

Consolidated Financial Statements of

**THE LIMESTONE
DISTRICT SCHOOL BOARD**

Years ended August 31, 2012 and 2011

THE LIMESTONE DISTRICT SCHOOL BOARD

Consolidated Financial Statements

Years ended August 31, 2012 and 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 14, 2012



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INDEPENDENT AUDITORS' REPORT

To the Trustees of Limestone District School Board

We have audited the accompanying consolidated financial statements of the Limestone District School Board, which comprise the consolidated statements of financial position as at August 31, 2012 and August 31, 2011, the consolidated statements of operations and accumulated deficit, change in net debt and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation of these consolidated financial statements in accordance with the basis of accounting described in note 1 to the consolidated financial statements, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits 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 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 in our audits is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the consolidated financial statements of the Limestone District School Board as at August 31, 2012 and August 31, 2011, are prepared, in all material respects, in accordance with the basis of accounting described in note 1 to the consolidated financial statements.

Emphasis of Matter

Without modifying our opinion, we draw attention to note 1 to the consolidated financial statements which describes the basis of accounting used in the preparation of these consolidated financial statements and the significant differences between such basis of accounting and Canadian public sector accounting standards.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. A horizontal line is drawn underneath the signature.

Chartered Accountants, Licensed Public Accountants

November 14, 2012

Kingston, Canada

THE LIMESTONE DISTRICT SCHOOL BOARD

Consolidated Statement of Financial Position

August 31, 2012, with comparative figures for 2011

	2012	2011
Financial assets:		
Cash	\$ 8,883,201	\$ 24,077,977
Accounts receivable:		
Municipalities	4,873,721	5,119,004
Government of Ontario (note 2)	76,894,346	50,428,674
Other	2,259,210	2,592,420
Investments	1,512,164	1,156,141
Total financial assets	94,422,642	83,374,216
Financial liabilities:		
Temporary borrowing (note 3)	5,000,000	–
Accounts payable and accrued liabilities	20,487,122	19,594,525
Net long-term liabilities (note 8)	45,946,120	40,568,675
Deferred revenue (note 5)	7,241,446	6,705,000
Funds held in trust (note 13)	1,348,275	1,237,845
Employee benefit liability (note 4(d))	18,447,132	28,062,977
Deferred capital contributions (note 6)	138,906,630	110,751,678
Total financial liabilities	237,376,725	206,920,700
Net debt	(142,954,083)	(123,546,484)
Non-financial assets:		
Prepaid expenses	1,024,114	301,722
Tangible capital assets (note 15)	141,419,804	113,250,711
Total non-financial assets	142,443,918	113,552,433
Contingent liabilities and commitments (notes 9, 11, and 12)		
Subsequent event (note 20)		
Accumulated deficit	\$ (510,165)	\$ (9,994,051)

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 Deficit

Year ended August 31, 2012, with comparative figures for 2011

	Budget (unaudited)	2012	2011
Revenues:			
Local taxation	\$ 58,910,057	\$ 60,031,022	\$ 60,216,673
Provincial grants:			
Student focused funding	169,904,086	168,879,143	162,950,659
Other	3,712,689	6,101,102	5,292,043
Federal grants and fees	124,800	77,628	86,523
Other – school boards	–	–	187,635
Investment income	200,000	363,241	296,310
Other	3,307,940	6,826,813	8,329,420
School fundraising	6,500,000	6,586,487	6,267,150
	<u>242,659,572</u>	<u>248,865,436</u>	<u>243,626,413</u>
Expenses (note 17):			
Instruction	180,513,854	174,424,293	176,987,372
Administration	6,905,039	7,897,817	6,952,143
Transportation	14,231,181	14,265,317	13,904,579
Pupil accommodation	35,818,251	35,138,128	34,005,581
Other	457,419	1,161,291	1,657,419
School funded activities	6,500,000	6,494,704	5,972,396
	<u>244,425,744</u>	<u>239,381,550</u>	<u>239,479,490</u>
Annual surplus (deficit)	(1,766,172)	9,483,886	4,146,923
Accumulated deficit, beginning of year	(9,994,051)	(9,994,051)	(14,140,974)
Accumulated deficit, end of year (note 19)	<u>\$ (11,760,223)</u>	<u>\$ (510,165)</u>	<u>\$ (9,994,051)</u>

