has been set aside for specific purposes by legislation, regulation or agreement as at August 31, 2011 and is comprised of:

	Balance as at August 31, 2010	Externally restricted revenue and investment income	Revenue recognized in the period	Transferred to deferred capital contributions	Balance as at August 31, 2011
Special education	\$ 316,508	30,659,532	\$ 30,262,590	\$ —	\$ 713,450
Energy efficient schools	1,078,012	2,904,618	15,030	2,647,120	1,320,480
Capital funds	1,673,471	72,627	878,440	—	867,658
Other	1,950,207	15,315,222	8,862,950	4,599,067	3,803,412
Total deferred revenue	\$ 5,018,198	\$ 48,951,999	\$ 40,019,010	\$ 7,246,187	\$ 6,705,000

(a) Special education:

The Province has provided a specific operating grant to be used for the provision of instruction and support to special education students. Any amount not spent by year end must be deferred for use for this specific purpose in future years.

(b) Energy efficient schools:

The Province has provided specific operating and capital grants to reduce energy consumption in schools. Amounts not spent by year end have been deferred for use for this specific purpose in future years.

(c) Capital funds:

Capital funds include proceeds of disposition deferred revenue which pertains to the gains on disposal of instructional and administrative buildings and property.

(d) Other:

Other deferred revenue includes many specific program amounts, both capital and operating, from Provincial ministries, primarily the Ministry of Education.

THE LIMESTONE DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2011

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
Balance, beginning of year	\$ 100,660,173	\$ 65,120,108
Additions to deferred capital contributions	16,786,544	41,848,344
Revenue recognized in the period	(6,695,039)	(6,308,279)
Balance, end of year	\$ 110,751,678	\$ 100,660,173

8. Debt charges on capital borrowing:

The expenditure for capital loan interest and interest on unfinanced capital expenses and capital leases reported on the Consolidated Statement of Operations and Accumulated Surplus includes:

	2011	2010
Interest payments on long-term debt	\$ 1,918,812	\$ 1,759,787
Accrued interest charges on long-term debt	34,570	54,067
Total interest expenses	\$ 1,953,382	\$ 1,813,854

9. Net long-term liabilities:

Net long-term liabilities reported on the Consolidated Statement of Financial Position is comprised of the following:

	2011	2010
Bank Credit Facility, maturing November 2017	\$ 5,262,522	\$ 5,457,622
Ontario Financing Authority, maturing November 2031	5,323,853	5,478,256
Ontario Financing Authority, maturing March 2033	11,252,833	11,536,846
Ontario Financing Authority, maturing March 2034	11,545,256	11,809,594
Ontario Financing Authority, maturing April 2035	3,519,362	3,592,034
Ontario Financing Authority, maturing March 2036	3,664,849	–
	\$ 40,568,675	\$ 37,874,352

The Board entered into a long-term financing agreement with its bank in 2008 in the amount of \$5,942,000 (\$5,262,522 is outstanding as at August 31, 2011) to fund part of the cost of additions at two secondary schools. The loan has a fixed interest rate of 5.51% for ten years, will be amortized over twenty years, and is being repaid in equal monthly payments, combining principal and interest of \$40,911.

THE LIMESTONE DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2011

9. Net long-term liabilities (continued):

The Board entered into a loan agreement effective November 3, 2006 with the Ontario Financing Authority in the amount of \$5,967,000 (\$5,323,853 is outstanding as at August 31, 2011) to finance capital improvement projects under the Ministry's "Good Places to Learn" initiative (see note 13(c)). The loan has a fixed interest rate of 4.56% and will be repaid over twenty-five years in equal semi-annual instalments combining principal and interest of \$201,236. The loan will be fully repaid by November 2031.

The Board entered into a second loan agreement effective March 3, 2008 with the Ontario Financing Authority in the amount of \$12,065,240 (\$11,252,833 is outstanding as at August 31, 2011) to finance capital improvement projects under the Ministry's "Good Places to Learn" and "Primary Class Size" initiatives (see note 13(c)). The loan has a fixed interest rate of 4.90% and will be repaid over twenty-five years in equal semi-annual instalments combining principal and interest of \$422,941. The loan will be fully repaid by March 2033.

The Board entered into a third loan agreement effective March 3, 2009 with the Ontario Financing Authority in the amount of \$12,061,042 (\$11,545,256 is outstanding as at August 31, 2011) to finance capital improvement projects under the Ministry's "Good Places to Learn" initiative (see note 13(c)). The loan has a fixed interest rate of 5.062% and will be repaid over twenty-five years in equal semi-annual instalments combining principal and interest of \$429,418. The loan will be fully repaid by March 2034.

The Board entered into a fourth loan agreement effective April 2010, with the Ontario Financing Authority in the amount of \$3,592,034 (\$3,519,362 is outstanding as at August 31, 2011) to finance capital improvement projects under the Ministry's "Good Places to Learn" initiative (see note 13(c)). The loan has a fixed interest rate of 5.232% and will be repaid over twenty-five years in equal semi-annual instalments combining principal and interest of \$129,835. The loan will be fully repaid by April 2035.

