

Consolidated Financial Statements of

**RAINBOW DISTRICT
SCHOOL BOARD**

Year ended August 31, 2016

MANAGEMENT REPORT

Management's Responsibility for the Consolidated Financial Statements

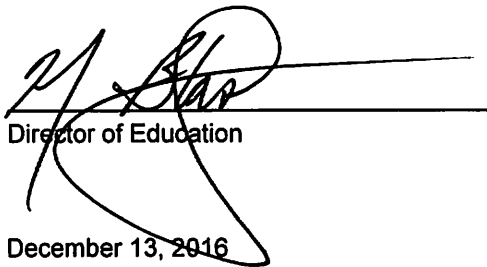
The accompanying consolidated financial statements of the **Rainbow District School Board** are the responsibility of Board management and have been prepared in compliance with the Financial Administration Act, supplemented by Ontario Ministry of Education memorandum 2004:B2 and Ontario Regulation 395/11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

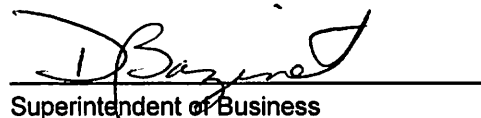
Board management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The Audit Committee of the Board meets with the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to the Board's 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.



Director of Education



Superintendent of Business

December 13, 2016



KPMG LLP
Claridge Executive Centre
144 Pine Street
Sudbury Ontario P3C 1X3
Canada
Telephone (705) 675-8500
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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, 2016, the consolidated statement of operations and accumulated surplus, 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 audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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, 2016, 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

Chartered Professional Accountants, Licensed Public Accountants

December 13, 2016

Sudbury, Canada

RAINBOW DISTRICT SCHOOL BOARD

Consolidated Statement of Financial Position

August 31, 2016, with comparative information for 2015

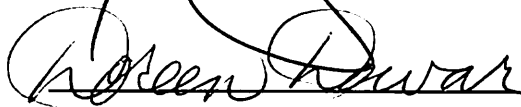
| | 2016 | 2015 |
|---|----------------------|----------------------|
| Financial assets: | | |
| Cash | \$ 26,656,749 | 25,397,014 |
| Accounts receivable - other (note 2) | 6,323,902 | 6,668,445 |
| Accounts receivable - Approved Capital Funding (note 3) | 50,012,104 | 50,493,127 |
| Asset held for sale | - | 145,977 |
| Investments | 557,400 | 571,400 |
| Total financial assets | 83,550,155 | 83,275,963 |
| Financial liabilities: | | |
| Temporary borrowing (note 4) | 1,774,876 | - |
| Accounts payable and accrued liabilities | 11,624,291 | 15,059,352 |
| Net long-term liabilities (note 5) | 50,118,380 | 51,785,388 |
| Deferred revenue (note 6) | 3,294,183 | 3,445,215 |
| Deferred capital contributions (note 9) | 158,333,831 | 155,575,543 |
| Employee future benefits liability (note 7) | 15,568,915 | 18,597,007 |
| Total financial liabilities | 240,714,476 | 244,462,505 |
| Net debt | (157,164,321) | (161,186,542) |
| Non-financial assets: | | |
| Prepaid expenses (note 8) | 101,513 | 3,270,184 |
| Tangible capital assets (note 11) | 172,048,309 | 169,251,544 |
| Total non-financial assets | 172,149,822 | 172,521,728 |
| Commitments and contingent liabilities (note 15) | | |
| Accumulated surplus (note 13) | \$ 14,985,501 | 11,335,186 |

See accompanying notes to the consolidated financial statements.

On behalf of the Board:



