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MEMORANDUM TO: Directors of Education
Secretaries of School Authorities

FROM: Kevin Kobus
Assistant Deputy Minister
Business and Finance Division

DATE: April 22, 2004

SUBJECT: Reporting of School Funds

The purpose of this memorandum is to provide you with additional information that you may wish to share with your school councils and local communities about the implementation of PSAB accounting standards for school boards in Ontario.

As you know, the ministry issued a memorandum on March 24, 2004, informing boards that, effective with their 2003-04 financial statements, they will be required to adopt Public Sector Accounting Board (PSAB) recommendations for local governments as their financial reporting standard. This will bring their financial reporting into line with the provincial government, municipalities and the private sector in the use of generally accepted accounting principles (GAAP). The Ontario government uses PSAB for financial reporting and Ontario municipalities have been doing the same since 2000.

Moving to these new accounting standards will give a broader and more accurate picture of the financial affairs of school boards, increase public confidence in the management of those affairs and respond to questions about the appropriateness of current accounting practices. The change will also mean that boards will receive unqualified audit opinions on their financial statements, which will let them continue to borrow money at attractive rates. Without PSAB, boards would have received “qualified” audit reports and this would have resulted in reductions in their credit ratings.

As part of the move to the recognized accounting standard, school boards will be required to include in their financial statements the revenue, expenditures, assets and liabilities of all the organizations considered to be part of the “reporting entity.” This requirement is part of the reporting standard set by the accounting profession. Whether or not the organization needs to be included depends on the degree of control exercised over it by the school board, and this will be determined by each individual board in consultation with its auditor.

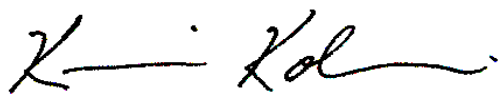
School councils are established under the authority of the Education Act. Section 22 of Ontario Regulation 612/00 provides for school councils to engage in fundraising activities, but requires that the activities be conducted, and the funds be used, in accordance with any applicable policies established by the board. Section 24 requires that the school council prepare and submit to the board an annual report on its activities, including fundraising activities.

School councils and local communities should know that the inclusion of school fund information in a board's financial statements will in no way alter the existing control and management of school-generated funds and activities. Nor will it alter a school's ability to use the funds for the purposes for which they were raised. School councils will still be able to raise funds and make decisions about the use of those funds in the same way as before.

The reporting of school funds in a board's financial statements will not affect the total amounts allocated by the province to school boards or the amount allocated by the province to any individual school board. Summary information on school funds will be presented at the board level. School fund information will not be reported in the financial statements on a school-by-school basis.

In the development of this initiative, school boards indicated that they needed more time to implement the required systems and procedures to allow them to include school fund information in their financial statements. They needed to work with their schools and school councils on creating appropriate reporting structures and making sure that the right training was in place. Acknowledging this, the ministry has given school boards a one-year delay to 2004-05 for the reporting of school funds and their inclusion in the boards' financial statements. The boards will have to prepare their 2003-04 financial statements under PSAB, but they will not be required to include school funds. Boards will need to start working with their schools and school councils as early as possible to gather the information they will need for their 2004-05 financial statements and to develop reporting processes and strategies for future years.

I encourage you to share this information with your school councils and your local communities to assure them that their fundraising efforts will not be affected by the upcoming changes in financial statement reporting practices, and will continue to benefit their children in their school community directly and, by extension, across Ontario.



Kevin Kobus
Assistant Deputy Minister
Business & Finance Division

cc. Superintendents of Business