

Consolidated Financial Statements of

**RAINBOW DISTRICT  
SCHOOL BOARD**

Year ended August 31, 2013

## MANAGEMENT REPORT

### Management's Responsibility for the Consolidated Financial Statements

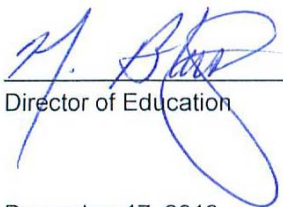
The accompanying consolidated financial statements of the **Rainbow District School Board** are the responsibility of Board management and have been prepared in compliance with the Financial Administration Act, supplemented by Ontario Ministry of Education memorandum 2004:B2 and Ontario Regulation 395/11 of the Financial Administration Act as described in note 1(a) to the consolidated financial statements.

The preparation of consolidated 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 consolidated financial statements.

The consolidated financial statements have been audited by KPMG LLP, independent external auditors appointed by the Board. The accompanying Independent Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Board's consolidated financial statements.



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Director of Education



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Superintendent of Business

December 17, 2013



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**Chartered Accountants**  
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## INDEPENDENT AUDITORS' REPORT

To the Trustees of the Rainbow District School Board

We have audited the accompanying consolidated financial statements **Rainbow District School Board**, which comprise the consolidated statement of financial position as at August 31, 2013, the consolidated statement of operations and accumulated deficit, change in net debt and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

### *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(a) 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 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 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 in our audits is sufficient and appropriate to provide a basis for our qualified audit opinion.

### *Basis for Qualification*

In common with many school boards, individual schools derive revenue from school fundraising activities held throughout the year. Adequate documentation and controls were not in place throughout the year to allow us to obtain satisfactory audit verification as to the completeness of these revenues. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the individual schools and we were not able to determine whether adjustments might be necessary to school fundraising revenue, net revenue, financial assets and net financial position.



*Opinion*

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of school fundraising revenue referred to in the preceding paragraph, the consolidated financial statements of the Rainbow District School Board as at August 31, 2013, are prepared, in all material respects, in accordance with the basis of accounting described in note 1(a) to the consolidated financial statements.

*Emphasis of Matter*

Without modifying our opinion, we draw attention to note 1(a) 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.

*KPMG LLP*

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a single, long, horizontal stroke that tapers at both ends, resembling a flourish or a checkmark.

Chartered Accountants, Licensed Public Accountants

December 17, 2013

Sudbury, Canada


# RAINBOW DISTRICT SCHOOL BOARD


## Consolidated Statement of Financial Position

August 31, 2013, with comparative information for 2012

	2013	2012
<b>Financial assets:</b>		
Cash	\$ 18,759,883	12,289,576
Accounts receivable - other (note 3)	7,476,548	6,023,836
Accounts receivable - Approved Capital Funding (note 4)	56,525,532	56,274,664
Asset held for sale	376,514	-
Investments	518,920	518,920
Total financial assets	83,657,397	75,106,996
<b>Financial liabilities:</b>		
Temporary borrowing (note 5)	2,710,589	-
Accounts payable and accrued liabilities	13,085,853	14,612,099
Net long-term liabilities (note 6)	54,855,101	53,849,677
Deferred revenue (note 7)	4,393,515	2,269,489
Deferred capital contributions (note 10)	145,387,922	138,525,078
Employee future benefits liability (note 8)	22,892,868	27,218,979
Total financial liabilities	243,325,848	236,475,322
<b>Net debt</b>	(159,668,451)	(161,368,326)
<b>Non-financial assets:</b>		
Prepaid expenses (note 9)	3,386,576	3,609,522
Tangible capital assets (note 12)	155,859,966	148,229,816
Total non-financial assets	159,246,542	151,839,338
Commitments and contingent liabilities (note 16)		
<b>Accumulated deficit (note 14)</b>	\$ (421,909)	(9,528,988)

See accompanying notes to the consolidated financial statements.

