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2011: SB12

MEMORANDUM TO: Superintendents of Business and Finance

FROM: Andrew Davis
Director
Financial Analysis and Accountability Branch

DATE: April 21, 2011

SUBJECT: 2011-2012 Estimates

I am pleased to inform you that the 2011-12 Estimates and instructions detailing the changes for this year are now available through the Estimates link on the Financial Reporting website at <http://faab.edu.gov.on.ca/>.

These Estimates forms, guides and instructions are provided in advance of the release of the 2011-12 Grants for Student Needs regulation. As noted on the first page of the Estimates forms, these forms and related documents for the 2011-2012 fiscal year are conditional upon the approval of the appropriate regulations by the Lieutenant Governor in Council.

The forms implement the funding increases that support the provisions in the Provincial Framework Agreements (PFAs). The benchmarks incorporated in the calculations in EFIS automatically use the appropriate benchmarks based on board type.

Capital Transfers Received for Tangible Capital Assets (TCA)

Transfers Received for Depreciable Assets:

The Public Sector Accounting Standards Board (PSAB) updated the Government Transfers standard (PS 3410) in February 2011. The standard allows for deferred capital contributions (DCC) when a liability is created (i.e. a capital transfer is received to acquire TCA which will be used to provide services for a defined number of years) relating to the purchase or acquisition of depreciable assets.

Transfers Received for Non-depreciable Assets:

For non-depreciable assets (i.e. land), the standard does not allow for the deferral of capital transfers; these must be recognized in revenue when the non-depreciable assets are acquired. Prior to the release of the standard, the Ministry included land revenues

in DCC – these are reflected in the 2010-11 Estimates and Revised Estimates. Revenues received to purchase land will be excluded from DCC for the 2011-12 Estimates and 2010-11 Financial Statements to comply with the standard. The DCC schedule in the 2011-12 estimates will reflect an adjustment to the opening balance to exclude land revenues (the book value of the land less associated unsupported capital spending). This amount will be moved out of DCC and into accumulated surplus unavailable for compliance.

Sinking Funds

In the 2010-11 Estimates and Revised Estimates, the Ministry included the interest component of sinking funds debentures (including earned and unearned interest) as part of the opening DCC balance. The ministry has reviewed the previous approach and determined that this accounting treatment is not in line with PS 3100.13 - interest earned on sinking funds is to be recognized in revenue when earned. The forms have been changed to include in DCC only the supported part of the contributions and any refinancing amount. Interest earnings on the sinking funds will be included in accumulated surplus as internally appropriated. The compliance shortfall due to the exclusion of sinking fund interest from DCC will be managed from the interest earnings over the average remaining service life of the assets. The ministry will be tracking interest earnings to allow boards to use any excess for other operating purposes once the requirements to repay the funds are met.

Committed Capital Projects

In the implementation of reporting changes to the accumulated surplus/deficit schedule, boards were required to report the portion of their accumulated surplus that has been committed to capital projects as unavailable for compliance. The ministry has made changes to the 2011-12 estimates forms to align with the approach on the treatment of sinking fund interest earned i.e. this amount will be included as internally appropriated. The related amortization will be charged to this amount in the detailed schedule of accumulated surplus/deficit.

DCC – asset tracking

The ministry made significant changes in capital reporting in 2010-11 and at the same time implemented the deferral approach in reporting capital contributions (DCC). The review of the Capital Wrap Up Template in 2010 facilitated the determination of the unsupported component of TCA as of August 31, 2010. To simplify implementation boards have been instructed to amortize this component over the average remaining service life of its assets as of that date to avoid having to trace back the unsupported amount to individual assets.

For capital spending after September 1, 2010 however, amortization of DCC into revenue must be calculated by asset – this means that boards will be required to track contributed amounts by asset. To meet provincial consolidation requirements, boards must also track the portion of the capital contribution that is related to third party amounts (i.e. federal government, school generated funds, other third party).

Boards may have the necessary information to allocate the unsupported amounts as of August 31, 2010 by asset. In those instances they are encouraged to use a consistent approach in calculating the DCC amortization, rather than the two-pronged approach as described above.