Director of Education



Chair of the Board

RAINBOW DISTRICT SCHOOL BOARD

Consolidated Statement of Operations and Accumulated Surplus

Year ended August 31, 2016, with comparative information for 2015

| | 2016 Budget | 2016 Actual | 2015 Actual |
|--|---------------------|--------------------|--------------------|
| Revenue: | | | |
| Municipal grants | \$ 34,454,379 | 36,565,887 | 35,177,130 |
| Government of Ontario grants: | | | |
| - Grants for Student Needs | 133,048,056 | 132,547,074 | 129,491,290 |
| - Other | 1,587,743 | 2,623,225 | 2,625,116 |
| Amortization of deferred capital contributions | 8,329,227 | 8,494,914 | 7,926,869 |
| First Nation fees | 4,293,671 | 4,334,394 | 3,852,582 |
| Other revenue - School boards | 60,000 | 67,277 | 51,619 |
| Other fees and revenue | 150,000 | 1,890,826 | 1,411,876 |
| Investment income | 200,000 | 219,766 | 250,085 |
| School fundraising | 4,393,000 | 4,268,342 | 4,279,529 |
| Total revenue | 186,516,076 | 191,011,705 | 185,066,096 |
| Expenses (note 10): | | | |
| Instruction | 135,894,000 | 136,550,182 | 130,030,911 |
| Administration | 4,757,566 | 4,739,142 | 4,397,291 |
| Transportation (note 14) | 13,391,290 | 13,363,198 | 13,309,011 |
| Pupil accommodation | 29,143,716 | 28,536,802 | 28,391,235 |
| School funded activities | 4,393,000 | 4,172,066 | 4,094,286 |
| Total expenses | 187,579,572 | 187,361,390 | 180,222,734 |
| Annual surplus (deficit) | (1,063,496) | 3,650,315 | 4,843,362 |
| Accumulated surplus, beginning of year | 6,876,996 | 11,335,186 | 6,491,824 |
| Accumulated surplus, end of year | \$ 5,813,500 | 14,985,501 | 11,335,186 |

See accompanying notes to the consolidated financial statements.

RAINBOW DISTRICT SCHOOL BOARD

Consolidated Statement of Change in Net Debt

Year ended August 31, 2016, with comparative information for 2015

| | 2016 | 2015 |
|---|------------------|---------------|
| Annual surplus (deficit) | \$ 3,650,315 | 4,843,362 |
| Tangible capital assets: | | |
| Acquisition of tangible capital assets | (11,814,811) | (12,905,578) |
| Amortization of tangible capital assets | 9,018,046 | 8,489,732 |
| Gain on sale of tangible capital assets | (4,174) | - |
| Transfer to assets held for sale | - | 145,977 |
| Proceeds on disposal of tangible capital assets | 4,174 | - |
| | (2,796,765) | (4,269,869) |
| Prepaid expenses: | | |
| Acquisition of prepaid expenses | (91,513) | (3,260,184) |
| Use of prepaid expenses | 3,260,184 | 3,420,142 |
| | 3,168,671 | 159,958 |
| Decrease (increase) in net debt | 4,022,221 | 733,451 |
| Net debt, beginning of year | (161,186,542) | (161,919,993) |
| Net debt, end of year | \$ (157,164,321) | (161,186,542) |

See accompanying notes to consolidated financial statements.

RAINBOW DISTRICT SCHOOL BOARD

Consolidated Statement of Cash Flows

Year ended August 31, 2016, with comparative information for 2015

| | 2016 | 2015 |
|---|----------------------|-------------------|
| Operating transactions: | | |
| Annual surplus | \$ 3,650,315 | 4,843,362 |
| Items not involving cash: | | |
| Amortization of tangible capital assets | 9,018,046 | 8,489,732 |
| Amortization of deferred capital contributions | (8,494,914) | (7,926,869) |
| Gain on sale of tangible capital assets | (4,174) | - |
| | 4,169,273 | 5,406,225 |
| Change in non-cash assets and liabilities: | | |
| Decrease (increase) in accounts receivable - other | 344,543 | (1,102,111) |
| Decrease (increase) in investments | 14,000 | (18,480) |
| Increase (decrease) in accounts payable and accrued liabilities | (3,435,061) | 4,247,087 |
| Decrease in deferred revenue | (151,032) | (325,578) |
| Decrease in employee future benefits liability | (3,028,092) | (1,956,715) |
| Decrease in prepaid expenses | 3,168,671 | 159,958 |
| Cash provided by operating transactions | 1,082,302 | 6,410,386 |
| Capital transactions: | | |
| Cash used to acquire tangible capital assets | (11,814,811) | (12,905,578) |
| Proceeds on disposal of tangible capital assets | 4,174 | - |
| Cash applied to capital transactions | (11,810,637) | (12,905,578) |
| Financing transactions: | | |
| Increase (decrease) in temporary borrowing | 1,774,876 | (1,041,593) |
| Debt principal repayments and sinking fund contributions | (1,667,008) | (1,587,551) |
| Decrease in accounts receivable - Approved Capital Funding | 481,023 | 2,989,631 |
| Additions to deferred capital contributions | 11,399,179 | 12,791,575 |
| Cash provided by financing transactions | 11,988,070 | 13,152,062 |
| Change in cash | 1,259,735 | 6,656,870 |
| Cash, beginning of year | 25,397,014 | 18,740,144 |
| Cash, end of year | \$ 26,656,749 | 25,397,014 |

See accompanying notes to consolidated financial statements.

