



MANAGEMENT REPORT

To the Board of Trustees of the
Lambton Kent District School Board

The accompanying consolidated financial statements of the Lambton Kent District School Board are the responsibility of the Board management and have been prepared in compliance with legislation, and in accordance with Canadian generally accepted accounting principles established by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants.

A summary of the significant accounting policies are described in Note 1 to the consolidated financial statements. The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, 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 consolidated financial statements.

The financial statements have been audited by Bailey Kearney Ferguson LLP, the 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.

November 8, 2011

Handwritten signature of J. Costello in black ink.

Director of Education

Handwritten signature of Ron Andrichow in black ink, enclosed in a rectangular box.

Superintendent of Business - Treasurer



INDEPENDENT AUDITORS' REPORT

PARTNERS

JAMES D. KEARNEY, C.A.
STEPHEN J. OUTRIDGE, C.A.
KEVIN M. SABOURIN, C.A.

To the Trustees of
Lambton Kent District School Board

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

Management's Responsibility for the Consolidated Financial Statements

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

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 the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Basis for Qualified Opinion

In common with many school boards, individual schools derive revenue from school fundraising activities held throughout the year, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the individual schools. We were not able to determine whether any adjustments might be necessary to school fundraising revenue, net revenue, financial assets and net financial position.



Qualified Opinion

In our opinion, except for the effect of adjustments, if any, had the fundraising revenue in the preceding paragraph been susceptible to complete audit verification, the consolidated financial statements of Lambton Kent District School Board for the year ended August 31, 2011 present fairly, in all material respects, the consolidated financial position of Lambton Kent District School Board as at August 31, 2011, and its consolidated results of operations and changes in its consolidated cash flows and consolidated net debt for the year then ended in accordance with the basis of accounting described in note 1 to the consolidated financial statements.

Basis of Accounting

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 Lambton Kent 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.

November 8, 2011
Wallaceburg, Ontario

Bailey Kearney Ferguson LLP
Chartered Accountants
Licensed Public Accountants

AUGUST 31, 2011

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements are prepared by the Board's management in accordance with the basis of accounting described below:

(a) BASIS OF ACCOUNTING

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

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

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

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

(b) REPORTING ENTITY

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the reporting entity. The reporting entity is comprised of all organizations accountable for the administration of their financial affairs and resources to the Board and which are controlled by the Board.

School generated funds, which include the assets, liabilities, revenues and expenses of various organizations that exist at the school level and which are controlled by the Board are reflected in the consolidated financial statements as noted in the opinion paragraph of the Auditors' Report.

(c) TRUST FUNDS

Trust funds and their related operations administered by the Board have been included in the consolidated financial statements as they are controlled by the Board.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) CASH AND CASH EQUIVALENTS

Cash and cash equivalents are comprised of cash on hand.

(e) INVESTMENTS

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

Long-term investments consist of investments that have maturities of more than one year. Long-term investments are recorded at cost, and assessed regularly for permanent impairment.

(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) RETIREMENT AND OTHER EMPLOYEE FUTURE BENEFITS

The Board provides defined retirement and other future benefits to specified employee groups. These benefits include life insurance and health care benefits, sick leave benefits, Workplace Safety and Insurance Board benefits and retirement gratuity. 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, 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.

- (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.

LAMBTON KENT DISTRICT SCHOOL BOARD

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2011

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) TANGIBLE CAPITAL ASSETS

Tangible capital assets are recorded at historical cost less accumulated amortization. Historical cost includes amounts that are directly attributed to acquisition, construction, development or betterment of the asset, as well as interest related to financing during construction. When historical cost records were not available, other methods were used to estimate the costs and accumulated amortization.

Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as leased tangible capital assets. All other leases are accounted for as operating leases and the related payments are charged to expenses as incurred.

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

Asset	Estimated Useful Life in Years
Buildings and building improvements	40
Portable structures	20
First-time equipping of schools	10
Equipment	5-15
Computer hardware	5
Computer software	5
Vehicles	5-10

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 estimated net realizable value. Cost includes amounts for improvements to prepare the land for sale or servicing. Buildings permanently removed from service and held for resale cease to be amortized and are recorded at the lower of carrying value and estimated net realizable value.