  
\_\_\_\_\_  
Director of Education

  
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Chair of the Board

# RAINBOW DISTRICT SCHOOL BOARD

## Consolidated Statement of Operations and Accumulated Deficit

Year ended August 31, 2013, with comparative information for 2012

	2013 Budget	2013 Actual	2012 Actual
<b>Revenues:</b>			
Municipal grants	\$ 30,948,807	32,374,472	31,786,390
Government of Ontario grants:			
- Grants for Student Needs	127,656,343	128,579,457	130,725,442
- Other	5,239,355	6,613,636	4,992,493
Amortization of deferred capital contributions	7,168,626	7,273,062	9,630,888
First Nation fees	4,158,945	4,138,124	4,083,512
Other revenues - School boards	54,000	63,149	59,950
Other fees and revenues	100,000	880,649	951,249
Investment income	100,000	187,353	198,077
School fundraising	4,604,800	3,575,871	4,539,990
<b>Total revenues</b>	<b>180,030,876</b>	<b>183,685,773</b>	<b>186,967,991</b>
<b>Expenses (note 11):</b>			
Instruction	128,020,592	125,806,733	123,957,491
Administration	5,077,760	4,952,999	4,971,943
Transportation	13,549,669	13,053,705	13,221,501
Pupil accommodation	27,750,269	27,303,111	28,667,885
School funded activities	4,494,000	3,462,146	4,482,620
<b>Total expenses</b>	<b>178,892,290</b>	<b>174,578,694</b>	<b>175,301,440</b>
<b>Annual surplus</b>	<b>1,138,586</b>	<b>9,107,079</b>	<b>11,666,551</b>
Accumulated deficit, beginning of year	(13,534,085)	(9,528,988)	(21,195,539)
<b>Accumulated deficit, end of year</b>	<b>\$ (12,395,499)</b>	<b>(421,909)</b>	<b>(9,528,988)</b>

See accompanying notes to the consolidated financial statements.

# RAINBOW DISTRICT SCHOOL BOARD

## Consolidated Statement of Change in Net Debt

Year ended August 31, 2013, with comparative information for 2012

	2013	2012
Annual surplus	\$ 9,107,079	11,666,551
<b>Tangible capital assets:</b>		
Acquisition of tangible capital assets	(16,079,157)	(18,003,917)
Amortization of tangible capital assets	7,580,214	9,888,299
Loss (gain) on sale of tangible capital assets	114,795	(1,200)
Transfer to assets held for sale	376,514	-
Proceeds on disposal of tangible capital assets	377,484	61,127
	(7,630,150)	(8,055,691)
<b>Prepaid expenses:</b>		
Acquisition of prepaid expenses	(3,376,576)	(3,851,061)
Use of prepaid expenses	3,599,522	3,828,462
	222,946	(22,599)
<b>Decrease in net debt</b>	1,699,875	3,588,261
Net debt, beginning of year	(161,368,326)	(164,956,587)
<b>Net debt, end of year</b>	\$ (159,668,451)	(161,368,326)

See accompanying notes to consolidated financial statements.

# RAINBOW DISTRICT SCHOOL BOARD

## Consolidated Statement of Cash Flows

Year ended August 31, 2013, with comparative information for 2012

	2013	2012
Operating transactions:		
Annual surplus	\$ 9,107,079	11,666,551
Items not involving cash:		
Amortization of tangible capital assets	7,580,214	9,888,299
Amortization of deferred capital contributions	(7,273,062)	(9,630,888)
Loss (gain) on sale of tangible capital assets	114,795	(1,200)
	9,529,026	11,922,762
Change in non-cash assets and liabilities:		
(Increase) decrease in accounts receivable - other	(1,452,712)	4,343,065
Increase in investments	-	(43,000)
(Decrease) increase in accounts payable and accrued liabilities	(1,526,246)	144,835
Increase in other liabilities	-	11,989
Increase (decrease) in deferred revenue	2,124,026	(2,689,497)
Decrease in employee future benefits	(4,326,111)	(7,947,471)
Decrease (increase) in prepaid expenses	222,946	(22,599)
Cash provided by operating transactions	4,570,929	5,720,084
Capital transactions:		
Cash used to acquire tangible capital assets	(16,079,157)	(18,003,917)
Proceeds on disposal of tangible capital assets	377,484	61,127
Cash applied to capital transactions	(15,701,673)	(17,942,790)
Financing transactions:		
Increase in temporary borrowing	2,710,589	-
Long-term liabilities issued	2,387,418	1,592,264
Debt principal repayments and sinking fund contributions	(1,381,994)	(1,297,484)
Increase in accounts receivable - Approved Capital Funding	(250,868)	(5,241,321)
Reduction in deferred capital contributions relating to disposal of tangible capital assets	(492,268)	(59,928)
Additions to deferred capital contributions	14,628,174	15,127,769
Cash provided by financing transactions	17,601,051	10,121,300
<b>Change in cash</b>	6,470,307	(2,101,406)
Cash, beginning of year	12,289,576	14,390,982
<b>Cash, end of year</b>	\$ 18,759,883	12,289,576

See accompanying notes to consolidated financial statements.