RAINBOW DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements

Year ended August 31, 2016

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, 2016

1. Significant accounting policies (continued):

(a) Basis of accounting (continued):

As a result, revenue recognized in the consolidated 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.

(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.

(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. If government transfers contain stipulations which give rise to a liability, they are deferred and recognized in revenue when the stipulations are met.

Government transfers for the purchase or development of tangible capital assets are recorded as deferred capital contributions, as required by Regulation 395/11, and recognized as revenue in the consolidated statement of operations at the same rate and over the same periods as the asset is amortized.

RAINBOW DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements

Year ended August 31, 2016

1. Significant accounting policies (continued):

(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:

| | |
|--------------------------------|--------------|
| 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 |

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

Assets under construction and assets that relate to pre-acquisition and pre-construction costs are not amortized until the assets are available for productive use.

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.

(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.

RAINBOW DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements

Year ended August 31, 2016

1. Significant accounting policies (continued):

(h) Investment income:

Investment income 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. The Board accrues its obligation for these employee benefits. 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, insurance and health care costs trends, disability recovery rates, long-term inflation rates and discount rates. 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. Any actuarial gains and losses arising from changes to the discount rate are amortized over the expected average remaining services life of the employee group.

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

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

RAINBOW DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements

Year ended August 31, 2016

1. Significant accounting policies (continued):

(k) Budget figures:

Budget figures have been provided for comparison purposes and have been derived from the budget approved by the Board on June 30, 2015. The approved operating budget for 2015-2016 is reflected on the consolidated statement of operations and accumulated surplus.

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.

(l) Use of estimates:

The preparation of consolidated financial statements in conformity with the basis of accounting described in note 1 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. Significant estimates include assumptions used in performing actuarial valuations of employee future benefit liabilities.

These estimates are reviewed annually and, as adjustments become necessary, they are recorded in the period in which they become known.

(m) Property tax revenue:

Under Public Sector Accounting Standards, the entity that determines and sets the tax levy records the revenue in the financial statements, which in the case of the Board, is the Government of Ontario. As a result, property tax revenue received from the municipalities is recorded as part of Provincial Legislative Grants.

2. Accounts receivable - other:

| | 2016 | 2015 |
|----------------------|--------------------|-----------------|
| Municipalities | \$ 4,903,943 | 4,510,403 |
| Government of Canada | 796,213 | 990,583 |
| First Nations | 156,561 | 490,415 |
| Other | 467,185 | 677,044 |
| | <hr/> \$ 6,323,902 | <hr/> 6,668,445 |

RAINBOW DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements

Year ended August 31, 2016

3. 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.

4. Temporary borrowing:

The Board has credit facilities with the Canadian Imperial Bank of Commerce (“CIBC”) as follows:

- (i) \$2,463,000 non-revolving demand bridge credit facility available to provide interim financing for the consolidation of AB Ellis Public School and Espanola High School. As at August 31, 2016, the amount drawn under this facility was \$420,745 (2015 - \$Nil)
- (ii) \$5,257,000 non-revolving demand bridge credit facility available to provide interim financing for school condition improvements. As at August 31, 2016, the amount drawn under this facility was \$1,354,131 (2015 - \$Nil).

The credit facilities consist of ninety-day bankers’ acceptances bearing interest at the Canadian Imperial Bank of Commerce rate plus 0.75% per annum.

5. Net long-term liabilities:

| | 2016 | 2015 |
|---|----------------------|-------------------|
| 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 | \$ 46,151,572 | 47,672,220 |
| 5.399% RBC Life Insurance Company amortizing debenture payable in monthly installments of \$30,403 including interest, due January 31, 2033 | 3,966,808 | 4,113,168 |
| | <u>\$ 50,118,380</u> | <u>51,785,388</u> |

RAINBOW DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements

Year ended August 31, 2016

5. Net long-term liabilities (continued):

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

| | | |
|------------|----|------------|
| 2017 | \$ | 1,750,469 |
| 2018 | | 1,838,139 |
| 2019 | | 1,929,957 |
| 2020 | | 2,026,980 |
| 2021 | | 2,128,607 |
| Thereafter | | 40,444,228 |