Tangible capital assets which meet the criteria for financial assets are reclassified as "assets held for sale" on the Consolidated Statement of Financial Position.

(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.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) INVESTMENT INCOME

Investment income is reported as revenue in the period earned.

When required by the funding government or related Act, investment income earned on externally restricted funds such as pupil accommodation, education development changes and special education forms part of the respective deferred revenue balance.

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

(l) USE OF ESTIMATES

The preparation of consolidated financial statements in conformity with the basis of accounting described in note 1.(a) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the year. Actual results could differ from these estimates.

LAMBTON KENT DISTRICT SCHOOL BOARD

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2011

2. CHANGE IN ACCOUNTING POLICIES

In fiscal 2011, the Board early adopted Public Sector Accounting Handbook section 3410 Government Transfers as described in Note 1.(a). This change has been applied retroactively and prior periods have been restated. Government transfers for capital that meet the definition of a liability are referred to as deferred capital contributions (DCC). Amounts are recognized into revenue as the liability is extinguished over the useful life of the asset.

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

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

Accumulated Surplus/(Deficit) at August 31, 2010:	
Accumulated surplus, as previously reported	\$ 136,266,448
Transfer to deferred capital contributions	(144,554,592)
Transfer to deferred revenue	(167,566)
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Accumulated Surplus/(Deficit), as restated	\$ (8,455,710)
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Annual surplus for the year ended August 31, 2010:	
Change in net assets/liabilities, as previously reported	\$ 39,512,531
Plus: Amounts amortized to revenue, not previously reported	7,629,793
Less: Recording of deferred capital contributions	(41,473,562)
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Annual Surplus/(Deficit) , as restated	\$ 5,668,762
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The impact for the year ended August 31, 2011 is as follows:

Annual surplus for the year ended August 31, 2011:	
Change in net assets/(liabilities), as per prior year policy	\$ 3,167,010
Less: Recording of deferred capital contributions	(12,186,214)
Plus: Amounts amortized to revenue	8,562,432
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Annual Surplus/(Deficit), as currently reported	\$ (456,772)
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LAMBTON KENT DISTRICT SCHOOL BOARD

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2011

3. INVESTMENTS

Investments consist of various marketable securities and are comprised as follows:

	2011		2010	
	Cost	Market Value	Cost	Market Value
Mutual Funds	\$ 314,959	\$ 314,959	\$ 226,115	\$ 226,115
Interest bearing investments maturing within one year	3,045,231	3,046,892	3,255,876	3,301,877
Interest bearing investments maturing in more than one year	6,206,822	6,357,582	5,773,739	5,886,937
	\$ 9,567,012	\$ 9,719,433	\$ 9,255,730	\$ 9,414,929

4. ACCOUNTS RECEIVABLE - GOVERNMENT OF ONTARIO

The Province of Ontario (Province) replaced variable capital funding with a one-time debt support grant in 2009-2010. Lambton Kent District School Board received a one-time grant that recognized 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 annual capital grants to support capital programs which are also reflected in this accounts receivable.

The Board has an account receivable from the Province of Ontario of \$43,661,325 (2010 - \$41,473,562) with respect to this capital debt support grant.

LAMBTON KENT DISTRICT SCHOOL BOARD

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2011

5. NET LONG-TERM DEBT

The Board has entered into five loan agreements with the Ontario Financing Authority (OFA) which is assisting school boards with financing the Good Places to Learn and Primary Class Sizes capital projects.