# RAINBOW DISTRICT SCHOOL BOARD

## Notes to Consolidated Financial Statements

Year ended August 31, 2013

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The Rainbow District School Board was created on January 1, 1998 in accordance with the Fewer School Boards Act, 1997 and the Education Quality Improvement Act, 1997.

### 1. Significant accounting policies:

The consolidated financial statements of the Rainbow District School Board (the "Board") have been prepared by management in accordance with the basis of accounting described below. The consolidated financial statements contain the following significant accounting policies:

#### (a) 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 Government 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 consolidated statement of operations and accumulated deficit 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 regulation further requires that if the net book value of the depreciable tangible capital asset is reduced for any reason other than amortization, 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 Ontario Regulation 395/11 of the Financial Administration Act are significantly different from the requirements of Canadian public sector accounting standards which require 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.

# RAINBOW DISTRICT SCHOOL BOARD

## Notes to Consolidated Financial Statements

Year ended August 31, 2013

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### 1. Significant accounting policies (continued):

(a) Basis of accounting (continued):

As a result, revenue recognized in the consolidated statement of operations and accumulated deficit and certain related deferred revenues and deferred capital contributions would be recorded differently under Canadian Public Sector Accounting Standards.

(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.

The consolidated financial statements include the following organizations:

- (i) Sudbury Student Services Consortium / Consortium de services aux élèves de Sudbury ("SSSC"): SSSC 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 are combined in the financial statements. The Board is a member of the SSSC with the Sudbury Catholic District School Board, Conseil Scolaire du District du Grand Nord de L'Ontario and Le Conseil Scolaire de District Catholique du Nouvel-Ontario. SSSC is a not-for-profit organization separately incorporated without share capital under the laws of Ontario. SSSC's principal activity is to facilitate, organize and deliver safe, effective and efficient transportation services to students in the Greater Sudbury, Espanola and Manitoulin areas on behalf of member school Boards.
- (ii) School generated funds: the assets, liabilities, revenues, expenses that exist at the school level and which are deemed to be controlled by the Board, have been reflected in the consolidated financial statements.

Interdepartmental and inter-organizational transactions are eliminated in these consolidated financial statements.

(c) Investments:

Investments consist of marketable securities which are liquid short-term investments and are recorded at market value.

# RAINBOW DISTRICT SCHOOL BOARD

## Notes to Consolidated Financial Statements

Year ended August 31, 2013

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### 1. Significant accounting policies (continued):

(d) 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 the purchase or development of tangible capital assets are recorded as deferred capital contributions as described in note 1(i).

(e) Non-financial assets:

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

(f) Tangible capital assets:

Tangible capital assets are recorded at historical cost less accumulated amortization. Historical costs include amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The Board does not capitalize interest paid on debt used to finance the construction of tangible capital assets. When historical records were not available, other methods were used to estimate the cost and accumulated amortization.

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

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Land improvements	15 years
Buildings	40 years
Portable structures	20 years
Furniture and equipment	5 - 10 years
Vehicles	5 - 10 years
Computer hardware and software	5 years

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Amortization is taken at 50% of the above rates in the year of acquisition.

Assets under construction are not amortized until the assets are available for productive use.

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.

# RAINBOW DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements

Year ended August 31, 2013

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## 1. Significant accounting policies (continued):

### (g) Deferred revenue:

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

### (h) Investment income:

Investment income earned is reported as revenue in the period earned.

### (i) 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 of depreciable tangible capital assets received or receivable for use in providing services, are recorded as deferred capital contributions when the asset is acquired as required under Ontario Regulation 395/11 of the Financial Administration Act. Amounts are recognized into revenue at the same rate as the related tangible capital asset is amortized.

