

Consolidated Financial Statements of

**RAINBOW DISTRICT  
SCHOOL BOARD**

Year ended August 31, 2017

## MANAGEMENT REPORT

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

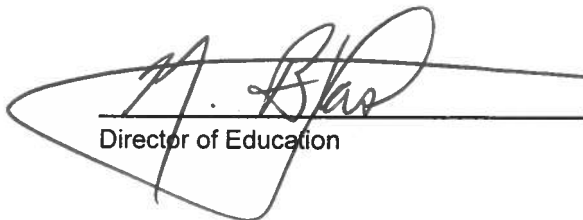
The accompanying consolidated financial statements of the Rainbow District School Board are the responsibility of Board management and have been prepared in compliance with the Financial Administration Act, supplemented by Ontario Ministry of Education memorandum 2004:B2 and Ontario Regulation 395/11 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 12, 2017



KPMG LLP  
Claridge Executive Centre  
144 Pine Street  
Sudbury Ontario P3C 1X3  
Canada  
Telephone (705) 675-8500  
Fax (705) 675-7586

## 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, 2017, 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.

*Qualified 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, 2017, 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 horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Professional Accountants, Licensed Public Accountants

December 12, 2017  
Sudbury, Canada

# RAINBOW DISTRICT SCHOOL BOARD

## Consolidated Statement of Financial Position

August 31, 2017, with comparative information for 2016

	2017	2016
<b>Financial assets</b>		
Cash	\$ 21,665,214	26,656,749
Accounts receivable - other (note 2)	6,588,941	6,323,902
Accounts receivable - Approved Capital Funding (note 3)	50,052,586	50,012,104
Investments	553,650	557,400
<b>Total financial assets</b>	<b>78,860,391</b>	<b>83,550,155</b>
<b>Financial liabilities</b>		
Temporary borrowing (note 4)	1,719,750	1,774,876
Accounts payable and accrued liabilities	10,238,502	11,624,291
Net long-term liabilities (note 5)	48,367,910	50,118,380
Deferred revenue (note 6)	4,628,859	3,294,183
Deferred capital contributions (note 9)	160,479,736	158,333,831
Employee future benefits liability (note 7)	13,873,896	15,568,915
<b>Total financial liabilities</b>	<b>239,308,653</b>	<b>240,714,476</b>
<b>Net debt</b>	<b>(160,448,262)</b>	<b>(157,164,321)</b>
<b>Non-financial assets:</b>		
Prepaid expenses (note 8)	108,870	101,513
Tangible capital assets (note 11)	177,569,281	172,048,309
<b>Total non-financial assets</b>	<b>177,678,151</b>	<b>172,149,822</b>
<b>Commitments and contingent liabilities (note 15)</b>		
<b>Accumulated surplus (note 13)</b>	<b>\$ 17,229,889</b>	<b>14,985,501</b>

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, 2017, with comparative information for 2016

	2017 Budget	2017 Actual	2016 Actual
<b>Revenue:</b>			
Municipal grants	\$ 35,464,652	36,282,279	36,565,887
Government of Ontario grants:			
- Grants for Student Needs	132,932,170	134,055,795	132,547,074
- Other	1,631,883	2,360,985	2,623,225
Amortization of deferred capital contributions	9,050,342	9,221,738	8,494,914
First Nation fees	4,470,058	4,027,829	4,334,394
Other revenue - School boards	60,000	58,695	67,277
Other fees and revenue	150,000	1,984,234	1,890,826
Investment income	200,000	214,331	219,766
School fundraising	4,279,000	4,421,289	4,268,342
<b>Total revenue</b>	<b>188,238,105</b>	<b>192,627,175</b>	<b>191,011,705</b>
<b>Expenses (note 10):</b>			
Instruction	137,119,194	138,413,608	136,550,182
Administration	5,038,597	5,069,894	4,739,142
Transportation (note 14)	13,432,848	13,400,768	13,363,198
Pupil accommodation	29,614,787	29,139,302	28,536,802
School funded activities	4,279,000	4,359,215	4,172,066
<b>Total expenses</b>	<b>189,484,426</b>	<b>190,382,787</b>	<b>187,361,390</b>
<b>Annual surplus (deficit)</b>	<b>(1,246,321)</b>	<b>2,244,388</b>	<b>3,650,315</b>
<b>Accumulated surplus, beginning of year</b>	<b>11,211,336</b>	<b>14,985,501</b>	<b>11,335,186</b>
<b>Accumulated surplus, end of year</b>	<b>\$ 9,965,015</b>	<b>17,229,889</b>	<b>14,985,501</b>

See accompanying notes to the consolidated financial statements.