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

| | 2016 | 2015 |
|--|--------------|-----------|
| Principal repayments | \$ 1,667,008 | 1,587,551 |
| Interest payments on long-term liabilities | 2,536,523 | 2,615,978 |
| | \$ 4,203,531 | 4,203,529 |

6. Deferred revenue:

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

Deferred revenue is comprised of:

| | 2016 | 2015 |
|---|--------------|-----------|
| Amounts restricted by legislation, regulation or agreement: | | |
| Special education | \$ 2,175,249 | 1,295,223 |
| Proceeds of disposition | 626,334 | 362,826 |
| Pupil accommodation | 158,756 | 682,906 |
| Child care retrofit | 44,493 | 517,164 |
| Education programs – other | 56,326 | 163,245 |
| | 3,061,158 | 3,021,364 |
| Amounts restricted by external contributions | 233,025 | 423,851 |
| | \$ 3,294,183 | 3,445,215 |

RAINBOW DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements

Year ended August 31, 2016

7. 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:

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.

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 2016 (2015 – 14.6%). The Board contributions equal the employee contributions to the plan. During the year ended August 31, 2016, the Board contributed \$2,381 (2015 - \$2,412) 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. The amount of the gratuities payable to eligible employees at retirement is based on their salary, accumulated sick days, and years of service at August 31, 2012.

1. Voluntary Retirement Gratuity Early Payout Provision:

During 2015-16, Ontario Secondary School Teachers' Federation (OSSTF), Elementary Teachers' Federation of Ontario (ETFO), Ontario Public Service Employees Union (OPSEU), and the Canadian Union of Public Employees (CUPE) ratified agreements at the local and central level, which included a voluntary retirement gratuity early payout provision. The provision provided members the option of receiving a discounted frozen gratuity benefit payment by August 31, 2016 (or the first pay period in September 2016 for CUPE).

RAINBOW DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements

Year ended August 31, 2016

7. Employee future benefits (in thousands) (continued):

b) Retirement benefits (continued):

(iii) Retirement gratuities (continued):

1. Voluntary Retirement Gratuity Early Payout Provision (continued):

This provision was also made available to all non-unionized school board employees, including principals and vice-principals.

Some employees took early payout, which were discounted from the current financial statement carrying values. As a result, the reduction in the liability for those members who took the voluntary retirement gratuity early payout was accompanied by actuarial losses in the Board 2015-16 year financial statements.

(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.

a) 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.

RAINBOW DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements

Year ended August 31, 2016

7. Employee future benefits (in thousands) (continued):

The accrued benefit obligations for employee future benefit plans as at August 31, 2016 are based on the most recent actuarial valuation completed for accounting purposes as at August 31, 2016. 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:

| | 2016 | 2015 |
|---|------|------|
| | % | % |
| Inflation | 2.0 | 2.0 |
| Wage and salary escalation | n/a | n/a |
| Discount on accrued benefit obligations | 2.05 | 2.45 |

Assumed health care cost trend rates at August 31, 2016:

| | 2016 | 2015 |
|---|------|------|
| | % | % |
| Initial health care cost trend rate | 7.4 | 7.7 |
| 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 \$3,540 (2015 - \$2,415).

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

| | | 2016 | 2015 |
|---|---------------------|--------------------------------|--------------------------------|
| | Retirement Benefits | Other Employee Future Benefits | Total Employee Future Benefits |
| Accrued employee future benefit obligations | \$ 745 | 14,176 | 14,921 |
| Workplace Safety and Insurance Board | - | 648 | 648 |
| | \$ 745 | 14,824 | 15,569 |
| | | | Total Employee Future Benefits |
| | | | 17,078 |
| | | | 1,519 |
| | | | 18,597 |

RAINBOW DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements

Year ended August 31, 2016

7. Employee future benefits (in thousands) (continued):

| Accrued benefit obligation | | | 2016 | 2015 |
|---|------------------------|---|---|---|
| | Retirement Benefits | Other Employee Future Benefits | Total Employee Future Benefits | Total Employee Future Benefits |
| Balance, beginning of year | \$ 939 | 17,658 | 18,597 | 20,554 |
| Current period benefit cost | - | 325 | 325 | 334 |
| Interest cost | 20 | 410 | 430 | 596 |
| Recognized actuarial losses (gains) | 8 | (1,207) | (1,199) | (708) |
| Benefits paid | (222) | (2,362) | (2,584) | (2,179) |
| Recognition of unamortized actuarial losses (gains) on plan amendments / curtailments | - | 151 | 151 | (377) |
| Balance, end of year | 745 | 14,975 | 15,720 | 18,220 |
| Unamortized net actuarial (gain) loss | - | (151) | (151) | 377 |
| Accrued benefit liability | \$ 745 | 14,824 | 15,569 | 18,597 |