Net long-term debt reported on the Consolidated Statement of Financial Position comprises of the following:

	2011	2010
4.560% Loan payable semi-annually \$370,973 including interest, maturing November, 2031	\$ 9,814,376	\$ 10,099,015
4.900% Loan payable semi-annually \$397,678 including interest, maturing March, 2033	10,580,699	10,847,748
5.062% Loan payable semi-annually \$237,756 including interest, maturing March, 2034	6,392,284	6,538,640
5.232% Loan payable semi-annually \$128,180 including interest, maturing April, 2035	3,474,514	3,546,260
4.833% Loan payable semi-annually \$329,334 including interest, maturing March, 2036	9,462,964	-
	39,724,837	31,031,663
Less: Amounts due within one year	1,011,223	769,790
	\$ 38,713,614	\$ 30,261,873

The Board must comply at all times with the Board's obligations in respect of the debt and financial obligations and liability limits applicable to it under the Education Act and the regulations made thereunder. Failure by the Board to pay any principal, interest, fees or other amounts payable by it under these loan agreements constitutes an event of default. The Minister of Finance is entitled to deduct from monies appropriated by the Legislature for payment to the Board amounts equal to any amounts that the Board fails to pay under these loan agreements.

Principal repayments required on net long-term debt are approximately as follows:

2012	\$ 1,011,223
2013	\$ 1,060,716
2014	\$ 1,111,738
2015	\$ 1,167,103
2016	\$ 1,224,241

LAMBTON KENT DISTRICT SCHOOL BOARD

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2011

6. DEFERRED REVENUE

The use of certain reserve funds are restricted by the provincial government regulations. It is a requirement of the public sector accounting principles of the Canadian Institute of Chartered Accountants that these reserve funds be reported as deferred revenue.

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

	2011	2010
Energy efficient schools - capital ¹	\$ 453,472	\$ 614,216
Proceeds of disposition	167,566	167,566
Renewable energy - capital ¹	118,248	-
Special education - equipment ¹	447,073	-
	\$ 1,186,359	\$ 781,782

¹ Deferred amounts related to these programs are a result of a different funding period than the Board's fiscal year.

7. RETIREMENT AND OTHER EMPLOYEE FUTURE BENEFITS

Retirement benefits

(i) Ontario Teachers' Pension Plan

Teachers and related employee groups are eligible to be members of Ontario Teachers' Pension Plan. Employer contributions for these employees are provided directly by the Province of Ontario. The pension costs and obligations related to this plan are a direct responsibility of the Province. Accordingly, no costs or liabilities related to this plan are included in the Board's consolidated financial statements.

(ii) Ontario Municipal Employees Retirement System

All non-teaching employees of the Board are eligible to be members of the Ontario Municipal Employees Retirement System (OMERS), a multi-employer pension plan. The plan provides defined pension benefits to employees based on their length of service and rates of pay. The Board contributions equal the employee contributions to the plan. During the year ended August 31, 2011, the Board contributed \$2,062,693 (2010 - \$1,709,655) to the plan. As this is a multi-employer pension plan, these contributions are the Board's pension benefit expenses. No pension liability for this type of plan is included in the Board's consolidated financial statements.

(iii) Retirement Gratuities

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

Other Employee Future Benefits

(i) Workplace Safety and Insurance Board Obligations

The Board is a Schedule 2 employer under the Workplace Safety and Insurance Act and, as such, assumes responsibility for the payment of all claims to its injured workers under the Act. The benefit costs and liabilities related to this plan are included in the board's consolidated financial statements.

(ii) School Boards Co-operative Inc.

The Board is a member of the School Boards' Co-operative Inc., a co-operative managing workers' compensation. The Board makes annual contributions, in trust, to the co-operative which are invested on its behalf. The fund reimburses Workplace Safety and Insurance Board for claims paid on behalf of the Board. The annual contributions are reported as expenditures in these financial statements. As at August 31, 2011, the co-operative holds \$35,930 (2010 - \$59,640) in trust for the Board. These funds are not reflected in these financial statements.

The Board has appropriated a portion of the accumulated surplus for certain of these employee future benefit obligations. The balance of these internal appropriations totalled \$5,989,835 at August 31, 2011 (2010 - \$5,561,315).

LAMBTON KENT DISTRICT SCHOOL BOARD

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2011

7. RETIREMENT AND OTHER EMPLOYEE FUTURE BENEFITS (continued)

Actuarial Valuation of Future Benefit Liabilities

The Board engaged a qualified actuary to perform a valuation of the liabilities for future benefits liabilities. The valuation specifically addresses the liability for Retirement Gratuities and Non-Vested accumulated sick leave benefits.