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, 2012, with comparative figures for 2011

	2012	2011
Annual surplus	\$ 9,483,886	\$ 4,146,923
Acquisition of tangible capital assets	(35,378,730)	(17,422,442)
Amortization of tangible capital assets	7,190,637	6,695,039
Proceeds on sale of tangible capital assets	19,000	-
	(28,169,093)	(10,727,403)
Acquisition of prepaid expenses	(722,392)	(14,102)
Increase in net debt	(19,407,599)	(6,594,582)
Net debt, beginning of year	(123,546,484)	(116,951,902)
Net debt, end of year	\$ (142,954,083)	\$ (123,546,484)

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, 2012, with comparative figures for 2011

	2012	2011
Operating transactions:		
Annual surplus	\$ 9,483,886	\$ 4,146,923
Non-cash items including amortization	7,190,637	6,695,039
Change in non-cash operating working capital:		
Increase in accounts receivable	(25,887,179)	(9,121,564)
Increase in temporary borrowing	5,000,000	-
Increase in accounts payable and accrued liabilities	892,597	3,646,592
Increase in deferred revenue	536,446	1,686,802
Increase (decrease) in employee benefit liability	(9,615,845)	1,022,766
Increase in prepaid expenses	(722,392)	(14,102)
Increase in funds held in trust	110,430	18,190
	(22,495,306)	3,933,723
Cash provided by operating transactions	(13,011,420)	8,080,646
Capital transactions:		
Cash used to acquire tangible capital assets	(35,378,730)	(17,422,442)
Proceeds on sale of tangible capital assets	19,000	-
Cash applied to capital transactions	(35,359,730)	(17,422,424)
Investing transactions:		
Increase in investments	(356,023)	(45,773)
Financing transactions:		
Increase in deferred capital contributions	28,154,952	10,091,505
Long-term liabilities issued	6,476,464	3,664,849
Debt repayment	(1,099,019)	(970,526)
Cash applied to financing transactions	33,532,397	12,785,828
Increase (decrease) in cash	(15,194,776)	3,398,259
Cash, beginning of year	24,077,977	20,679,718
Cash, end of year	\$ 8,883,201	\$ 24,077,977

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, 2012

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
- The Board's proportionate share of Tri-Board Student Transportation Services ("Tri-Board")

Tri-Board is accounted for using the proportionate consolidation method of accounting and reporting, whereby the Board's pro-rata share of each of the assets, liabilities, revenues and expenses is combined on a line-by-line basis in the consolidated financial statements.

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:

The consolidated financial statements have been prepared in accordance with the Financial Administration Act supplemented by Ontario Ministry of Education memorandum 2004:B2 and Ontario Regulation 395/11 of the Financial Administration Act.

The Financial Administration Act requires that the consolidated financial statements be prepared in accordance with the accounting principles determined by the relevant Ministry of the Province of Ontario. A directive was provided by the Ontario Ministry of Education within memorandum 2004:B2 requiring school boards to adopt Canadian public sector accounting standards commencing with their year ended August 31, 2004 and that changes may be required to the application of these standards as a result of regulation.

In 2011, the government passed Ontario Regulation 395/11 of the Financial Administration Act. The Regulation requires that contributions received or receivable for the acquisition or development of depreciable tangible capital assets and contributions of depreciable tangible capital assets for use in providing services, be recorded as deferred capital contributions and be recognized as revenue in the Statement of Operations and Accumulated Surplus over the periods during which the asset is used to provide service at the same rate that amortization is recognized in respect of the related asset.