### (j) 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, retirement gratuity, worker's compensation, long-term disability benefits and a contribution to pension. In 2012, changes were made to the Board's retirement gratuity plan, sick leave plan and retiree health, life and dental plan. The Board has adopted the following accounting 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. 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 were 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 were recognized as at August 31, 2012. Any future actuarial gains and losses arising from changes to the discount rate are amortized over the expected average remaining service life of the employee group.

# RAINBOW DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements

Year ended August 31, 2013

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## 1. Significant accounting policies (continued):

### (i) (continued):

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 were 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 ("OMERS") pensions, are the employer's contributions due to the plan in the period.

### (iii) The costs of insured benefits are the employer's portion of insurance premiums owed for coverage of employees during the period.

### (k) Budget figures:

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

The budget approved by the Board 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.

The Board approves the budget annually. The approved budget for 2012-2013 is reflected on the Consolidated Statement of Operations and Accumulated Deficit.

# RAINBOW DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements

Year ended August 31, 2013

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## 1. Significant accounting policies (continued):

### (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 those estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the year in which they become known. Significant estimates include assumptions used in:

- (i) estimating provisions for accrued liabilities, and
- (ii) performing actuarial valuations of employee future benefits liabilities

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

Certain amounts are set aside as internally appropriated funds for future operating and capital purposes. Increases / decreases to and/or from internally appropriated amounts are adjusted when approved.

## 2. Adoption of new accounting standard:

Effective September 1, 2012, the Board adopted Public Sector Accounting Standard PS 3510 – Tax Revenue. The standard was adopted retrospectively. Under PS 3510, entities who receive revenue from municipal taxes as transfers from the taxing authority (the Government of Ontario) will record these amounts as municipal grants in their financial statements.

# RAINBOW DISTRICT SCHOOL BOARD

## Notes to Consolidated Financial Statements

Year ended August 31, 2013

### 3. Accounts receivable - other:

	2013	2012
Municipalities	\$ 4,498,834	3,927,671
Government of Canada	1,391,313	1,050,114
Government of Ontario	–	245,096
First Nations	728,839	455,717
Other	857,562	345,238
	<u>\$ 7,476,548</u>	<u>6,023,836</u>

### 4. Accounts receivable – Approved Capital Funding:

The Government of Ontario replaced variable capital funding with a one-time debt support grant in 2009-10. 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 account receivable.

### 5. Temporary borrowing:

The Board has a \$9,600,000 non-revolving demand bridge credit facility available to provide interim financing for the MacLeod Public School Capital Priorities construction costs. These borrowings consisted of ninety-day bankers' acceptances bearing interest at the Canadian Imperial Bank of Commerce ("CIBC") rate plus 0.75% per annum.

# RAINBOW DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements

Year ended August 31, 2013

## 6. Net long-term liabilities:

	2013	2012
Loans payable to the Ontario Financing Authority with interest rates ranging from 3.56% to 5.23%, due in semi-annual installments including interest, with maturity dates ranging from November 2031 to June 2038	\$ 50,471,839	49,341,896
5.399% RBC Life Insurance Company amortizing debenture payable in monthly installments of \$30,403 including interest, due January 31, 2033	4,383,262	4,507,781
	<u>\$ 54,855,101</u>	<u>53,849,677</u>

The principal payments on the long-term liabilities are as follows:

2014	\$ 1,482,156
2015	1,587,547
2016	1,667,001
2017	1,750,463
2018	1,838,134
Thereafter	46,529,800

The payments made for long-term liabilities include principal and interest payments as follows:

	2013	2012
Principal repayments	\$ 1,381,994	1,297,484
Interest payments on long-term liabilities	2,673,498	2,744,454
	<u>\$ 4,055,492</u>	<u>4,041,938</u>



# RAINBOW DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements

Year ended August 31, 2013

## 7. 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, legislation, regulation or agreement.

Deferred revenue is comprised of:

	2013	2012
Amounts restricted by legislation, regulation or agreement:		
Special education	\$ 715,921	365,547
Proceeds of disposition	573,614	196,130
Pupil accommodation	861,089	620,680
Child Care Retrofit	622,066	–
	2,772,690	1,182,357
Amounts restricted by external contributions	1,620,825	1,087,132
	\$ 4,393,515	2,269,489

## 8. Employee future benefits (in thousands):

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.