Vacation accrual

Boards were encouraged to start looking at their vacation policy when the ministry announced through memorandum 2010: SB10 that starting in 2011-12, vacation accruals will no longer be excluded from compliance.

Starting in 2011-12, in-year changes in vacation accruals will no longer be excluded from compliance. In addition, boards are required in 2011-12 to address within compliance fifty percent of their unfunded vacation accrued as of August 31, 2011. The remaining 50% will be addressed in 2012-13.

Other Changes

Recovery of pupil accommodation reserves

As part of the Capital Wrap Up process in 2010, a review of the pupil accommodation reserve was undertaken to determine the amount that is payable to the Province as of August 31, 2010. The ministry will recover this amount through an offset as long term financing through the Ontario Financing Authority is determined for eligible capital projects (NPP and GPL) in 2010/11 and future years. Where boards do not have enough capital spending room or supported capital debt that is not permanently financed to offset the full amount of the reserve, the ministry will offset the residual amount against the principal amount of the debt servicing cost related to supported permanently financed capital debt.

Funding enhancements for education assistants

As indicated in memorandum 2011:B03, the funding enhancements for education assistants include additional supervision time which may benefit the general student population rather than students with special education needs. As a result, while the enhancements for education assistants are being provided mainly through the special education allocations, a portion (\$10.1M) is being reflected through an increase in the pupil foundation allocation. Boards should exclude expenses relating to the supervision of the general student population from their special education expenses Schedule 10A & 10B in the EFIS forms.

TCA guide revisions

Updates have been made to the School Board and School Authority Tangible Capital Assets Provincial Accounting Policies and Implementation Guide. A summary of these changes can be found in Release 6 at <http://faab.edu.gov.on.ca> under the Capital Asset Implementation link. The major change includes a revision on eligibility for first time equipping - computers are now an eligible part of first time equipping where they are acquired to equip newly constructed classrooms and schools. Please review the release for a list of additional updates.

Uniform Code of Accounts

Updates have been made to the Uniform Code of Accounts. The major changes include:

- (1) The addition of codes for Tangible Capital Assets (TCA) / Amortization Expense.
- (2) The addition of codes for Deferred Capital Contribution (DCC) / Amortization of DCC.
- (3) The addition of codes for School Generated Fund (SGF).
- (4) The addition of codes for Early Childhood Education (ECE).
- (5) Updates to comply with PS Section 1200, Financial Statement Presentation.

Details of these and other changes can be found in at <http://faab.edu.gov.on.ca> under the Code of Accounts link. If you have any questions regarding these updates, as well as the TCA guide revisions, please contact Sangita Forodi at Sangita.forodi@ontario.ca or at (416) 325-8584.

Capital Wrap Up Template (CWT)

To reflect the changes relating to sinking fund interest and non-depreciable assets outlined above, the ministry will attach a revised 'Schedule 5.3 – Deferred Capital Contribution' to the CWT that were submitted by boards (or the ministry reviewed version where the review has been completed) as part of their 2009-10 Financial Statements. This schedule will recalculate the opening DCC balance that boards should use to assist them in completing their 2011-12 estimates. The CWT with the revised schedule will be sent to boards by mid-May, and the final ministry reviewed template to be used for the preparation of the 2010-11 Financial Statements will be sent in the summer.

Appendix C process

The Ministry is conducting a review of data reported in Appendix C and will share further information this fall on a revised process in reporting new schools and closed schools for a school year in a timely way to minimize fluctuations between cycles in a given year.

Submission

Boards are required to submit their 2011-12 Estimates by June 30, 2011 through EFIS at <https://efis.edu.gov.on.ca/logintp.asp>. Boards are also required to submit their Appendix C to the following mailbox:

Estimates.met@ontario.ca

Two signed copies of the following are required (printed from the active EFIS submission of the 2011-12 Estimates):

- Certificate from the Director of Education;
- Director's Compliance Report;

- Schedule 9;
- Schedule 10
- Schedule 10ADJ;
- Section 1; and
- Warning message explanation report.

Please submit these signed copies to:

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Andrew Davis

cc Directors of Education