# RAINBOW DISTRICT SCHOOL BOARD

## Consolidated Statement of Change in Net Debt

Year ended August 31, 2017, with comparative information for 2016

	2017 Actual	2016 Actual
Annual surplus	\$ 2,244,388	3,650,315
Tangible capital assets:		
Acquisition of tangible capital assets	(15,261,299)	(11,814,811)
Amortization of tangible capital assets	9,740,327	9,018,046
Gain on sale of tangible capital assets	-	(4,174)
Proceeds on disposal of tangible capital assets	-	4,174
	(5,520,972)	(2,796,765)
Prepaid expenses:		
Acquisition of prepaid expenses	(95,486)	(91,513)
Use of prepaid expenses	88,129	3,260,184
	(7,357)	3,168,671
Decrease (increase) in net debt	(3,283,941)	4,022,221
Net debt, beginning of year	(157,164,321)	(161,186,542)
Net debt, end of year	\$ (160,448,262)	(157,164,321)

See accompanying notes to consolidated financial statements.

# RAINBOW DISTRICT SCHOOL BOARD

## Consolidated Statement of Cash Flows

Year ended August 31, 2017, with comparative information for 2016

	2017	2016
Operating transactions:		
Annual surplus	\$ 2,244,388	3,650,315
Items not involving cash:		
Amortization of tangible capital assets	9,740,327	9,018,046
Amortization of deferred capital contributions	(9,221,738)	(8,494,914)
Gain on sale of tangible capital assets	-	(4,174)
	2,762,977	4,169,273
Change in non-cash assets and liabilities:		
Decrease (increase) in accounts receivable - other	(265,039)	344,543
Decrease in investments	3,750	14,000
Decrease in accounts payable and accrued liabilities	(1,385,789)	(3,435,061)
Increase (decrease) in deferred revenue	1,334,676	(151,032)
Decrease in employee future benefits liability	(1,695,019)	(3,028,092)
Decrease (increase) in prepaid expenses	(7,357)	3,168,671
Cash provided by operating transactions	748,199	1,082,302
Capital transactions:		
Cash used to acquire tangible capital assets	(15,261,299)	(11,814,811)
Proceeds on disposal of tangible capital assets	-	4,174
Cash applied to capital transactions	(15,261,299)	(11,810,637)
Financing transactions:		
Increase (decrease) in temporary borrowing	(55,126)	1,774,876
Debt principal repayments and sinking fund contributions	(1,750,470)	(1,667,008)
Decrease (increase) in accounts receivable - Approved Capital Funding	(40,482)	481,023
Additions to deferred capital contributions	11,367,643	11,399,179
Cash provided by financing transactions	9,521,565	11,988,070
Change in cash	(4,991,535)	1,259,735
Cash, beginning of year	26,656,749	25,397,014
Cash, end of year	\$ 21,665,214	26,656,749

See accompanying notes to consolidated financial statements.



# RAINBOW DISTRICT SCHOOL BOARD

## Notes to Consolidated Financial Statements

Year ended August 31, 2017

---

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, 2017

---

### 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, 2017

---

### 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, 2017

---

### 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, dental and health care benefits, retirement gratuity and worker's compensation. 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, 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, 2017

---

### 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 July 5, 2016. The approved operating budget for 2016-2017 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:

---

	2017	2016
Municipalities	\$ 4,362,681	4,903,943
Government of Canada	782,533	796,213
Government of Ontario	789,835	-
First Nations	278,993	156,561
Other	374,899	467,185
	<hr/> \$ 6,588,941	<hr/> 6,323,902

---

# RAINBOW DISTRICT SCHOOL BOARD

## Notes to Consolidated Financial Statements

Year ended August 31, 2017

### 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) \$3,000,000 non-revolving demand bridge credit facility available to provide interim financing for school consolidation capital. As at August 31, 2017, the amount drawn under this facility was \$Nil (2016 - \$Nil).
- (ii) \$14,348,000 non-revolving demand bridge credit facility available to provide interim financing for school condition improvements. As at August 31, 2017, the amount drawn under this facility was \$1,719,750 (2016 - \$1,774,876).
- (iii) \$2,206,000 non-revolving demand bridge credit facility available to provide interim financing for greenhouse gas reduction projects. As at August 31, 2017, the amount drawn under this facility was \$Nil (2016 - \$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:

	2017	2016
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	\$ 44,555,562	46,151,572
5.399% RBC Life Insurance Company amortizing debenture payable in monthly installments of \$30,403 including interest, due January 31, 2033	3,812,348	3,966,808
	\$ 48,367,910	50,118,380

# RAINBOW DISTRICT SCHOOL BOARD

## Notes to Consolidated Financial Statements

Year ended August 31, 2017

### 5. Net long-term liabilities (continued):

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

2018	\$	1,838,139
2019		1,929,957
2020		2,026,980
2021		2,128,607
2022		2,235,360
Thereafter		38,208,867