### a) Plan changes:

In 2012, changes were made to the Board's retirement gratuity, sick leave and retiree health, life and dental plans. As a result, employees eligible for a retirement gratuity will receive payout upon retirement based on their accumulated vested sick days under the plan, years of service and salary as of August 31, 2012. All accumulated non-vested sick days were eliminated as of September 1, 2012, and were replaced with a new short term leave and disability plan. In 2013, further changes were made to the short term leave and disability plan. Under the new short term leave and disability sick leave plan, 11 unused sick leave days may be carried forward into the following year only, to be used to top-up benefits received under the short term leave and disability plan in that year.

Retirement life insurance and health care benefits have been grandfathered to existing retirees and employees who retired before September 1, 2013. Effective September 1, 2013, any new retiree requesting retirement life insurance and health care benefits will be directed to a third-party provider.

# RAINBOW DISTRICT SCHOOL BOARD

## Notes to Consolidated Financial Statements

Year ended August 31, 2013

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### 8. Employee future benefits (in thousands) (continued):

#### a) Plan changes (continued):

The changes to the Board's employee future benefit plans resulted in a decrease to the Board's obligation of \$1,541 and a corresponding curtailment gain was reported in the consolidated statement of operations and accumulated deficit as at August 31, 2013. The curtailment gain is comprised of the following items:

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Retirement gratuity	\$	(1,463)
Non-pension post-retirement benefits		(78)
	\$	(1,541)

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#### b) Retirement benefits:

##### (i) Ontario Teacher's Pension Plan:

Teachers and related employee groups are eligible to be members of the Ontario Teacher's Pension Plan. Employer contributions for these employees are provided directly by the Government 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. Eligible employees contributed at a rate of up to 14.6% of earnings in 2013 (2012 - 12.8%). The Board contributions equal the employee contributions to the plan. During the year ended August 31, 2013, the Board contributed \$2,221 (2012 - \$1,969) 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. 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. In the prior year, the amount of gratuities payable to eligible employees at retirement was based on their salary, accumulated sick days, and years of service at retirement. As a result of the plan change, the amount of the gratuities payable to eligible employees at retirement is now based on their salary, accumulated sick days, and years of service at August 31, 2012.

# RAINBOW DISTRICT SCHOOL BOARD

## Notes to Consolidated Financial Statements

Year ended August 31, 2013

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### 8. Employee future benefits (in thousands) (continued):

#### b) Retirement benefits (continued):

##### (iv) Retirement life insurance, dental and health care benefits:

The Board continues to provide life insurance, dental and health care benefits to certain employee groups after retirement until the members reach 65 years of age. These benefits have been grandfathered to existing retirees and employees who retired before September 1, 2013. Effective September 1, 2013, any new retiree requesting retirement life insurance and health care benefits will be directed to a third-party provider.

#### c) Other employee future benefits:

##### (i) Workplace Safety and Insurance Board Obligations:

The Board is a Schedule 2 employer under the Workplace Safety and Insurance Act and, as such, assumes responsibility for the payment of all claims to its injured workers under the Act. The Board does not fund these obligations in advance of payments made under the Act. The benefit costs and liabilities related to this plan are included in the Board's consolidated financial statements. The 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.

##### (ii) Long-term disability life insurance, dental and health care benefits:

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

##### (iii) Accumulated sick leave:

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

# RAINBOW DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements

Year ended August 31, 2013

## 8. Employee future benefits (in thousands) (continued):

The accrued benefit obligations for employee future benefit plans as at August 31, 2013 are based on the most recent actuarial valuation completed for accounting purposes as at August 31, 2013. 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:

	2013	2012
	%	%
Inflation	3.0	3.0
Wage and salary escalation	n/a	2.50 + merit
Discount on accrued benefit obligations	3.25	3.0

Assumed health care cost trend rates at August 31, 2013 and 2012:

	2013	2012
	%	%
Initial health care cost trend rate	8.1	8.3
Cost trend rate declines to	4.5	4.5
Year that the rate will be ultimately reached	2030	2030

The Board has internally appropriated an amount for retirement gratuities totaling \$1,915 (2012 - \$1,415).