The valuation was completed as at August 31, 2010 based on data provided as at the valuation date. The actuary updates the amounts for current year activity on an annual basis. The next actuarial valuation is expected to be as at August 31, 2013. The valuation was completed in accordance with the requirements of the CICA Public Sector Handbook. The actuary has also provided projections of the future benefit amounts based on information available at the time of the valuation.

The following amounts were provided by the actuary and are included in the Board's financial statements.

Liabilities	2011		2010	
	Retirement Benefits	Other Employee Future Benefits	Total Employee Future Benefits	Total Employee Future Benefits
Accrued employee future benefit obligations at August 31	\$ 28,867,001	\$ 17,006,704	\$ 45,873,705	\$ 41,330,598
Unamortized actuarial gains (losses) at August 31	(420,781)	(7,293,570)	(7,714,351)	(5,092,427)
Employee future benefits liability at August 31	\$ 28,446,220	\$ 9,713,134	\$ 38,159,354	\$ 36,238,171

Expense	2011		2010	
	Retirement Benefits	Other Employee Future Benefits	Total Employee Future Benefits	Total Employee Future Benefits
Current year benefit cost	\$ 1,918,517	\$ 1,198,861	\$ 3,117,378	\$ 2,584,066
Interest on accrued benefit obligation	1,112,318	566,121	1,678,439	1,723,365
Recognized of unamortized actuarial gains (losses) ¹	108,324	682,071	790,395	521,981
Employee future benefits expense	\$ 3,139,159	\$ 2,447,053	\$ 5,586,212	\$ 4,829,412

¹ Excluding pension contributions to the OMERS, described above.

LAMBTON KENT DISTRICT SCHOOL BOARD

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2011

8. 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 as at August 31	\$ 144,554,592	\$ 110,710,823
Additions to deferred capital contributions	12,186,213	41,473,562
Revenue recognized in the period	(8,562,432)	(7,629,793)
Balance as at August 31	\$ 148,178,373	\$ 144,554,592

9. DEBT CHARGES AND CAPITAL LOANS

The expenditure for debt charges and capital loans includes principal and interest payments as follows:

	2011	2010
Principal and interest payments on long-term liabilities	\$ 3,740,435	\$ 2,843,350

10. EXPENSES BY OBJECT

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

	2011 Budget	2011 Actual	2010 Actual
	(Un-audited)		(Restated)
Expenses:			
Salary and wages	\$ 169,547,917	\$ 171,579,432	\$ 164,496,783
Employee benefits	22,710,013	24,647,851	23,689,823
Staff development	949,541	1,344,117	1,463,957
Supplies and services	29,019,126	27,762,939	29,664,250
Interest charges on capital	1,616,127	2,146,230	1,432,992
Fees and contract services	16,228,241	17,714,281	16,424,807
Other	864,374	918,605	839,269
Amortization and write-downs of tangible capital assets	8,581,842	8,581,842	7,629,794
	\$ 249,517,181	\$ 254,695,297	\$ 245,641,675

LAMBTON KENT DISTRICT SCHOOL BOARD

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2011

11. ONTARIO SCHOOL BOARD INSURANCE EXCHANGE (OSBIE)

The school board is a member of the Ontario School Board Insurance Exchange (OSBIE), a reciprocal insurance company licensed under the Insurance Act. OSBIE insures general public liability, property damage and certain other risks.

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

12. PARTNERSHIP WITH ST. CLAIR CATHOLIC DISTRICT SCHOOL BOARD

Transportation and Community Use of Schools services for the Board are provided by Chatham-Kent Lambton Administrative School Services (CLASS) in partnership with the St. Clair Catholic District School Board. Under the agreement created at the time CLASS was established, decisions related to the financial and operating activities of CLASS are shared. Neither partner is in a position to exercise unilateral control. Operations of CLASS have been included in these financial statements based on the share of net operating expenditures contributed by the Board during the fiscal period being reported. Consolidated revenues represent amounts paid to the consortium by the Board and have been offset against the corresponding Board expenses.