THE LIMESTONE DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2012

1. Significant accounting policies (continued):

(b) Basis of accounting continued:

The regulation further requires that if the net book value of the depreciable tangible capital asset is reduced for any reason other than depreciation, a proportionate reduction of the deferred capital contribution along with a proportionate increase in the revenue be recognized. For Ontario school boards, these contributions include government transfers, externally restricted contributions and, historically, property tax revenue.

The accounting policy requirements under Regulation 395/11 are significantly different from the requirements of Canadian public sector accounting standards which requires that

- government transfers, which do not contain a stipulation that creates a liability, be recognized as revenue by the recipient when approved by the transferor and the eligibility criteria have been met in accordance with public sector accounting standard PS3410;
- externally restricted contributions be recognized as revenue in the period in which the resources are used for the purpose or purposes specified in accordance with public sector accounting standard PS3100; and
- property taxation revenue be reported as revenue when received or receivable in accordance with public sector accounting standard PS3510.

As a result, revenue recognized in the Statement of Operations and Accumulated Surplus and certain related deferred revenues and deferred capital contributions would be recorded differently under Canadian Public Sector Accounting Standards.

Regulation 395/11, "Accounting Policies and Practices Public Entities" was released in the fall of 2011 requiring that the Board comply with the related accounting policy requirements described above. Prior to the release of this Regulation the consolidated financial statements as at and for the year ended August 31, 2011 were originally prepared under a special purpose framework as directed by the Ministry of Education. As a result, these are the first consolidated financial statements of the Board prepared in accordance with the Financial Administration Act supplemented by Ontario Ministry of Education memorandum 2004:B2 and Ontario Regulation 395/11 of the Financial Administration Act ("new financial reporting framework"). The Board has applied this new financial reporting framework retrospectively to the comparative information in these consolidated financial statements. There are no changes to accumulated surplus on the Consolidated Statement of Financial Position as at August 31, 2011 or the annual surplus on the Consolidated Statement of Operations and Accumulated Surplus for the year ended August 31, 2011 as a result of the transition to this new financial reporting framework.

THE LIMESTONE DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2012

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.

THE LIMESTONE DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2012

1. Significant accounting policies (continued):

(e) Tangible capital assets continued:

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.

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 expenses are incurred or services performed.

(g) Deferred capital contributions:

Contributions received or receivable for the purpose of acquiring or developing a depreciable tangible capital asset for use in providing services, or any contributions in the form of depreciable tangible assets received or receivable for use in providing services, shall be recognized as deferred capital contribution as defined in Ontario Regulation 395/11 of the Financial Administration Act. These amounts are recognized as revenue at the same rate as the related tangible capital asset is amortized. The following items fall under this category:

- Government transfer received or receivable for capital purpose
- Other restricted contributions received or receivable for capital purpose
- Property taxation revenues which were historically used to fund capital assets

(h) Retirement and other employee future benefits:

The Board provides defined retirement and other future benefits to specified employee groups. These benefits include pension, life insurance and health care benefits, retirement gratuity, worker's compensation and long-term disability benefits. The Board accrues its obligation for these employee benefits.

On September 11, 2012, the Government of Ontario passed Bill 115, Putting Students First Act, which included changes to the Board's retirement gratuity plan, sick leave plan and retiree health, life and dental plan. The Board has adopted the following policies with respect to accounting for these employee benefits:

THE LIMESTONE DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2012

1. Significant accounting policies (continued):

(h) Retirement and other employee future benefits continued:

- (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. In prior years, the cost of retirement gratuities that vested or accumulated over the periods of service provided by the employee were actuarially determined using management's best estimate of salary escalation, accumulated sick days at retirement and discount rates. As a result of the plan change, the cost of retirement gratuities are actuarially determined using the employee's salary, banked sick days and years of service as at August 31, 2012 and management's best estimate of discount rates. The changes resulted in a plan curtailment and any unamortized actuarial gains and losses are recognized as at August 31, 2012. Any future actuarial gains and losses arising from changes to the discount rate will be amortized over the expected average remaining service life of the employee group.

