

Ministry of Education
Transfer Payments and
Financial Reporting Branch

21st Floor, Mowat Block
900 Bay Street
Toronto, Ontario M7A 1L2
Tel.: (416) 325-2034
Fax: (416) 325-2007
Email: Wayne.Burtnyk@edu.gov.on.ca

Ministère de l'Éducation
Direction des paiements de transfert
et des rapports financiers

21^e étage, édifice Mowat
900, rue Bay
Toronto, Ontario M7A 1L2
Tél. : (416) 325-2034
Téléc.: (416) 325-2007
Courriel: Wayne.Burtnyk@edu.gov.on.ca



Ontario

2005: SB26

MEMORANDUM TO: Superintendents of Business

FROM: Wayne Burtnyk
Director
Transfer Payments and Financial Reporting

DATE: October 19, 2005

SUBJECT:

1. Deferred Revenue for Pupil Accommodation
2. Requirement to Set Up Internally Restricted Reserve
3. 5-Month Capital Activity Report

The purpose of this memorandum is to provide direction to school boards on the reporting of their pupil accommodation reserve as a result of the application of the revenue recognition rules on capital reporting. This memorandum also addresses the capital asset reporting referred to in memorandum 2005 SB:21 dated September 09, 2005.

Deferred Revenue for Pupil Accommodation

As part of the completion of the 2004-05 financial statements, school boards are required to determine whether they have met the external restrictions on pupil accommodation through the capital activity that they have undertaken since 1998-99. In order to assist boards in making that determination, the Ministry has compiled a report showing the allocations for pupil accommodation using the data from 1998-99 to 2003-04 financial statements. These allocations are compared to the eligible expenditures for pupil accommodation in that same period. This report will be made available to you in the next few days by your Ministry Finance Officer. The report is intended to assist you in determining your 2004-05 opening balance of the pupil accommodation deferred revenue or the accumulated eligible pupil accommodation expenditures to be used in the Data Form A3 – Pupil Accommodation Reserve Revenue recognition/Enveloping Criteria of the 2004/05 Financial Statements.

School boards should review this report for any errors and omissions and make necessary adjustments. Our analysis of the 2003-04 financial statements indicates that some boards might have included some EDC funded expenditures in the pupil accommodation expenditures in the Capital Fund (schedule 3). In those instances, the pupil accommodation expenditures in the deferred revenue/accumulated expenditures continuity report should be adjusted to exclude the amount of the EDC funded expenditures.

Requirement to Set Up Internally Restricted Reserve

Where boards have met the external restrictions for pupil accommodation (either school renewal or new pupil places), the amount reported as deferred revenue as of August 31, 2004 in the 2003-04 financial statements must be restated as an internally restricted pupil accommodation reserve. This reserve can only be used for the purpose intended, that is, for pupil accommodation (including related debt servicing costs). As indicated in the recent information sessions, most boards will have met the external restrictions through the capital activities that they have undertaken since 1998-99. In many instances, the capital activities may have been long-term or short-term financed. In these cases funding net of financing costs related to those activities should be placed in an internally restricted pupil accommodation reserve (schedule 5).

5-Month Capital Activity Report (April to August 2005)

The ministry has shared at the information sessions the draft templates for reporting capital assets activities for the 5-month period April 1 to August 31, 2005. Because the reporting is an interim approach until a longer term solution through a capital asset management system is in place, boards will be required to report on their detailed capital activities for the 5-month period using an excel file. The reporting template and related instructions and reporting guideline are available through the Financial Statements link on the Financial Reporting website at <http://tpfr.edu.gov.on.ca>.

The reporting guideline is an initial version which will be expanded for capital asset reporting in the future to further refine areas such as amortization policies, remaining useful lives of assets, etc. Please note that there will be a requirement for specified procedures to be undertaken by the school board external auditors consistent with the approach for the reporting of other activities for the five months. The proposed procedures, which are also available from the Financial Reporting Website, will be subject to further review and discussions with school boards external auditors through the ICAO technical committee.

The final complete set of specified procedures and management report relating to the five months reports and the sample audit reports relating to the 2004-05 financial statements will be issued to boards and auditors before the end of the month.

The capital activities report is an integral part of the financial statements; however, boards can submit the file with the ministry by December 31, 2005 to the following e-mail address: Reporting.Entity@edu.gov.on.ca.

Financial Statements on EFIS

A new version of the 2004-05 financial statements has been released on EFIS with the following changes:

1. The cell for transfer to reserve from deferred revenue in data form D (Line 28, Col. 9) has been opened up to address instances where amounts in externally restricted reserves are placed in an internally restricted reserve because restrictions have been met.
2. Schedule 9, Item 8.9, Technological Education Renewal Initiative is now an input cell for boards to report their TERI revenue (broad-based capital component and the unconditional amount announced March 31, 2005). The initial version of the forms populated the broad-based capital component of the funding only.
3. Section 11, Item 11.35, New Pupil Places amount for Distant Schools (prior year's amount), has been updated to eliminate calculation errors due to rounding in prior year data.

Contacts

Questions relating to reporting of capital activities for capital asset reporting should be directed to:

Doreen Lamarche at (613) 225-9210 ext 113 or doreen.lamarche@edu.gov.on.ca.
Nadya Bekker at (416) 327-9061 or nadya.bekker@edu.gov.on.ca.

For questions on the revenue recognition continuity reports, please contact your Ministry Finance Officer.



Wayne Burtnyk
Director
Transfer Payments and Financial Reporting Branch

cc: Directors of Education