Information with respect to the Board's retirement and other employee future benefit obligations is as follows:

		2013	2012
	Retirement Benefits	Other Employee Future Benefits	Total Employee Future Benefits
Accrued employee future benefit obligations	\$ 2,458	18,023	20,481
Workplace Safety and Insurance Board	-	2,412	2,412
	\$ 2,458	20,435	22,893
			Total Employee Future Benefits
			23,000
			4,219
			27,219

# RAINBOW DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements

Year ended August 31, 2013

## 8. Employee future benefits (in thousands) (continued):

<b>Accrued benefit obligation</b>			2013	2012
	Retirement Benefits	Other Employee Future Benefits	Total Employee Future Benefits	Total Employee Future Benefits
Balance, beginning of year	\$ 3,049	24,170	27,219	40,120
Current period benefit cost	-	481	481	2,747
Interest cost	83	669	752	1,657
Recognized actuarial gains	(24)	(1,772)	(1,796)	1,028
Benefits paid	(572)	(1,650)	(2,222)	(3,353)
Recognition of unamortized actuarial losses (gains) on plan amendments / curtailments	-	(465)	(465)	(4,529)
Curtailment gain	(78)	(1,463)	(1,541)	(10,567)
Balance, end of year	2,458	19,970	22,428	27,103
Unamortized net actuarial gain	-	465	465	116
Accrued benefit liability	\$ 2,458	20,435	22,893	27,219

<b>Employee future benefit expenses</b>			2013	2012
	Retirement Benefits	Other Employee Future Benefits	Total Employee Future Benefits	Total Employee Future Benefits
Current year benefit cost	\$ -	481	481	2,747
Interest on accrued benefit obligation	83	669	752	1,657
Benefit payments	(572)	(1,650)	(2,222)	(3,353)
Amortization of actuarial losses (gains)	(24)	(1,772)	(1,796)	1,569
Curtailment gain	(78)	(1,463)	(1,541)	(10,567)
Employee future benefits expenses <sup>1</sup>	\$ ( 591)	(3,735)	(4,326)	(7,947)

<sup>1</sup> Excluding pension contributions to multi-employer pension plans, described in note 8(b).

# RAINBOW DISTRICT SCHOOL BOARD

## Notes to Consolidated Financial Statements

Year ended August 31, 2013

### 9. Prepaid expenses:

	2013	2012
Payroll	\$ 1,919,830	2,115,575
Transportation	1,323,062	1,338,780
Insurance	113,110	125,769
Other	30,574	29,398
	\$ 3,386,576	3,609,522

### 10. Deferred capital contributions:

Deferred capital contributions include grants and contributions received that are used for the acquisition or development of depreciable tangible capital assets in accordance with Ontario Regulation 395/11 of the Financial Administration Act that have been expended by year end. The contributions are amortized into revenue over the life of the asset.

	2013	2012
Opening balance	\$ 138,525,078	133,088,125
Additions to deferred capital contributions	14,628,174	15,127,769
Revenue recognized in the period	(7,273,062)	(9,630,888)
Disposal of tangible capital assets	(492,268)	(59,928)
Ending balance	\$ 145,387,922	138,525,078

# RAINBOW DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements

Year ended August 31, 2013

## 11. Expenses by object:

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

	2013 Budget	2013 Actual	2012 Actual
Current expenses:			
Salary and wages	\$ 118,607,311	119,870,360	121,665,167
Employee benefits	17,148,100	15,517,223	20,650,036
Staff development	690,038	658,767	802,615
Supplies and services	12,650,870	11,383,239	10,700,607
Interest	2,673,497	2,669,873	2,768,292
Rental	12,656	14,281	12,753
Fees and contract services	15,032,296	14,705,484	14,758,591
School funded activities	4,494,000	3,462,146	4,482,619
Other	145,250	258,144	139,857
Amortization of tangible capital assets	7,438,272	7,580,214	9,888,299
	178,892,290	176,119,731	185,868,836
Employee benefits plan curtailment gain (note 8(a))	-	(1,541,037)	(10,567,396)
	\$ 178,892,290	174,578,694	175,301,440