For self insured retirement and other employee future benefits that vest or accumulate over the periods of service provided by employees, such as life insurance and health care benefits for retirees, the cost is actuarially determined using the projected benefits method prorated on service. Under this method, the benefit costs are recognized over the expected average service life of the employee group. The changes to the retiree health, life and dental plans resulted in a plan curtailment and any unamortized actuarial gains and losses associated with the employees impacted by the change are recognized as at August 31, 2012.

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

- (ii) The costs of multi-employer defined pension plan benefits, such as the Ontario Municipal Employees Retirement System 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, 2012

1. Significant accounting principles (continued):

(i) Government transfers:

Government transfers, which include legislative grants, are recognized in the consolidated financial statements in the period in which events giving rise to the transfer occur, providing the transfers are authorized, 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.

(j) 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.

(k) 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.

(l) Budget figures:

Budget figures have been provided for comparison purposes and have been derived from the budget approved by the Board of Trustees. The budget approved by the Board of 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 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.

THE LIMESTONE DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2012

1. Significant accounting principles (continued):

(m) 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.

(n) 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. Accounts receivable – Government of Ontario:

The Province of Ontario (the "Province") replaced variable capital funding with a one-time debt support grant in 2010. The Board received a one-time grant that recognizes capital debt as of August 31, 2010 that is supported by the existing capital programs. The Board receives 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 accounts receivable.

The Board has an account receivable from the Province of \$76,894,346 as at August 31, 2012 (2011 - \$50,428,674) with respect to capital grants.

3. 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 \$5,000,000 utilized as at August 31, 2012 (2011 - \$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.

THE LIMESTONE DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2012

4. 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, 2012. The next valuation of the plan will be effective August 31, 2015.

Plan changes:

On September 11, 2012, the Government of Ontario passed Bill 115, Putting Students First Act. As a result, employees eligible for retirement gratuities will receive a payout upon retirement based on their accumulated vested sick days under the plan, years of service and salary as at August 31, 2012. All accumulated non-vested sick days are eliminated as at September 1, 2012, and are replaced with a new sick leave and short term disability plan with no provision for accumulation of unused days. The service award benefit was eliminated for those employees who did not meet the requirements under the program as at August 31, 2012.

Existing retirement life insurance, health and dental benefits have been grandfathered to existing retirees and employees who will retire between September 1, 2012 and August 31, 2013. Effective September 1, 2013, any new retiree accessing retirement life, health or dental benefits will pay the full premiums for such benefits and will be included in a separate experience pool for participating retirees that is self-funded.

The changes to the Board's employee future benefit plans resulted in a one-time decrease to the Board's obligation of \$14,245,504 and a corresponding curtailment gain was reported in the Consolidated Statement of Operations and Accumulated Surplus as at August 31, 2012.

(i) Retirement gratuities and benefits:

The Board provides retirement gratuities to certain groups of employees hired prior to specified dates. The Board provides these benefits through an unfunded defined benefit plan. The benefit costs and liabilities related to this plan are included in the Board's consolidated financial statements. The amount of gratuities payable to eligible employees at retirement is based on their salary, accumulated sick days, and years of service as at August 31, 2012.

The Board has a liability related to these retirement gratuities and benefits. At August 31, 2012, the Board's accrued benefit liability relating to retirement gratuities and benefits is \$15,351,198 (2011 - \$16,565,480). Accumulated surplus has been internally appropriated for these liabilities, which amounted to \$911,754 for retirement gratuities and benefits respectively as at August 31, 2012 (2011 - \$987,749).