| Employee future benefit expenses | | | 2016 | 2015 |
|--|------------------------|---|---|---|
| | Retirement Benefits | Other Employee Future Benefits | Total Employee Future Benefits | Total Employee Future Benefits |
| Current year benefit cost | \$ - | 325 | 325 | 334 |
| Interest on accrued benefit obligation | 20 | 410 | 430 | 596 |
| Amortization of actuarial losses (gains) | 8 | (1,207) | (1,199) | (708) |
| Benefit payments | (222) | (2,362) | (2,584) | (2,179) |
| Employee future benefits expenses ¹ | \$ (194) | (2,834) | (3,028) | (1,957) |

¹ Excluding pension contributions to multi-employer pension plans, described in note 7(b)(ii).

RAINBOW DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements

Year ended August 31, 2016

7. Employee future benefits (in thousands) (continued):

Benefit Plan Future Changes

Currently, the Board provides health, dental and life insurance benefits for certain employees and retired individuals from school boards and has assumed liability for payment of benefits under these plans. As part of ratified agreements, Employee Life and Health Trusts (ELHTs) will be established in 2016-17 for the following employee groups: OSSTF, ETFO, OPSEU, CUPE and non-unionized employees including principals and vice-principals. The ELHTs will provide health, life and dental benefits to teachers (excluding OSSTF daily occasional teachers), education workers (excluding casual and temporary staff), non-unionized employees including principals and vice-principals and retired individuals. These benefits will be provided through a joint governance structure between the bargaining/employee groups, school board trustees associations and the Government of Ontario. Starting September 1, 2017, the Board will no longer be responsible to provide benefits to the above mentioned groups.

8. Prepaid expenses:

| | 2016 | 2015 |
|----------------|------------|-----------|
| Insurance | \$ 84,745 | 89,137 |
| Other | 16,768 | 29,592 |
| Payroll | – | 1,783,475 |
| Transportation | – | 1,367,980 |
| | \$ 101,513 | 3,270,184 |

9. 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.

| | 2016 | 2015 |
|---|----------------|-------------|
| Opening balance | \$ 155,575,543 | 150,710,837 |
| Additions to deferred capital contributions | 11,399,179 | 12,791,575 |
| Revenue recognized in the period | (8,494,914) | (7,926,869) |
| Disposal of tangible capital assets | (145,977) | – |
| Ending balance | \$ 158,333,831 | 155,575,543 |

RAINBOW DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements

Year ended August 31, 2016

10. Expenses by object:

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

| | 2016 Budget | 2016 Actual | 2015 Actual |
|---|-----------------------|--------------------|--------------------|
| Current expenses: | | | |
| Salary and wages | \$ 125,984,266 | 125,397,628 | 120,038,935 |
| Employee benefits | 16,804,691 | 16,302,847 | 16,039,775 |
| Staff development | 590,213 | 723,191 | 775,509 |
| Supplies and services | 13,206,033 | 13,521,905 | 12,999,812 |
| Interest | 2,536,523 | 2,539,526 | 2,610,382 |
| Fees and contract services | 14,895,862 | 15,424,023 | 15,029,111 |
| School funded activities | 4,393,000 | 4,172,066 | 4,094,286 |
| Other | 187,416 | 262,158 | 145,192 |
| Amortization of tangible capital assets | 8,981,568 | 9,018,046 | 8,489,732 |
| | \$ 187,579,572 | 187,361,390 | 180,222,734 |

11. Tangible capital assets (in thousands):

| Cost | Balance August 31, 2015 | Additions and Transfers | Disposals and Write-offs | Balance at August 31, 2016 |
|--|-------------------------------|-------------------------------|--------------------------------|----------------------------------|
| Land | \$ 4,247 | \$ 341 | \$ - | \$ 4,588 |
| Land improvements | 10,088 | 470 | - | 10,558 |
| Buildings | 218,873 | 14,384 | - | 233,257 |
| Buildings permanently removed from services | 742 | (742) | - | - |
| Portable structures | 2,789 | - | - | 2,789 |
| Construction in progress | 4,621 | (3,614) | - | 1,007 |
| Furniture and equipment | 5,398 | 380 | (234) | 5,544 |
| Vehicles | 330 | 60 | (58) | 332 |
| Computer hardware and software | 4,007 | 535 | (653) | 3,889 |
| Total | \$ 251,095 | \$ 11,814 | \$ (945) | \$ 261,964 |