Financial Position	2011		2010	
	Total	Board Portion	Total	Board Portion
Financial assets	\$ 44,620	\$ 25,934	\$ 62,571	\$ 22,977
Financial liabilities	44,620	25,934	62,571	22,977
Accumulated surplus /(Deficit)	\$ -	\$ -	\$ -	\$ -

Operations	2011		2010	
	Total	Board Portion	Total	Board Portion
Revenues	\$ 17,824,145	\$ 11,680,434	\$ 17,546,942	\$ 11,427,972
Expenses	17,824,145	11,680,434	17,546,942	11,427,972
Annual surplus /(Deficit)	\$ -	\$ -	\$ -	\$ -

13. CONTRACTUAL OBLIGATIONS AND CONTINGENT LIABILITIES

The Board has been named in various lawsuits. No provision has been made in the financial statements as the outcome is not determinable at this time. The settlement amount, if any, in excess of liability insurance coverage will be accounted for in the year determined. It is the opinion of the Board that their resolution will not have a material adverse effect on the Board's financial position or results of operations.

The Board has entered into contractual agreements for capital projects that were not completed by August 31, 2011. The total costs to complete these projects are estimated to be approximately \$2,071,507. Costs incurred to August 31, 2011 on these capital projects were \$1,918,361.

LAMBTON KENT DISTRICT SCHOOL BOARD

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2011

14. TEMPORARY BORROWING

The Board has lines of credits available to a maximum of \$15 million to address operating requirements and to bridge capital expenses if necessary.

Interest on this operating facility is charged at prime less .75% per annum. All amounts are unsecured.

No amounts were drawn on this facility as at August 31, 2011.

15. ACCUMULATED SURPLUS /(DEFICIT)

Accumulated surplus /(deficit) consists of the following:

	2011	2010
Surplus /(Deficit):		
Invested in non-depreciable tangible capital assets	\$ 1,600,827	\$ 1,600,827
Unappropriated	15,239,020	15,144,601
Internally appropriated	12,043,125	10,053,455
Externally appropriated - Employee future benefits	(39,487,768)	(37,452,035)
Externally appropriated - Other	1,692,314	2,197,442
	<u>\$ (8,912,482)</u>	<u>\$ (8,455,710)</u>

LAMBTON KENT DISTRICT SCHOOL BOARD

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2011

16. BUDGET DATA

The unaudited budget data presented in these consolidated financial statements is based upon the 2011 budgets approved by the Board on June 22, 2010. The budget was prepared in June 2010, prior to the release of the Government Transfers standard, which was released in March 2011. As a result, there are some changes in how the DCC taken into income is calculated for the Financial Statements, versus for the budget. This includes the treatment of sinking fund interest and other components. The chart below reconciles the approved budget to the budget figures reported in the Consolidated Statement of Operations. Where amounts were not budgeted for, the actual amounts for 2011 were used in order to adjust the budget numbers to reflect the same basis of accounting as that used to report the actual results.

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

CONSOLIDATED STATEMENT OF OPERATIONS (Unaudited) FOR THE YEAR ENDED AUGUST 31, 2011

	2010-11 Budget	Change	Restated 2010-11 Budget
REVENUES			
Total revenue as in the 2010-2011 budget	\$ 244,109,311	\$ -	\$ 244,109,311
Add/deduct: adjustment due to adoption of government transfer standard (see Note 2)	-	3,750,849	3,750,849
Total Revenue	244,109,311	3,750,849	247,860,160
Total Expenses	249,517,181	-	249,517,181
Annual Surplus/(Deficit)	(5,407,870)	3,750,849	(1,657,021)
Accumulated Surplus/(Deficit), beginning of year	(8,455,710)	-	(8,455,710)
Accumulated Surplus/(Deficit), end of year	\$ (13,863,580)	\$ 3,750,849	\$ (10,112,731)

17. REPAYMENT OF "55 SCHOOL BOARD TRUST" FUNDING

On June 1, 2003, the Board received \$9,995,250 from The 55 School Board Trust for its capital related debt eligible for provincial funding support pursuant to a 30-year agreement it entered into with the trust. The 55 School Board Trust was created to refinance the outstanding not permanently financed (NPF) debt of participating boards who are beneficiaries of the trust. Under the terms of the agreement, The 55 School Board Trust repaid the Board's debt in consideration for the assignment by the Board to the trust of future provincial grants payable to the Board in respect of the NPF debt.

