

Consolidated Financial Statements of

**RAINBOW DISTRICT
SCHOOL BOARD**

And Independent Auditor's Report thereon

Year ended August 31, 2022

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 auditor's 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 Auditor's 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 6, 2022

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of the Rainbow District School Board

Opinion

We have audited the consolidated financial statements of the Rainbow District School Board (the Entity), which comprise:

- the consolidated statement of financial position as at August 31, 2022
- the consolidated statement of operations and accumulated surplus for the year then ended
- the consolidated statement of changes in net debt for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at August 31, 2022, and its consolidated results of operations and its cash flows for the year then ended in accordance with the basis of accounting described in note 1(a) to the financial statements.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "**Auditor's Responsibilities for the Audit of the Financial Statements**" section of our auditor's report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Emphasis of Matter - Financial Reporting Framework

We draw attention to note 1 to the financial statements, which describes the basis of accounting used in the preparation of these financial statements and the significant differences between such basis of accounting and Canadian public sector accounting standards.

As a result, the financial statements may not be suitable for another purpose.

Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with Governance are responsible for overseeing the Entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Obtain sufficient audit evidence regarding the financial information of the entities or business activities within the Group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Chartered Professional Accountants, Licensed Public Accountants
Sudbury, Canada
December 6, 2022

RAINBOW DISTRICT SCHOOL BOARD

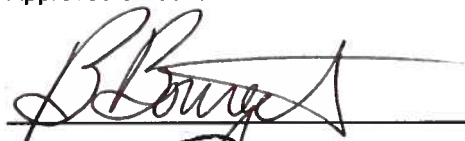
Consolidated Statement of Financial Position

August 31, 2022, with comparative information for 2021

	2022	2021
Financial Assets		
Cash	\$ 11,616,639	\$ 16,976,354
Accounts receivable - other (note 2)	32,660,746	27,304,175
Accounts receivable - Approved Capital Funding (note 3)	54,657,932	52,475,955
Investments	482,350	532,150
Total financial assets	99,417,667	97,288,634
Financial Liabilities		
Temporary borrowing (note 4)	2,573,829	2,423,798
Accounts payable and accrued liabilities (note 5)	20,709,633	20,338,975
Net long-term liabilities (note 6)	38,208,580	40,443,947
Deferred revenue (note 7)	17,511,705	14,634,098
Deferred capital contributions (note 10)	210,502,630	197,789,887
Retirement and other employee future benefits (note 8)	9,911,109	11,566,177
Total financial liabilities	299,417,486	287,196,882
Net debt	(199,999,819)	(189,908,248)
Non-financial assets:		
Inventory (note 18)	651,138	512,213
Prepaid expenses (note 9)	2,520,808	2,621,716
Tangible capital assets (note 12)	229,868,279	217,936,959
Total non-financial assets	233,040,225	221,070,888
Commitments and contingent liabilities (note 16)		
Effects of COVID-19 (note 17)		
Accumulated surplus (note 14)	\$ 33,040,406	\$ 31,162,640

See accompanying notes to the consolidated financial statements.

Approved 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, 2022, with comparative information for 2021

	2022 Budget	2022 Actual	2021 Actual
Revenue:			
Government of Ontario grants:			
- Grants for Student Needs (note 19)	\$ 190,411,499	\$ 190,771,787	\$ 183,839,830
- Other	3,355,831	12,379,535	8,082,120
Amortization of deferred capital contributions	17,753,460	17,379,409	15,699,846
Federal grants and fees	4,450,719	5,332,625	4,425,975
Other revenue - School boards	596,000	723,829	615,607
Other fees and revenue	249,692	2,292,855	3,364,656
Investment income	250,000	163,547	70,129
School fundraising	3,026,000	2,332,816	945,243
Total revenue	220,093,201	231,376,403	217,043,406
Expenses (note 11):			
Instruction	155,200,607	159,578,520	154,255,477
Administration	5,554,590	5,443,837	5,541,917
Transportation (note 15)	14,289,052	15,128,964	13,504,087
Pupil accommodation	39,217,975	41,044,120	36,837,862
School funded activities	3,026,000	2,240,191	932,106
Other expenses	3,355,831	6,063,005	1,412,043
Total expenses	220,644,055	229,498,637	212,483,492
Annual surplus (deficit)	(550,854)	1,877,766	4,559,914
Accumulated surplus, beginning of year	26,804,273	31,162,640	26,602,726
Accumulated surplus, end of year	\$ 26,253,419	\$ 33,040,406	\$ 31,162,640