RAINBOW DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements

Year ended August 31, 2016

11. Tangible capital assets (in thousands) (continued):

| Accumulated amortization | Balance August 31, 2015 | Disposals and transfers | Amortization expense | Balance at August 31, 2016 |
|--|-------------------------------|----------------------------|-------------------------|----------------------------------|
| Land | \$ - | \$ - | \$ - | \$ - |
| Land improvements | 3,999 | - | 709 | 4,708 |
| Buildings | 72,247 | 422 | 6,786 | 79,455 |
| Buildings permanently removed from services | 422 | (422) | - | - |
| Portable structures | 1,155 | - | 142 | 1,297 |
| Construction in progress | - | - | - | - |
| Furniture and equipment | 2,038 | (234) | 580 | 2,384 |
| Vehicles | 313 | (58) | 11 | 266 |
| Computer hardware and software | 1,669 | (653) | 790 | 1,806 |
| Total | \$ 81,843 | \$ (945) | \$ 9,018 | \$ 89,916 |

| | Net book value August 31, 2015 | Net book value August 31, 2016 |
|--|--------------------------------------|--------------------------------------|
| Land | \$ 4,247 | \$ 4,588 |
| Land improvements | 6,089 | 5,850 |
| Buildings | 146,626 | 153,802 |
| Buildings permanently removed from services | 320 | - |
| Portable structures | 1,634 | 1,492 |
| Construction in progress | 4,621 | 1,007 |
| Furniture and equipment | 3,360 | 3,160 |
| Vehicles | 17 | 66 |
| Computer hardware and software | 2,338 | 2,083 |
| Total | \$ 169,252 | \$ 172,048 |

RAINBOW DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements

Year ended August 31, 2016

12. 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.

13. Accumulated surplus:

Accumulated surplus consists of the following:

| | 2016 | 2015 |
|--|---------------|---------------|
| Available for compliance – unappropriated: | | |
| Total operating accumulated surplus | \$ 6,301,178 | \$ 5,452,281 |
| Available for compliance – internally appropriated: | | |
| Retirement gratuities | 3,540,242 | 2,415,242 |
| Committed capital | 5,166,961 | 5,485,296 |
| Student Success Initiative | - | 165,006 |
| First Nation, Metis and Inuit Initiative | 623,005 | 610,508 |
| Student focused initiatives | 2,737,567 | 2,737,567 |
| Capital planning | 56,919 | 81,375 |
| Efficiency and modernization | 4,200,000 | 4,200,000 |
| Employee Future Benefits | 1,551,358 | 1,551,358 |
| Total accumulated surplus available for compliance | 24,177,230 | 22,698,633 |
| Unavailable for compliance – externally appropriated: | | |
| Employee future benefits | (15,068,504) | (16,779,086) |
| Accrued interest | (657,756) | (681,984) |
| School generated funds | 1,945,807 | 1,849,531 |
| Revenue recognized for land | 4,588,724 | 4,248,092 |
| Total externally appropriated | (9,191,729) | (11,363,447) |
| Total accumulated surplus | \$ 14,985,501 | \$ 11,335,186 |

RAINBOW DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements

Year ended August 31, 2016

14. 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 \$13,309,166 for student transportation services provided by the SSSC. These amounts are included in transportation expense on the consolidated statement of operations and accumulated surplus.

At year-end, the Board has a receivable of \$118,063 (2015 – \$302,623) with 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.

15. 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 \$204,300 (2015 - \$193,473).

(b) Contractual obligations:

The Board has a total of \$7,191,372 of contractual obligations at year end relating to the construction and renovation of buildings.

16. Comparative information:

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year excess of revenue over expenses.

17. Subsequent events:

Temporary borrowing:

Subsequent to August 31, 2016, the Board has entered into credit facilities with the Canadian Imperial Bank of Commerce ("CIBC") as follows:

- i) \$1,035,098 non-revolving demand bridge credit facility available to provide interim financing for the consolidation of AB Ellis Public School and Espanola High School.
- ii) \$18,538,670 non-revolving demand bridge credit facility available to provide interim financing for school condition improvements.

The credit facilities consist of ninety-day bankers' acceptances bearing interest at the Canadian Imperial Bank of Commerce rate plus 0.75% per annum.