

Ministry of Education
Office of the ADM

Ministère de l'Éducation
Bureau du sous-ministre adjoint



Business & Finance Division
900 Bay Street
20th Floor, Mowat Block
Queen's Park
Toronto ON M7A 1L2
Telephone (416) 325-6127

Division des opérations et des finances
900, rue Bay
20 étage, Édifice Mowat
Queen's Park
Toronto ON M7A 1L2
Téléphone (416) 325-6127

2007:SB21

MEMORANDUM TO: Senior Business Officials

FROM: Andrew Davis
Director
Transfer Payment and Financial Reporting Branch

DATE: August 29, 2007

SUBJECT: Implementation of Tangible Capital Asset Reporting and Release of the *“Tangible Capital Assets - Provincial Accounting Policies and Implementation Guide”*

I am writing to provide further information about tangible capital asset reporting. This significant initiative has been underway by the Ministry of Education and school boards since the spring of 2005. As a result of revisions made to the Public Sector Accounting Board (PSAB) Handbook, local governments, including school boards, are required to report tangible capital assets such as land, buildings, vehicles, and computers in their financial statements. This update to PSAB requirements means that assets are required to be capitalized and depreciated. This will cause significant policy and reporting changes for the sector and will also result in better reporting alignment with the broader public sector and the province. I would like to take this opportunity to thank the sector for its continuing assistance, feedback and cooperation in moving forward on this important initiative.

School Boards financials have been consolidated into the province's books since fiscal year 2005-06. This included a ministry lead accounting valuation of school board capital assets (land and buildings) as at March 2005. We also developed initial accounting policies and reporting guides for school boards to use when reporting subsequent tangible capital asset expenditures to the ministry in order to meet the consolidation requirements of the Province. This was done in anticipation of the revisions to the accounting guidelines for school boards.

The Public Sector Accounting Board issued the anticipated revision in September 2006. This new handbook section requires both school boards and the province to capitalize and amortize ALL capital asset classes for fiscal years starting on or after January 1, 2009. In order for school boards to have the information required for the consolidated provincial accounts for the fiscal year 2009-10, school boards will have to start reporting and amortizing all classes of tangible capital assets in the 2008-09 school year financial statements.

At this time I am pleased to release the final policy and implementation guide regarding tangible capital asset reporting which is available through the Reporting Entity Project link on the financial reporting website at <http://tpfr.edu.gov.on.ca>. Previous versions of the guide have been shared in draft with the sector and this version reflects feedback and input received from boards.

The ministry will be providing to school boards a listing of their land and building assets, with valuation and amortization data. School boards should consult the tangible capital asset guide for a listing of the capital asset classes and capitalization thresholds they are to use and for other information to assist in implementation; including suggested approaches to establishing the required opening balance information for other asset classes. Ministry Finance Officers will be available to offer assistance to help ensure readiness on the implementation of this initiative.

Key Changes from previous draft versions

Based on input from the sector, highlights of key changes from the February 2007 draft version are the following:

- Changes to capitalization thresholds:
 - The threshold for the vehicle, furniture and equipment and computer software tangible capital asset classes has been increased from \$3,000 per unit to \$5,000 per unit.
 - The threshold for the computer hardware tangible asset class has been increased from \$500 per unit to \$5,000 per unit. Also computer hardware purchased in bulk (\$25,000 and over) will also be capitalized regardless of unit cost.
- A detailed example of how to establish opening balances for other asset classes such as furniture and equipment has been added to the guide.

If you have any questions on the above, please contact Doreen Lamarche at (613) 225-9210 x.113 or at Doreen.Lamarche@ontario.ca or Marion Jarrell at (416) 325-2057 or (519) 865-0044 or at Marion.Jarrell@ontario.ca.



Andrew Davis
Director
Transfer Payment and Financial Reporting Branch

cc: Directors of Education