See accompanying notes to the consolidated financial statements.

RAINBOW DISTRICT SCHOOL BOARD

Consolidated Statement of Change in Net Debt

Year ended August 31, 2022, with comparative information for 2021

	2022	2021
Annual surplus	\$ 1,877,766	\$ 4,559,914
Tangible capital assets:		
Acquisition of tangible capital assets	(30,092,151)	(27,677,866)
Amortization of tangible capital assets	18,160,831	16,484,086
Net gain on sale of tangible capital assets	-	(1,323)
Proceeds on disposal of tangible capital assets	-	1,323
	(11,931,320)	(11,193,780)
Other non-financial assets:		
Acquisition of inventories	(138,925)	(512,213)
Acquisition of prepaid expenses	(2,302,595)	(2,468,149)
Use of prepaid expenses	2,403,503	2,217,003
	(38,017)	(763,359)
Increase in net debt	(10,091,571)	(7,397,225)
Net debt, beginning of year	(189,908,248)	(182,511,023)
Net debt, end of year	\$ (199,999,819)	\$ (189,908,248)

See accompanying notes to consolidated financial statements.

RAINBOW DISTRICT SCHOOL BOARD

Consolidated Statement of Cash Flows

Year ended August 31, 2022, with comparative information for 2021

	2022	2021
Operating transactions:		
Annual surplus	\$ 1,877,766	\$ 4,559,914
Items not involving cash:		
Amortization of tangible capital assets	18,160,831	16,484,086
Amortization of deferred capital contributions	(17,379,409)	(15,699,846)
Net gain on sale of tangible capital assets	-	(1,323)
	2,659,188	5,342,831
Change in non-cash assets and liabilities:		
Decrease (increase) in accounts receivable - other	(5,356,571)	2,067,976
Decrease in investments	49,800	25,000
Increase (decrease) in accounts payable and accrued liabilities	370,658	(6,355,790)
Increase in deferred revenue	2,877,607	3,277,723
Increase (decrease) in employee future benefits liability	(1,655,068)	52,614
Increase in inventory	(138,925)	(512,213)
Decrease (increase) in prepaid expenses	100,908	(251,146)
Cash provided by operating transactions	(1,092,403)	3,646,995
Capital transactions:		
Cash used to acquire tangible capital assets	(30,092,151)	(27,677,866)
Proceeds on disposal of tangible capital assets	-	1,323
Cash applied to capital transactions	(30,092,151)	(27,676,543)
Financing transactions:		
Increase in temporary borrowing	150,031	581,175
Debt principal repayments and sinking fund contributions	(2,235,367)	(2,128,607)
Decrease (increase) in accounts receivable - Approved capital funding	(2,181,977)	326,227
Additions to deferred capital contributions	30,092,152	26,693,775
Cash provided by financing transactions	25,824,839	25,472,570
Change in cash	(5,359,715)	1,443,022
Cash, beginning of year	16,976,354	15,533,332
Cash, end of year	\$ 11,616,639	\$ 16,976,354

See accompanying notes to consolidated financial statements.