The Board entered into a fifth loan agreement effective March 2011, with the Ontario Financing Authority in the amount of \$3,664,849 (\$3,664,849 is outstanding as at August 31, 2011) to finance capital improvement projects under the Ministry's "Good Places to Learn" initiative (see note 13(c)). The loan has a fixed interest rate of 4.833% and will be repaid over twenty-five years in equal semi-annual instalments combining principal and interest of \$127,545. The loan will be fully repaid by March 2036.

THE LIMESTONE DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2011

9. Net long-term liabilities (continued):

Payments due on long-term debt over the next five years and subsequent payments to maturity are as follows:

	Principal	Interest	Total
For the year ended August 31			
2012	\$ 1,099,073	\$ 2,012,809	\$ 3,111,882
2013	1,155,118	1,956,764	3,111,882
2014	1,214,032	1,897,850	3,111,882
2015	1,275,963	1,835,919	3,111,882
2016	1,341,066	1,770,816	3,111,882
Future years	34,483,423	16,373,764	50,857,187
	<u>\$ 40,568,675</u>	<u>\$ 25,847,922</u>	<u>\$ 66,416,597</u>

10. Obligations under operating leases:

The Board is committed to operating leases for instructional accommodation space expiring at various dates. There are no commitments for instructional space extending beyond 2016. Future lease payments as of August 31, 2011 are due as follows:

2012	\$ 433,776
2013	280,503
2014	147,677
2015	22,623
2016	22,623

11. Pension plan costs:

All non-teaching employees of the Board are eligible to be members of the Ontario Municipal Retirement System (OMERS) which is a multi-employer final average pay contributory plan. Employee contribution rates are 7.4% (2010 – 6.4%) on earnings up to the year's maximum pensionable earnings for CPP purposes and 10.7% (2010 - 9.7%) on earnings in excess of that amount. Employer contributions made to the plan during the year by the Board amount to \$2,217,537 (2010 - \$1,901,090) and have been included as employee benefit expense on the Consolidated Statement of Operations and Accumulated Surplus.

Employer contributions to the Teachers' Superannuation Fund are not recorded in the consolidated financial statements as the funding is provided directly by the Government of Ontario.

THE LIMESTONE DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2011

12. Contingent liabilities:

- (a) The Board has continued its coverage with the Ontario School Board Insurance Exchange (OSBIE) for 2011. OSBIE is a reciprocal insurance company licensed under the Insurance Act and insures general public liability, property damage and certain other risks. The annual premium was determined on the advice of an actuary and the agreement provides for additional assessments to the Board if premiums are not sufficient to cover losses.
- (b) The Board is involved with pending litigation and claims which arose in the normal course of operations. In the opinion of the administration, any liability that may arise from such contingencies would not have a significant adverse effect on the consolidated financial statements of the Board. Any adjustments, arising from these matters, will be provided for in future years.

13. Commitments:

- (a) On June 1, 2003, the Board received \$6,139,800 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 the future provincial grants payable of the Board in respect of the NPF debt. Provincial funds in the amount of \$457,419 (2010 - \$457,419) flowed through the provincial grants student focused funding revenues and other expenses on the Consolidated Statement of Operations and Accumulated Surplus to reflect the principal and interest repayments for the year ended August 31, 2011.
- (b) The Ministry has approved the construction of three new schools, Kingston East, Napanee and Sharbot Lake and an addition at Sydenham High School by the Board. The Board has entered into contracts for construction and architectural services totalling \$28,062,772. Costs incurred during 2011 of \$3,830,804 have been capitalized in the accounts. The Sharbot Lake and Sydenham construction projects have not yet been tendered.
- (c) The Ministry initiated a capital improvement program in 2005, "Good Places to Learn". The Board incurred costs of \$6,476,479 for projects under this program during the year ended August 31, 2011 (2010 - \$5,886,195). Costs for projects under this program are being deferred for financing to future years pending Ministry direction concerning the financing of this program. In 2007, 2008, 2009, 2010 and 2011, the Board did obtain long-term financing for some costs through the Ontario Financing Authority, a Crown agency of the Province of Ontario, as directed by the Ministry of Education (see note 9). As at August 31, 2011, \$6,476,479 of expenses remain deferred for financing to future years (2010 - \$5,886,195).

THE LIMESTONE DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2011

14. Funds held in trust:

The Board held certain trust and donated funds as at December 31, 2010 amounting to \$1,237,845, (\$1,219,655 as at December 31, 2009) in the Limestone District School Board Charitable Trust which have been consolidated in the attached consolidated financial statements.

15. Trust funds:

The Board was the trustee for \$2,273,480 (2010 - \$2,393,267) held for employees' self-funded leave plans. These amounts are not included in the consolidated financial statements.

The Limestone Learning Foundation, a registered charity, holds donated funds, the benefits of which are to be used for purchases of specific educational opportunities for students in this district. As at December 31, 2010, the Foundation held assets of \$1,194,689 (2009 - \$1,035,862). These amounts are not included in the consolidated financial statements.