THE LIMESTONE DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2012

4. Employee benefits liability continued:

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

(i) Retirement gratuities and benefits (continued):

The Board has a liability related to these retirement gratuities and benefits. At August 31, 2012, the Board's accrued benefit liability relating to retirement gratuities and benefits is \$15,351,198 (2011 - \$16,565,480). Accumulated surplus has been internally appropriated for these liabilities, which amounted to \$911,754 for retirement gratuities and benefits respectively as at August 31, 2012 (2011 - \$987,749).

(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. . Effective September 1, 2013, employee retiring on or after this date, will no longer qualify for Board subsidized premiums.

At August 31, 2012, the Board's accrued benefit liability relating to post-retirement benefits is \$177,307 (2011 - \$456,555).

(iii) Accumulated sick leave:

As a result of the plan changes, the Board's liability related to non-vesting accumulating sick leave has been eliminated effective September 1, 2012 in accordance with Bill 115, Putting Students First Act.

THE LIMESTONE DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2012

4. Employee benefits liability (continued):

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

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

				2012	2011
	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	\$ 16,565,480	\$ 456,555	\$ 8,537,898	\$ 25,559,933	\$ 24,949,115
Current year benefit cost	1,383,817	15,461	596,256	1,995,534	1,828,763
Decrease due to plan curtailment	(3,673,861)	(152,519)	(10,419,124)	(14,245,504)	—
Amortization of actuarial loss (gain)	2,664,390	(105,282)	1,692,521	4,251,629	177,794
Interest on accrued benefit obligation	706,951	13,156	404,893	1,125,000	1,195,657
Benefit payments	(2,295,579)	(50,064)	(812,444)	(3,158,087)	(2,591,396)
Accrued benefit liability August 31	15,351,198	177,307	—	15,528,505	25,559,933
Net employee future benefit expenses	\$ 1,081,297	\$ (229,184)	\$ (7,725,454)	\$ (6,873,341)	\$ 3,202,214
Accrued employee future benefit obligations at August 31	\$ 15,351,198	\$ 177,307	\$ —	\$ 15,528,505	\$ 28,706,281
Unamortized actuarial loss	—	—	—	—	(3,146,348)
Accrued benefit liability at August 31	\$ 15,351,198	\$ 177,307	\$ —	\$ 15,528,505	\$ 25,559,933

THE LIMESTONE DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2012

4. Employee benefit liability (continued):

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

(iv) Workplace Safety and Insurance Board ("WSIB"):

This Board is a Schedule 2 employer with the Workplace Safety and Insurance Act and, as such, assumes responsibility for the payment of all claims to its injured workers under the Act up to the amount of its insurance deductibility. The Board does not fund these obligations in advance of payments made under the Act. The benefit costs and liabilities related to this plan are included in the Board's consolidated financial statements. The Putting Students First Act, requires the Board to provide a salary top-up for employees receiving payments from the Workplace Safety and Insurance Board, where previously negotiated collective agreements included such provision. This resulted in a one-time increase to the Board's obligation of \$390,799 as at August 31, 2012. 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 \$3,964,805 as at August 31, 2012 (2011 - \$3,914,162).

The amount of the obligation for WSIB that was actuarially determined as at August 31, 2012 is \$2,918,627 (2011 - \$2,503,044).

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

	2012	2011
Accrued benefit obligation, beginning of year	\$ 2,503,044	\$ 2,091,096
Expense recognized for the period	685,358	592,277
Benefits paid for the period	(269,775)	(180,329)
Accrued benefit obligation, end of year	\$ 2,918,627	\$ 2,503,044

THE LIMESTONE DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2012

4. Employee benefit liability (continued):

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

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

	2012
Discount rate	3.0% per annum
Salary escalation	0% per annum
Dental benefits escalation	5.0% per annum in 2013, decreasing by 0.25% per annum to an ultimate rate of 3.0%
Health benefits escalation	9.0% per annum in 2013, decreasing by 0.25% per annum to an ultimate rate of 4.0%
Inflation rate	2.0% per annum

	2011
Discount rate	4.0% per annum
Salary escalation	3.0% per annum
Dental benefits escalation	6.0% per annum in 2012, decreasing by 0.5% per annum to an ultimate rate of 3.0%
Health benefits escalation	10.0% per annum in 2012, 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, 2012 amount to \$1,664,106 (2011 - \$1,604,752) and are reported as part of the accounts payable and accrued liabilities.