RAINBOW DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements

Year ended August 31, 2022

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 surplus over the periods during which the asset is used to provide service at the same rate that amortization is recognized in respect of the related asset. The 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 (continued)

Year ended August 31, 2022

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"): 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 consolidated financial statements.
- (ii) School generated funds, which include: the assets, liabilities, revenues, expenses that exist at the school level and which are deemed to be controlled by the Board, are 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 and accumulated surplus at the same rate and over the same periods as the asset is amortized.

RAINBOW DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2022

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 - 15 years
Vehicles	5 - 10 years
Computer hardware and software	3 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 are performed.

(h) Investment income:

Investment income is reported as revenue in the period earned. When required by the funding government or related Act, investment income earned on externally restricted funds such as pupil accommodation, education development charges and special education forms part of the respective deferred revenue balances.

RAINBOW DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2022

1. Significant accounting policies (continued):

(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 defined in 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 pension, life insurance, dental and health care benefits, retirement gratuity and worker's compensation. The Board accrues its obligation for these employee benefits.

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 transitioned to ELHTs in 2017-18: OPSEU, CUPE and non-unionized employees including principals and vice-principals. The ELHTs 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 are provided through a joint governance structure between the bargaining/employee groups, school board trustee associations and the Government of Ontario.

The Board is no longer responsible to provide benefits to the following employee groups: OSSTF, ETFO, OPSEU, CUPE, and non-unionized employees including principals and vice-principals.

Retirees belonging to principal/vice-principal and non-union employee groups transitioned to the ELHT in 2017-18. The ELHTs will offer health, life and dental benefits to retired individuals after the retiree groups transition to the ELHT, until age 65. These benefits will be provided through a joint governance structure between the bargaining/employee groups, school board trustees associations and the Government of Ontario. After retirees transition to the ELHT, the Board continues to be responsible for its share of cost of benefits based on the cost arrangement prior to the transition to the ELHT.

RAINBOW DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2022

1. Significant accounting policies (continued):

j. Retirement and other employee future benefits (continued):

The Board has adopted the following policies with respect to accounting for these employee benefits:

- (i) The costs of self-insured retirement and other employee future benefit plans are actuarially determined using management's best estimate of salary escalation, accumulated sick days at retirement, insurance and health care costs trends, disability recovery rates, long-term inflation rates and discount rates. The cost of retirement gratuities is actuarially determined using the employee's salary, banked sick days (if applicable) 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 service 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 and long-term disability, 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 approved by the Trustees on June 29th 2021. The approved operating budget for 2021-2022 is reflected on the consolidated statement of operations and accumulated surplus.

The budget approved by the Trustees is developed in accordance with the provincially mandated funding model for school boards and is used to manage program spending within the guidelines of the funding model.

(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 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.

RAINBOW DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2022

1. Significant accounting policies (continued):

(m) Property tax revenue:

Under Public Sector Accounting Standards, the entity that determines and sets the tax levy records the revenue in the consolidated financial statements, which in the case of the Board, is the Government of Ontario. As a result, education property tax revenue received from the municipalities is recorded as part of Grants for Student Needs, under Education Property Tax.

2. Accounts receivable - other:

	2022	2021
Municipalities	\$ 4,117,547	\$ 3,980,053
Government of Ontario	24,790,709	21,030,598
Government of Canada	1,813,032	746,847
Other	1,939,458	1,546,677
	<u>\$ 32,660,746</u>	<u>\$ 27,304,175</u>

The Ministry of Education introduced a cash management strategy effective September 1, 2018. As part of the strategy, the Ministry delays part of the grant payment to school boards where the adjusted accumulated surplus and deferred revenue balances are in excess of certain criteria set out by the Ministry. The balance of delayed grant payments included in the receivable balance from the Government of Ontario at August 31, 2022 is \$24,790,709 (2021 - \$21,030,598).

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.

The Board has an account receivable from the Government of Ontario of \$54,657,932 as at August 31, 2022 (2021 - \$52,475,955) with respect to capital grants.