16. Tangible capital assets:

Cost	Balance at August 31, 2010	Additions	Disposals, write-offs and adjustments	Balance at August 31, 2011
Land	\$ 1,863,134	\$ 635,898	\$ -	\$ 2,499,032
Land improvements	1,411,003	115,350	-	1,526,353
Buildings	143,633,410	12,517,023	-	156,150,433
Buildings permanently removed from service	441,215	-	366,715	74,500
Portable structures	6,900,504	348,712	781,200	6,468,016
Equipment	2,545,966	97,585	184,801	2,458,750
Computer hardware	1,552,323	231,544	383,060	1,400,807
Computer software	721,257	139,898	85,113	776,042
Vehicles	1,026,312	332,543	-	1,358,855
Construction-in-progress	309,143	3,003,889	-	3,313,032
Total	\$ 160,404,267	\$ 17,422,442	\$ 1,800,889	\$ 176,025,820

THE LIMESTONE DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2011

16. Tangible capital assets (continued):

Accumulated amortization	Balance at August 31, 2010	Amortization	Disposals, write-offs and adjustments	Balance at August 31, 2011
Land improvements	\$ 249,545	\$ 117,797	\$ –	\$ 367,342
Buildings	50,542,418	5,440,092	–	55,982,510
Buildings permanently removed from service	441,215	–	366,715	74,500
Portable structures	3,553,241	303,263	781,200	3,075,304
Equipment	1,352,385	216,619	184,801	1,384,203
Computer hardware	817,571	311,369	383,060	745,880
Computer software	330,690	159,635	85,113	405,212
Vehicles	593,894	146,264	–	740,158
Total	\$ 57,880,959	\$ 6,695,039	\$ 1,800,889	\$ 62,775,109

	Net book value August 31, 2010	Net book value August 31, 2011
Land	\$ 1,863,134	\$ 2,499,032
Land improvements	1,161,458	1,159,011
Buildings	93,090,992	100,167,923
Portable structures	3,347,263	3,392,712
Equipment	1,193,581	1,074,547
Computer hardware	734,752	654,927
Computer software	390,567	370,830
Vehicles	432,418	618,697
Construction in progress	309,143	3,313,032
Total	\$ 102,523,308	\$ 113,250,711

17. Budget data:

The unaudited budget data presented in these consolidated financial statements is based upon the 2011 budgets approved by the Board on June 16, 2010.

THE LIMESTONE DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2011

18. Expenses by object:

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

	2011 Actual	2010 Actual
Expenses:		
Salary and wages	\$ 160,174,680	\$ 155,320,561
Employee benefits	26,168,598	19,226,952
Staff development	498,332	629,885
Supplies and services	15,373,243	17,745,168
Interest on long-term debt	1,953,382	1,813,854
Rental expenses	430,684	394,302
Fees and contract services (note 19)	20,549,155	20,340,790
Other	1,663,981	479,474
	\$ 226,812,055	\$ 215,950,986
Amortization	\$ 6,695,039	\$ 6,308,280
School activities	\$ 5,972,396	\$ 6,476,179
Total expenses	\$ 239,479,490	\$ 228,735,445

19. Related entities:

Tri-Board Student Transportation Services:

The Board has a one-third economic interest in Tri-Board Student Transportation Services ("Tri-Board"). Tri-Board's principal activity is to provide student transportation for three school boards including the Limestone District School Board. Related party transactions with Tri-Board Student Transportation Services during the year, not separately disclosed in the consolidated financial statements, include the following:

- (i) The Board purchased student transportation services totalling \$13,064,555 (2010 - \$12,644,003) and administration costs of \$535,454 (2010 - \$641,914).
- (ii) The Board received management fees of \$22,000 (2010 - \$21,500).

THE LIMESTONE DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2011

20. Accumulated deficit:

Accumulated deficit consists of the following:

	2011	2010 (restated, note 2)
Available for compliance:		
Unappropriated	\$ 2,510,974	\$ 557,764
Internally appropriated:		
Pupil Accommodation, School Renewal	4,525,889	4,515,349
School Budget Balances	1,126,778	858,193
Retirement Benefits	987,749	701,675
Workers Safety Insurance Board	3,914,162	3,601,326
	<u>13,065,552</u>	<u>10,234,307</u>
Unavailable for compliance:		
Employee Future Benefits	(28,062,977)	(27,040,211)
Accrued Interest	(510,280)	(475,710)
Accrued Vacation	–	(1,442,360)
School Generated Funds	3,014,619	2,719,865
Net Tangible Capital Assets	2,499,035	1,863,135
	<u>(23,059,603)</u>	<u>(24,375,281)</u>
Accumulated deficit	<u>\$ (9,994,051)</u>	<u>\$ (14,140,974)</u>

21. Comparative figures:

Certain 2010 comparative figures have been reclassified to conform with the financial statement presentation adopted for 2011.