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

	2017	2016
Principal repayments	\$ 1,750,470	1,667,008
Interest payments on long-term liabilities	2,453,061	2,536,523
	\$ 4,203,531	4,203,531

### 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:

	2017	2016
Amounts restricted by legislation, regulation or agreement:		
Special education	\$ 2,834,576	2,175,249
Proceeds of disposition	626,334	626,334
Pupil accommodation	762,204	158,756
Child care retrofit	2,627	44,493
Education programs – other	156,512	97,519
Education programs – capital	54,330	–
	4,436,583	3,102,351
Amounts restricted by external contributions	192,276	191,832
	\$ 4,628,859	3,294,183

# RAINBOW DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements

Year ended August 31, 2017

---

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

The Board provides defined retirement and other future benefits to specified employee groups. These benefits include life insurance, dental and health care benefits, retirement gratuity and worker's compensation.

### a) 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 2017 (2016 – 14.6%). The Board contributions equal the employee contributions to the plan. During the year ended August 31, 2017, the Board contributed \$2,472 (2016 - \$2,381) 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.



# RAINBOW DISTRICT SCHOOL BOARD

## Notes to Consolidated Financial Statements

Year ended August 31, 2017

---

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

#### a) 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.

#### b) Other employee future benefits:

##### 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.

#### c) Benefit plan changes:

As part of ratified agreements, Employee Life and Health Trusts (ELHTs) were established in 2016-17 for the following employee groups: OSSTF and ETFO. The following employee groups will transition to ELHTs in 2017-18: OPSEU, CUPE and non-unionized employees including principals and vice-principals. The ELHTs will provide life insurance, dental and health care benefits to teachers (excluding OSSTF daily occasional teachers), education workers (excluding casual and temporary staff), non-unionized employees including principals and vice-principals. These benefits will be provided through a joint governance structure between the bargaining/employee groups, school board trustee associations and the Government of Ontario.

Effective November 1, 2016, the Board is no longer responsible to provide benefits to the following employee groups: OSSTF and ETFO. Starting March 1, 2018, the Board anticipates it will no longer be responsible to provide benefits for the following employee groups: OPSEU, CUPE, and non-unionized employees including principals and vice – principals.

# RAINBOW DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements

Year ended August 31, 2017

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

The accrued benefit obligations for employee future benefit plans as at August 31, 2017 are based on the most recent actuarial valuation completed for accounting purposes as at August 31, 2017. 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:

	2017	2016
	%	%
Inflation	2.0	2.0
Wage and salary escalation	N/A	N/A
Discount on accrued benefit obligations	2.55	2.05

Assumed health care cost trend rates at August 31, 2017:

	2017	2016
	%	%
Initial health care cost trend rate	7.2	7.4
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 (2016 - \$3,540).

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

	2017		2016	
	Retirement Benefits	Other Employee Future Benefits	Total Employee Future Benefits	Total Employee Future Benefits
Accrued employee future benefit obligations	\$ 565	12,691	13,256	14,921
Workplace Safety and Insurance Board	–	618	618	648
	\$ 565	13,309	13,874	15,569

# RAINBOW DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements

Year ended August 31, 2017

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

<b>Accrued benefit obligation</b>		2017		2016
	Retirement Benefits	Other Employee Future Benefits	Total Employee Future Benefits	Total Employee Future Benefits
Balance, beginning of year	\$ 745	14,824	15,569	18,597
Current period benefit cost	–	167	167	325
Interest cost	13	298	311	430
Recognized actuarial losses (gains)	(7)	(362)	(369)	(1,199)
Benefits paid	(186)	(1,618)	(1,804)	(2,584)
Recognition of unamortized actuarial losses (gains) on plan amendments/curtailments	–	(566)	(566)	151
Balance, end of year	565	12,743	13,308	15,720
Unamortized net actuarial (gain) loss	–	566	566	(151)
Accrued benefit liability	\$ 565	13,309	13,874	15,569

<b>Employee future benefit expenses</b>		2017		2016
	Retirement Benefits	Other Employee Future Benefits	Total Employee Future Benefits	Total Employee Future Benefits
Current year benefit cost	\$ –	167	167	325
Interest on accrued benefit obligation	13	298	311	430
Amortization of actuarial losses (gains)	(7)	(362)	(369)	(1,199)
Benefit payments	(186)	(1,618)	(1,804)	(2,584)
Employee future benefits expenses <sup>1</sup>	\$ (180)	(1,515)	(1,695)	(3,028)

<sup>1</sup> Excluding pension contributions to multi-employer pension plans, described in note 7 (a)(ii).