(d) Employee benefit liabilities:

	2012	2011
Employee benefit liabilities are comprised of:		
Retirement gratuities	\$ 15,351,198	\$ 16,565,480
Post-retirement benefits	177,307	456,555
Sick leave benefit	-	8,537,898
Workplace safety and insurance	2,918,627	2,503,044
	18,447,132	28,062,977
Vacation credits	1,664,106	1,604,752
	\$ 20,111,238	\$ 29,667,729

THE LIMESTONE DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2012

5. 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.

Deferred revenue has been set aside for specific purposes by legislation, regulation or agreement as at August 31, 2012 and is comprised of:

	Balance as at August 31, 2011	Externally restricted revenue and investment income	Revenue recognized in the period	Transferred to deferred capital contributions	Balance as at August 31, 2012
Special education	\$ 713,450	\$ 32,550,476	\$ 31,812,132	\$ —	\$ 1,451,794
Energy efficient schools	1,320,480	—	142,390	1,178,090	—
Capital funds	867,658	110,424	—	313,183	664,899
Other	3,803,412	17,206,465	9,863,685	6,021,439	5,124,753
Total deferred revenue	\$ 6,705,000	\$ 49,867,365	\$ 41,818,207	\$ 7,512,712	\$ 7,241,446

(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, 2012

6. Deferred capital contributions:

Deferred capital contributions include grants and contributions received that are used for the acquisition of tangible capital assets in accordance with regulation 395/11 that have been expended by year end. The contributions are amortized into revenue over the life of the asset acquired.

	2012	2011
Balance, beginning of year	\$ 110,751,678	\$ 100,660,173
Additions to deferred capital contributions	35,364,216	16,786,544
Revenue recognized in the period	(7,209,264)	(6,695,039)
Balance, end of year	\$ 138,906,630	\$ 110,751,678

7. 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:

	2012	2011
Interest payments on long-term debt	\$ 2,056,183	\$ 1,918,812
Accrued interest charges on long-term debt	54,402	34,570
Total interest expenses	\$ 2,110,585	\$ 1,953,382

8. Net long-term liabilities:

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

	2012	2011
Bank Credit Facility, maturing November 2017	\$ 5,056,450	\$ 5,262,522
Ontario Financing Authority, maturing November 2031	5,162,328	5,323,853
Ontario Financing Authority, maturing March 2033	10,954,733	11,252,833
Ontario Financing Authority, maturing March 2034	11,267,369	11,545,256
Ontario Financing Authority, maturing April 2035	3,442,838	3,519,362
Ontario Financing Authority, maturing March 2036	3,585,938	3,664,849
Ontario Financing Authority, maturing March 2037	6,476,464	-
	\$ 45,946,120	\$ 40,568,675

THE LIMESTONE DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2012

8. Net long-term liabilities (continued):

The Board entered into a long-term financing agreement with its bank in 2008 in the amount of \$5,942,000 (\$5,056,450 is outstanding as at August 31, 2012) 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 Board entered into a loan agreement effective November 3, 2006 with the Ontario Financing Authority in the amount of \$5,967,000 (\$5,162,328 is outstanding as at August 31, 2012) to finance capital improvement projects under the Ministry's "Good Places to Learn" initiative (see note 12(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 (\$10,954,733 is outstanding as at August 31, 2012) to finance capital improvement projects under the Ministry's "Good Places to Learn" and "Primary Class Size" initiatives (see note 12(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 (\$11,267,369 is outstanding as at August 31, 2012) to finance capital improvement projects under the Ministry's "Good Places to Learn" initiative (see note 12(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 (\$3,442,838 is outstanding as at August 31, 2012) to finance capital improvement projects under the Ministry's "Good Places to Learn" initiative (see note 12(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 (\$3,585,938 is outstanding as at August 31, 2012) to finance capital improvement projects under the Ministry's "Good Places to Learn" initiative (see note 12(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, 2012