4. Temporary borrowing:

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

- (i) \$9,732,608 non-revolving demand bridge credit facility available to provide interim financing for school consolidation capital. As at August 31, 2022, the amount drawn under this facility was \$1,124,685 (2021 - \$1,020,864).
- (ii) \$17,729,240 non-revolving demand bridge credit facility available to provide interim financing for school condition improvements. As at August 31, 2022, the amount drawn under this facility was \$719,711 (2021 - \$1,402,934).
- (iii) \$2,097,349 non-revolving demand bridge credit facility available to provide interim financing for early year's capital program. As at August 31, 2022, the amount drawn under this facility was \$729,433 (2021 - \$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.

RAINBOW DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2022

5. Accounts payable and accrued liabilities:

	2022	2021
Trade payables	\$ 14,823,681	\$ 10,877,328
Government of Ontario	195,743	4,213,733
Accrued liabilities	4,678,279	4,334,280
Other payables	1,011,930	913,634
	<u>\$ 20,709,633</u>	<u>\$ 20,338,975</u>

6. Net long-term liabilities:

	2022	2021
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 November 2038	\$ 35,306,623	\$ 37,339,787
5.399% RBC Life Insurance Company amortizing debenture payable in monthly installments of \$30,403 including interest, due January 31, 2033	2,901,957	3,104,160
	<u>\$ 38,208,580</u>	<u>\$ 40,443,947</u>

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

2023	\$ 2,347,512
2024	2,465,331
2025	2,589,105
2026	2,719,136
2027	2,855,743
Thereafter	25,231,753

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

	2022	2021
Principal repayments	\$ 2,235,367	\$ 2,128,607
Interest payments on long-term liabilities	1,968,163	2,074,924
	<u>\$ 4,203,530</u>	<u>\$ 4,203,531</u>

RAINBOW DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2022

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:

	2022	2021
Amounts restricted by legislation, regulation or agreement:		
Special education	\$ 7,231,841	\$ 6,698,716
Proceeds of disposition	1,227,061	1,274,342
Pupil accommodation	5,502,952	4,127,495
Student achievement	2,742,337	1,692,776
Other	807,514	840,769
	<u>\$ 17,511,705</u>	<u>\$ 14,634,098</u>

8. Retirement and other employee future benefits (in thousands):

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

a) Retirement benefits:

(i) Ontario Teachers' Pension Plan:

Teachers and related employee groups are eligible to be members of the Ontario Teachers' 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. The Board contributions equal the employee contributions to the plan. During the year ended August 31, 2022, the Board contributed \$2,766 (2021 - \$2,780) 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.

RAINBOW DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2022

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

a) Retirement benefits (continued):

(iii) Retirement gratuities:

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

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

The Board provides life insurance, dental and health care benefits to certain employee groups after retirement until the members reach 65 years of age. The premiums are based on the board experience and retirees' premiums may be subsidized by the Board. The benefit costs and liabilities related to the plan are provided through an unfunded defined benefit plan and are included in the Board's consolidated financial statements. Effective September 1, 2013, employees retiring on or after this date, do not qualify for board subsidized premiums or contributions.

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. School boards are required to provide salary top-up to a maximum of 4 ½ years for employees receiving payments from the Workplace Safety and Insurance Board, where the collective agreement negotiated prior to 2012 included such a provision.

RAINBOW DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2022

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

The accrued benefit obligations for employee future benefit plans as at August 31, 2022 are based on the most recent actuarial valuation completed for accounting purposes as at August 31, 2022. 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:

	2022	2021
	%	%
Inflation	2.0	1.5
Discount on accrued benefit obligations	3.9	1.8

Assumed healthcare cost trend rates:

	2022	2021
	%	%
Initial health care cost trend rate	6.75	7.00
Cost trend rate declines to	4.5	4.5
Year that the rate will be ultimately reached	2031	2031

The Board has internally appropriated an amount for retirement gratuities totaling \$3,540 (2021 - \$3,540).

