

Ministry of Education

Financial Analysis and
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2019: SB17

MEMORANDUM TO: Senior Business Officials

FROM: Med Ahmadoun
Director
Financial Analysis and Accountability Branch

DATE: September 24, 2019

SUBJECT: Remaining Service Life Review

This memorandum provides the findings of the ministry's review of the remaining service life (RSL) of school boards' building assets, based on the last five years of financial statement data and requests that school boards undertake a review of RSL for specific tangible capital assets.

Despite the ministry investing over \$13 billion in school boards' capital assets over the past ten years, the ministry noted that several assets, in which significant investments were made, did not result in an increase in RSL. Therefore, the ministry is requesting that school boards review their detailed asset information to ensure updated RSL are reported in the 2018-19 financial statements.

Reminder

Public Sector Accounting Board (PSAB) Standard 3150.29 requires that RSL be reviewed and revised on a regular basis. The ministry's Tangible Capital Asset (TCA) Guide also requires boards to adjust the RSL for significant events on an annual basis and to conduct a detailed review of RSL every five years.

Ministry Review of RSL Data

The ministry has analyzed school boards' RSL information reported in Schedule 3C: Tangible Capital Asset Detail in the school boards' financial statements Education Financial Information System (EFIS) submissions over the past five years. Two common reporting issues with RSL reporting were noted as follows:

- For assets where there were significant additions or betterments, school boards are not always increasing the RSL.
- For assets where the “RSL change” field was left blank.

RSL Template

To assist school boards in identifying capital assets that may require an adjustment to RSL, an Excel file named “RSL 5-Year Review” has been developed that lists assets that should be reviewed by school boards. The list has been compiled based on the two following criteria:

1. The total of in-year additions and betterments + transfers from construction in progress (CIP) to gross book value (GBV) + transfers from pre-acquisition costs to GBV > ten per cent of the opening GBV, but the RSL was not increased
2. The RSL change field was left blank.

School boards can access the file through the EFIS File Download Portal as follows:

1. Login to EFIS at the following link:

https://efis.fma.csc.gov.on.ca/apex/f?p=EFIS_GOS:HOME

2. Under the tab “EFIS Internet-Enabled Applications”, go to “File Download Portal”.
3. Click on the file folder of your school board, then select the “RSL 5Y-Review” file, and choose “Save”.

Action Required

School boards are requested to review the assets flagged in the Excel file and make necessary adjustments to the RSL and then report this updated RSL in the 2018-19 financial statements. The ministry acknowledges that not all the betterments and additions will increase the RSL and professional judgement is required to assess investment impacts on RSL. The listing represents the minimum level of review required; however, school boards are encouraged to conduct a comprehensive review where possible.

Please note that while the ministry used ten per cent in its analysis, school boards should exercise professional judgment in determining an appropriate threshold for significant events.

2018-19 Financial Statement EFIS Reporting

Starting in the 2018-19 financial statements, two new validation messages will be added to the Schedule 3C Tangible Capital Asset Detail EFIS form. These validation messages will appear when the “RSL changes” column is left blank, or when the RSL is

not increased for significant additions and/or betterments. School boards should ensure that the RSL is reviewed and that the RSL change value is reasonable before clearing the warning messages.

Consistent with prior years, details related to the 2018-19 financial statements submission will be released in a separate memorandum.

Contact Information

If you require further information, please contact:

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