## 12. Tangible capital assets (in thousands):

Cost	Balance August 31, 2012	Additions and Transfers	Disposals and Write-offs	Balance at August 31, 2013
Land	\$ 3,224	\$ 804	\$ -	\$ 4,028
Land improvements	8,143	489	-	8,632
Buildings	186,604	5,188	-	191,792
Buildings permanently removed from services	2,890	-	(1,829)	1,061
Portable structures	2,789	-	-	2,789
Construction in progress	1,160	8,499	-	9,659
Furniture and equipment	2,817	533	(133)	3,217
Vehicles	368	-	-	368
Computer hardware and software	3,036	566	(1,009)	2,593
Total	\$ 211,031	\$ 16,079	\$ (2,971)	\$ 224,139

# RAINBOW DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements

Year ended August 31, 2013

## 12. Tangible capital assets (in thousands) (continued):

Accumulated amortization	Balance August 31, 2012	Disposals and transfers	Amortization expense	Balance at August 31, 2013
Land	\$ -	\$ -	\$ -	\$ -
Land improvements	2,140	-	585	2,725
Buildings	55,210	-	5,927	61,137
Buildings permanently removed from services	1,555	(960)	-	595
Portable structures	730	-	142	872
Construction in progress	-	-	-	-
Furniture and equipment	1,198	(133)	326	1,391
Vehicles	285	-	38	323
Computer hardware and software	1,683	(1,009)	562	1,236
Total	\$ 62,801	\$ (2,102)	\$ 7,580	\$ 68,279

	Net book value August 31, 2012	Net book value August 31, 2013
Land	\$ 3,224	\$ 4,028
Land improvements	6,003	5,907
Buildings	131,394	130,655
Buildings permanently removed from services	1,335	466
Portable structures	2,059	1,917
Construction in progress	1,160	9,659
Furniture and equipment	1,619	1,826
Vehicles	83	45
Computer hardware and software	1,353	1,357
Capital leases	-	-
Total	\$ 148,230	\$ 155,860



# RAINBOW DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements

Year ended August 31, 2013

## 13. 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. Liability insurance is available to a maximum of \$24 million per occurrence.

The premiums over a five year period are based on the reciprocals and the Board's actual claims experience. Periodically, the Board may receive a refund or be asked to pay an additional premium based on its pro rata share of claims experience. The current five year term expires December 31, 2016.

## 14. Accumulated deficit:

Accumulated deficit consists of the following:

	2013	2012
<b>Available for compliance – unappropriated</b>		
Total operating accumulated surplus	\$ 10,059,896	\$ 8,002,143
<b>Available for compliance – internally appropriated</b>		
Retirement gratuities	1,915,242	1,415,243
Committed capital	4,083,620	4,260,975
Student Success Initiative	121,466	–
First Nation, Metis and Inuit Initiative	323,497	–
Employee Future Benefits	475,025	–
Total accumulated surplus available for compliance	16,978,746	13,678,361
<b>Unavailable for compliance – externally appropriated</b>		
Employee future benefits	(22,328,329)	(27,218,979)
Accrued interest	(720,318)	(718,594)
School generated funds	1,619,228	1,505,503
Revenue recognized for land	4,028,764	3,224,721
Total externally appropriated	(17,400,655)	(23,207,349)
Total accumulated deficit	\$ (421,909)	\$ (9,528,988)

# RAINBOW DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements

Year ended August 31, 2013

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## 15. Transportation consortium:

The Board is a member of the Sudbury Student Services Consortium / Consortium de services aux élèves de Sudbury ("SSSC"). The SSSC provides student transportation services to students of the four local school boards. The SSSC is a separate legal entity.

In the year, the Board paid \$13,001,099 for student transportation services provided by the SSSC. These amounts are included in transportation expense on the consolidated statement of operations and accumulated deficit.

At year-end, the Board has a receivable of \$650,382 (2012 - \$136,290) from SSSC.

These transactions are in the normal course of operations and are measured at the exchange amount which is the amount of consideration established and agreed to by the members.

## 16. Commitments and contingent liabilities:

### (a) Guarantees:

The Board has guaranteed work relating to their capital projects by issuing letters of credit in the amount of \$730,700 (2012 - \$810,650).

### (b) Contractual obligations:

The Board has a total of \$8,466,000 of contractual obligations at year end relating to the construction and renovation of buildings.

## 17. Comparative figures:

Certain of the 2012 comparative figures have been restated to conform with the 2013 presentation.