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

	2022		2021	
	Retirement Benefits	Other Employee Future Benefits	Total Employee Future Benefits	Total Employee Future Benefits
Accrued employee future benefit obligations	\$ 9	\$ 7,327	\$ 7,336	\$ 8,413
Workplace Safety and Insurance Board	-	2,575	2,575	3,153
	\$ 9	\$ 9,902	\$ 9,911	\$ 11,566

RAINBOW DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2022

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

Employee future benefits liability		2022	2021
	Retirement Benefits	Other Employee Future Benefits	Total Employee Future Benefits
Balance, beginning of year	\$ 21	\$ 12,075	\$ 12,096
Current period benefit cost	–	(374)	(374)
Interest cost	–	202	202
Recognized actuarial gains	(1)	(638)	(639)
Benefits paid	(11)	(1,542)	(1,553)
Recognition of unamortized actuarial losses (gains) on plan amendments/curtailments	–	–	–
			530
Balance, end of year	9	9,723	9,732
Unamortized net actuarial gains (losses)	–	179	179
Employee future benefits liability	\$ 9	\$ 9,902	\$ 9,911

Employee future benefit expenses		2022	2021
	Retirement Benefits	Other Employee Future Benefits	Total Employee Future Benefits
Current year benefit cost	\$ –	\$ (374)	\$ (374)
Interest on accrued benefit obligation	–	202	202
Amortization of actuarial losses (gains)	(1)	(638)	(639)
Benefit payments	(11)	(1,542)	(1,553)
Employee future benefits expenses ¹	\$ (12)	\$ (2,352)	\$ (2,364)

¹ Excluding pension contributions to multi-employer pension plans, described in note 8 (a) (ii).

9. Prepaid expenses:

	2022	2021
Insurance	\$ 98,168	\$ 97,108
Other	2,422,640	2,524,608
	\$ 2,520,808	\$ 2,621,716

RAINBOW DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2022

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 acquired.

	2022	2021
Opening balance	\$ 197,789,887	\$ 186,795,958
Additions to deferred capital contributions	30,092,152	26,693,775
Revenue recognized in the period	(17,379,409)	(15,699,846)
Ending balance	\$ 210,502,630	\$ 197,789,887

11. Expenses by object:

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

	2022 Budget	2022 Actual	2021 Actual
Current expenses:			
Salary and wages	\$ 137,646,725	\$ 142,563,360	\$ 137,987,913
Employee benefits	22,472,069	23,548,059	24,211,376
Staff development	664,227	434,168	342,342
Supplies and services	16,251,374	16,788,732	13,157,321
Interest	1,968,163	2,110,344	2,154,689
Fees and contract services	16,495,060	17,220,369	15,488,576
School funded activities	3,026,000	2,240,191	932,105
Other	3,618,471	6,432,583	1,725,084
Amortization of tangible capital assets	18,501,966	18,160,831	16,484,086
	\$ 220,644,055	\$ 229,498,637	\$ 212,483,492

RAINBOW DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2022

12. Tangible capital assets (in thousands):

Cost	Balance at August 31, 2021	Additions and Transfers	Disposals and Write-offs	Balance at August 31, 2022
Land	\$ 5,203	\$ -	\$ -	\$ 5,203
Land improvements	16,539	3,391	-	19,930
Buildings	316,062	19,844	-	335,906
Portable structures	2,807	55	-	2,862
Construction in progress	7,648	5,910	-	13,558
Furniture and equipment	5,722	304	(392)	5,634
Vehicles	360	41	-	401
Computer hardware and software	4,041	547	(527)	4,061
Total	\$ 358,382	\$ 30,092	\$ (919)	\$ 387,555

Accumulated amortization	Balance at August 31, 2021	Disposals and Transfers	Amortization Expense	Balance at August 31, 2022
Land	\$ -	\$ -	\$ -	\$ -
Land improvements	8,850	-	935	9,785
Buildings	124,459	-	15,057	139,516
Portable structures	2,006	-	143	2,149
Furniture and equipment	3,138	(392)	587	3,333
Vehicles	270	-	38	308
Computer hardware and software	1,722	(527)	1,401	2,596
Total	\$ 140,445	\$ (919)	\$ 18,161	\$ 157,687