8. Net long-term liabilities (continued):

The Board entered into a sixth loan agreement effective March 2012 with the Ontario Financing Authority in the amount of \$6,476,464 (\$6,476,464 is outstanding as at August 31, 2012) to finance capital improvement projects under the Ministry's "Good Places to Learn" initiative (see note 12(c)). The loan has a fixed interest rate of and will be repaid over twenty-five years in equal semi-annual instalments combining principal and interest of \$197,698. The loan will be fully repaid by March 2037.

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			
2013	\$ 1,321,159	\$ 2,187,119	\$ 3,508,278
2014	1,386,043	2,122,235	3,508,278
2015	1,454,159	2,054,119	3,508,278
2016	1,525,669	1,982,609	3,508,278
2017	1,600,744	1,907,534	3,508,278
Future years	38,658,346	16,119,980	54,778,326
	<u>\$ 45,946,120</u>	<u>\$ 26,373,596</u>	<u>\$ 72,319,716</u>

9. 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 2017. Future lease payments as of August 31, 2012 are due as follows:

2013	\$ 426,928
2014	150,973
2015	26,480
2016	26,480
2017	4,200

THE LIMESTONE DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2012

10. 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 8.3% (2011 – 7.4%) on earnings up to the year's maximum pensionable earnings for CPP purposes and 12.8% (2011 - 10.7%) on earnings in excess of that amount. Employer contributions made to the plan during the year by the Board amount to \$2,672,423 (2011 - \$2,217,537) 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.

11. Contingent liabilities:

- (a) The Board has continued its coverage with the Ontario School Board Insurance Exchange (OSBIE) for 2012. 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.

12. 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 (2011 - \$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, 2012.

THE LIMESTONE DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2012

12. Commitments (continued):

- (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 \$34,577,820. Costs incurred during 2012 of \$26,005,055 have been capitalized in the accounts. The Sharbot Lake and Sydenham construction projects have not yet been awarded.
- (c) The Ministry initiated a capital improvement program in 2005, "Good Places to Learn". The Board incurred costs of \$253,221 for projects under this program during the year ended August 31, 2012 (2011 - \$6,476,479). 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, 2011 and 2012, 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 8). As at August 31, 2012, \$253,221 of expenses remain deferred for financing to future years (2011 - \$6,476,479).

13. Funds held in trust:

The Board held certain trust and donated funds as at December 31, 2011 amounting to \$1,348,275, (\$1,237,845 as at December 31, 2010) in the Limestone District School Board Charitable Trust which have been included in the Board's consolidated financial statements.

14. Trust funds:

The Board was the trustee for \$2,635,649 (2011 - \$2,273,480) 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, 2011, the Foundation held assets of \$1,342,104 (2010 - \$1,194,689). These amounts are not included in the consolidated financial statements.

THE LIMESTONE DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2012

15. Tangible capital assets:

Cost	Balance at August 31, 2011	Additions	Disposals, write-offs and adjustments	Balance at August 31, 2012
Land	\$ 2,499,032	\$ 7,073	\$ –	\$ 2,506,105
Land improvements	1,526,353	110,423	–	1,636,776
Buildings	156,150,433	5,982,234	(567,105)	161,565,562
Buildings permanently removed from service	74,500	–	567,105	641,605
Portable structures	6,468,016	–	–	6,468,016
Equipment	2,458,750	884,454	119,538	3,223,666
Computer hardware	1,400,807	569,175	341,964	1,628,018
Computer software	776,042	102,160	170,967	707,235
Vehicles	1,358,855	–	81,418	1,277,437
Construction-in-progress	3,313,032	27,723,211	–	31,036,243
Total	\$ 176,025,820	\$ 35,378,730	\$ 713,887	\$ 210,690,663