As a result of the above agreement, the liability in respect of the NPF debt is no longer reflected in the Board's financial position.

In addition to the assignment and assumption agreement described above, the Board has also entered into a contribution agreement. This agreement provides that the Board will share expenses payable to the trustee in the unlikely event that the assets of the Trust are insufficient to do so.

LAMBTON KENT DISTRICT SCHOOL BOARD

18. TANGIBLE CAPITAL ASSETS

2011

	COST			ACCUMULATED AMORTIZATION				Net book Value August 31, 2011	
	Balance September 1, 2010	Additions and Transfers	Disposals and Transfers	Balance August 31, 2011	Balance at September 1, 2010	Amortization	Disposals, Write offs & adjustment		Balance August 31, 2011
Land	\$ 1,600,827	\$ -	\$ -	\$ 1,600,827	\$ -	\$ -	\$ -	\$ -	\$ 1,600,827
Buildings	212,301,232	11,797,838	-	224,099,070	72,555,184	6,653,844	502,866	79,711,894	144,387,176
Portable structures	5,039,800	-	-	5,039,800	4,964,326	69,421	-	5,033,747	6,053
First-time equipping of schools	343,895	68,126	-	412,021	-	17,195	-	17,195	394,826
Equipment	2,023,925	184,665	-	2,208,590	487,868	211,168	-	699,036	1,509,554
Computer hardware	7,859,066	779,098	-	8,638,164	5,426,761	924,020	-	6,350,781	2,287,383
Computer software	1,218,040	29,949	-	1,247,989	910,815	150,877	-	1,061,692	186,297
Vehicles	536,875	107,097	-	643,972	423,287	52,451	-	475,738	168,234
	\$ 230,923,660	\$ 12,966,773	\$ -	\$ 243,890,433	\$ 84,768,241	\$ 8,078,976	\$ 502,866	\$ 93,350,083	\$ 150,540,350

2010

	COST			ACCUMULATED AMORTIZATION				Net book Value August 31, 2010	
	Balance September 1, 2009	Additions and Transfers	Disposals and Transfers	Balance August 31, 2010	Balance at September 1, 2009	Amortization	Disposals, Write offs & adjustment		Balance August 31, 2010
Land	\$ 1,600,827	\$ -	\$ -	\$ 1,600,827	\$ -	\$ -	\$ -	\$ -	\$ 1,600,827
Buildings	199,008,487	13,292,745	-	212,301,232	66,381,654	6,173,530	-	72,555,184	139,746,048
Portable structures	5,039,800	-	-	5,039,800	4,780,142	184,184	-	4,964,326	75,474
First-time equipping of schools	-	343,895	-	343,895	-	-	-	-	343,895
Construction in progress	1,206,053	-	1,206,053	-	-	-	-	-	-
Equipment	951,082	1,072,843	-	2,023,925	337,565	150,303	-	487,868	1,536,057
Computer hardware	6,768,549	1,090,517	-	7,859,066	4,595,685	831,076	-	5,426,761	2,432,305
Computer software	1,135,920	82,120	-	1,218,040	697,950	212,865	-	910,815	307,225
Vehicles	536,875	-	-	536,875	345,452	77,835	-	423,287	113,588
	\$ 216,247,593	\$ 15,882,120	\$ 1,206,053	\$ 230,923,660	\$ 77,138,448	\$ 7,629,793	\$ -	\$ 84,768,241	\$ 146,155,419

Buildings with an original cost of \$nil (2010 -\$8,583,724) and first-time equipping of schools assets with a cost of \$68,126 (2010 - \$343,895) were not amortized in the current year as the related assets were not placed into service until subsequent to the year-end date.

During the year, a building was permanently removed from service. The carrying value of this building has been adjusted to the estimated net realizable value and is no longer being amortized. The building has an original cost of \$1,497,800. The write down during the year was \$502,866.