	Net book value, August 31, 2021	Net book value August 31, 2022
Land	\$ 5,203	\$ 5,203
Land improvements	7,689	10,145
Buildings	191,603	196,390
Portable structures	801	713
Construction in progress	7,648	13,558
Furniture and equipment	2,584	2,301
Vehicles	90	93
Computer hardware and software	2,319	1,465
Total	\$ 217,937	\$ 229,868

RAINBOW DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2022

13. Ontario School Board Insurance Exchange (OSBIE):

The Board is a member of the Ontario School Board Insurance Exchange (OSBIE), a reciprocal insurance company licensed under the Insurance Act.

OSBIE insures general liability, property damage and certain other risks. Liability insurance is available to a maximum of \$27 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, 2026. Premiums paid to OSBIE for the policy year ending December 31, 2021 amounts to \$270,548 (2020 - \$233,532).

14. Accumulated surplus:

Accumulated surplus consists of the following:

	2022	2021
Available for compliance – unappropriated:		
Total operating accumulated surplus	\$ 10,111,285	\$ 10,461,148
Available for compliance – internally appropriated:		
Retirement gratuities	3,540,242	3,540,242
Committed capital	10,981,960	11,633,586
Student focused initiatives	1,771,706	1,791,273
Indigenous education	92,185	257,477
School based initiatives / Capital planning	1,609,004	371,410
Local priority funds	271,214	274,968
Employee Future Benefits	1,551,358	1,551,358
Total accumulated surplus available for compliance	29,928,954	29,881,462
Unavailable for compliance – externally appropriated:		
Employee future benefits	(4,199,125)	(5,909,707)
Accrued interest	(505,892)	(532,959)
School generated funds	2,612,784	2,520,159
Revenue recognized for land	5,203,685	5,203,685
Total externally appropriated	3,111,452	1,281,178
Total accumulated surplus	\$ 33,040,406	\$ 31,162,640

RAINBOW DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2022

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 \$14,163,086 (2021 - \$12,937,614) 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 \$301,958 (2021 - \$1,049,334) with the 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 \$132,700 (2021 - \$309,000).

(b) Contractual obligations:

The Board has a total of \$15,744,675 (2021 - \$18,751,123) of contractual obligations at year end relating to the construction and renovation of buildings.

(c) Commitment:

The Board estimates that an additional \$2,700,000 is required over and above the committed contracts in order to complete the construction and renovation of a new school building.

17. Effects of COVID-19:

On March 11, 2020, the World Health Organization declared the outbreak of coronavirus ("COVID-19") a global pandemic. This resulted in the Province mandating that all boards close their schools and administrative buildings effective March 13, 2020. Based on recommendations from Public Health Ontario, students moved to an online/learn-from-home education format for the remainder of the 2019-2020 school year. For the 2020-2021 school year the schools reopened to students with enhanced public health protocols. Students also had the option to continue with online education and at-home distance learning. In person learning ceased March of 2021 in response to the pandemic. For the 2021-2022 school year the schools reopened for in person learning. Students also had the option to continue with online education and at-home distance learning.

As at August 31, 2022, the Board did not have significant adjustments to reflect the possible future impact of COVID-19. Management assessed the impact on the Board and believes there are no significant financial issues as a result of the pandemic. The outcome and timeframe to a recovery from the current pandemic is unpredictable, thus it is not practicable to estimate and disclose its financial effect on future operations at this time.