Accumulated amortization	Balance at August 31, 2011	Amortization	Disposals, write-offs and adjustments	Balance at August 31, 2012
Land improvements	\$ 367,342	\$ 122,753	\$ –	\$ 490,095
Buildings	55,982,510	5,924,025	508,964	61,397,571
Buildings permanently removed from service	74,500	58,141	(508,964)	641,605
Portable structures	3,075,304	245,076	–	3,320,380
Equipment	1,384,203	247,277	119,538	1,511,942
Computer hardware	745,880	286,672	341,963	690,589
Computer software	405,212	146,013	170,967	380,258
Vehicles	740,158	148,469	50,208	838,419
Total	\$ 62,775,109	\$ 7,178,426	\$ 682,676	\$ 69,270,859

	Net book value August 31, 2012	Net book value August 31, 2011
Land	\$ 2,506,105	\$ 2,499,032
Land improvements	1,146,681	1,159,011
Buildings	100,167,991	100,167,923
Portable structures	3,147,636	3,392,712
Equipment	1,711,724	1,074,547
Computer hardware	937,429	654,927
Computer software	326,977	370,830
Vehicles	439,018	618,697
Construction in progress	31,036,243	3,313,032
Total	\$ 141,419,804	\$ 113,250,711

THE LIMESTONE DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2012

16. Budget data:

The unaudited budget data presented in these consolidated financial statements is based upon the 2012 budgets approved by the Board on June 15, 2011.

17. Expenses by object:

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

	2012 Actual	2011 Actual
Expenses:		
Salary and wages	\$ 167,442,727	\$ 160,174,680
Employee benefits	17,014,203	26,168,598
Staff development	607,161	498,332
Supplies and services	16,280,497	15,373,243
Interest on long-term debt	2,110,585	1,953,382
Rental expenses	432,426	430,684
Fees and contract services (note 18)	21,342,407	20,549,155
Other	466,203	1,663,981
	<u>\$ 225,696,209</u>	<u>\$ 226,812,055</u>
Amortization	\$ 7,190,637	\$ 6,695,039
School activities	\$ 6,494,704	\$ 5,972,396
Total expenses	<u>\$ 239,381,550</u>	<u>\$ 239,479,490</u>

18. 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 \$13,281,422 (2011 - \$13,064,555) and administration costs of \$598,727 (2011 - \$535,454).
- (ii) The Board received management fees of \$22,500 (2011 - \$22,000).

THE LIMESTONE DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2012

19. Accumulated deficit:

Accumulated deficit consists of the following:

	2012	2011
Available for compliance:		
Unappropriated	\$ 3,066,697	\$ 2,510,974
Internally appropriated:		
Pupil Accommodation, School Renewal	3,825,517	4,525,889
School Budget Balances	1,120,366	1,126,778
Retirement Benefits	911,754	987,749
Workers Safety Insurance Board	3,964,805	3,914,162
	12,889,139	13,065,552
Unavailable for compliance:		
Employee Future Benefits	(18,447,132)	(28,062,977)
Accrued Interest	(564,682)	(510,280)
School Generated Funds	3,106,402	3,014,619
Net Tangible Capital Assets	2,506,108	2,499,035
	(13,399,304)	(23,059,603)
Accumulated deficit	\$ (510,165)	\$ (9,994,051)

20. Subsequent events:

On September 11, 2012, the Government of Ontario passed Bill 115, the Putting Students First Act that was introduced August 27, 2012. The requirements of this new legislation were used by the Board's actuaries in the calculations of management's estimates of the employee future benefit liabilities of the Board. The impact of the changes to the various employee benefit plans included in the employee future benefits liability is disclosed in note 4.

21. Comparative figures:

Certain 2011 comparative figures have been reclassified to conform with the consolidated financial statement presentation adopted for 2012.