# RAINBOW DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements

Year ended August 31, 2017

## 8. Prepaid expenses:

	2017	2016
Insurance	\$ 79,389	84,745
Other	29,481	16,768
	\$ 108,870	101,513

## 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.

	2017	2016
Opening balance	\$ 158,333,831	155,575,543
Additions to deferred capital contributions	11,367,643	11,399,179
Revenue recognized in the period	(9,221,738)	(8,494,914)
Disposal of tangible capital assets	–	(145,977)
Ending balance	\$ 160,479,736	158,333,831

## 10. Expenses by object:

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

	2017 Budget	2017 Actual	2016 Actual
Current expenses:			
Salary and wages	\$ 125,757,633	126,631,115	125,397,628
Employee benefits	16,826,684	18,014,242	16,302,847
Staff development	494,962	706,301	723,191
Supplies and services	14,692,181	13,055,450	13,521,905
Interest	2,453,060	2,473,584	2,539,526
Fees and contract services	15,121,753	15,223,064	15,424,023
School funded activities	4,279,000	4,359,215	4,172,066
Other	184,416	179,489	262,158
Amortization of tangible capital assets	9,674,737	9,740,327	9,018,046
	\$ 189,484,426	190,382,787	187,361,390

# RAINBOW DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements

Year ended December 31, 2017

## 11. Tangible capital assets:

Cost	Balance at August 31, 2016	Additions and Transfers	Disposals and Write-offs	Balance at August 31, 2017
Land	\$ 4,588	83	-	4,671
Land improvements	10,558	445	-	11,003
Buildings	233,257	14,430	-	247,687
Portable structures	2,789	-	-	2,789
Construction in progress	1,007	(886)	-	121
Furniture and equipment	5,544	511	(316)	5,739
Vehicles	332	-	-	332
Computer hardware and software	3,889	678	(563)	4,004
<b>Total</b>	<b>\$ 261,964</b>	<b>15,261</b>	<b>(879)</b>	<b>276,346</b>

Accumulated amortization	Balance at August 31, 2016	Disposals and Transfers	Amortization Expense	Balance at August 31, 2017
Land	\$ -	-	-	-
Land improvements	4,708	-	740	5,448
Buildings	79,455	-	7,449	86,904
Portable structures	1,297	-	141	1,438
Construction in progress	-	-	-	-
Furniture and equipment	2,384	(317)	604	2,671
Vehicles	266	-	17	283
Computer hardware and software	1,806	(562)	789	2,033
<b>Total</b>	<b>\$ 89,916</b>	<b>(879)</b>	<b>9,740</b>	<b>98,777</b>

	Net book value, August 31, 2016	Net book value, August 31, 2017
Land	\$ 4,588	4,671
Land improvements	5,850	5,555
Buildings	153,802	160,783
Portable structures	1,492	1,351
Construction in progress	1,007	121
Furniture and equipment	3,160	3,068
Vehicles	66	49
Computer hardware and software	2,083	1,971
<b>Total</b>	<b>\$ 172,048</b>	<b>177,569</b>

# RAINBOW DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements

Year ended August 31, 2017

## 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 and will be increased to \$27 million effective January 1, 2018.

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, 2021.

## 13. Accumulated surplus:

Accumulated surplus consists of the following:

	2017	2016
<b>Available for compliance – unappropriated:</b>		
Total operating accumulated surplus	\$ 7,053,753	\$ 6,301,178
<b>Available for compliance – internally appropriated:</b>		
Retirement gratuities	3,540,242	3,540,242
Committed capital	8,589,014	5,166,961
Student support initiative	21,909	–
First Nation, Metis and Inuit Initiative	406,120	623,005
Student focused initiatives	2,445,131	2,737,567
Capital planning	92,931	56,919
Efficiency and modernization	242,954	4,200,000
Employee Future Benefits	1,551,358	1,551,358
Total accumulated surplus available for compliance	23,943,412	24,177,230
<b>Unavailable for compliance – externally appropriated:</b>		
Employee future benefits	(12,752,037)	(15,068,504)
Accrued interest	(640,902)	(657,756)
School generated funds	2,007,882	1,945,807
Revenue recognized for land	4,671,534	4,588,724
Total externally appropriated	(6,713,523)	(9,191,729)
Total accumulated surplus	\$ 17,229,889	\$14,985,501

# RAINBOW DISTRICT SCHOOL BOARD

## Notes to Consolidated Financial Statements

Year ended August 31, 2017

---

### **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 \$13,323,499 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 payable of \$3,321 (2016 receivable – \$118,063) 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 \$67,000 (2016 - \$204,300).

#### (b) Contractual obligations:

The Board has a total of \$2,542,512 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.