RAINBOW DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2022

18. In-kind transfers from the Ministry of Public Business Service Delivery:

The Board has recorded entries, both revenues and expenses, associated with centrally procured in-kind transfers of personal protective equipment (PPE) and critical supplies and equipment (CSE) received from the Ministry of Public and Business Service Deliver (MPBSD). The amounts recorded were calculated based on the weighted average cost of the supplies as determined by MPBSD and quantity information based on the Board's records. The in-kind revenue recorded for these transfers is \$6,063,005 (2021 - \$800,870) with expenses based on use of \$6,063,005 (2021 - \$800,870) for a net impact of \$Nil (2021 - \$Nil). The remaining balance of \$651,138 (2021 - \$512,213) has been recorded in inventory in the statement of financial position.

19. Grants for student needs:

School boards in Ontario receive the majority of their funding from the provincial government. This funding comes in two forms: provincial legislative grants and local taxation in the form of education property tax. The provincial government sets the education property tax rate. Municipalities in which the Board operates collect and remit education property taxes on behalf of the Government of Ontario. The Government of Ontario provides additional funding up to the level set by the education funding formulas. 82.4% percent of the consolidated revenues of the Board are directly controlled by the provincial government through the grants for student needs.

	2022	2021
Provincial Legislative Grants	\$ 157,265,020	\$ 150,302,199
Education Property Tax	33,506,767	33,537,631
Grants for Student Needs	\$ 190,771,787	\$ 183,839,830

20. Future accounting standard adoption:

The Board is in the process of assessing the impact of the upcoming new standards and the extent of the impact of their adoption on its financial statements.

While the timing of standard adoption can vary, certain standards must be adopted concurrently. The requirements in PS 1201 *Financial Statement Presentation*, PS 2601 *Foreign Currency Translation*, PS 3041 *Portfolio Investments* and PS 3450 *Financial Instruments* must be implemented at the same time. The Board has not adopted any new accounting standards for the year ended August 31, 2022.

RAINBOW DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2022

20. Future accounting standard adoption (continued):

1. Standards applicable for fiscal years beginning on or after April 1, 2022 (in effect for the Board as of September 1, 2022 for the year ending August 31, 2023):

PS 1201 *Financial Statement Presentation* replaces **PS 1200 *Financial Statement Presentation***. This standard establishes general reporting principles and standards for the disclosure of information in government financial statements. The standard introduces the Statement of Remeasurement Gains and Losses separate from the Statement of Operations. Requirements in **PS 2601 *Foreign Currency Translation***, **PS 3450 *Financial Instruments***, and **PS 3041 *Portfolio Investments***, which are required to be adopted at the same time, can give rise to the presentation of gains and losses as remeasurement gains and losses.

PS 3401 *Portfolio Investments* replaces **PS 3040 *Portfolio Investments***. The standard provides revised guidance on accounting for, and presentation and disclosure of, portfolio investments to conform to **PS 3450 *Financial Instruments***. The distinction between temporary and portfolio investments has been removed in the new standard, and upon adoption, **PS 3030 *Temporary Investments*** will no longer apply.

PS 3280 *Asset Retirement Obligations (ARO)* establishes the accounting and reporting requirements for legal obligations associated with the retirement of tangible capital assets controlled by a government or government organization. A liability for a retirement obligation can apply to tangible capital assets either in productive use or no longer in productive use.

PS 3450 *Financial Instruments* establishes accounting and reporting requirements for all types of financial instruments including derivatives. The standard requires fair value measurement of derivatives and portfolio investments in equity instruments that are quoted in an active market. All other financial instruments will generally be measured at cost or amortized cost. Unrealized gains and losses arising from changes in fair value are presented in the Statement of Remeasurement Gains and Losses.

2. Standards applicable for fiscal years beginning on or after April 1, 2023 (in effect for the Board as of September 1, 2023 for the year ending August 31, 2024):

PS 3400 *Revenue* establishes standards on how to account for and report on revenue, specifically differentiating between transactions that include performance obligations (i.e., the payor expects a good or service from the public sector entity), referred to as exchange transactions, and transactions that do not have performance obligations, referred to as non-exchange transactions.