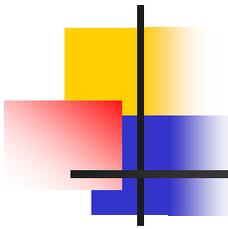


Introduction to the Reporting Entity Project and Consolidation

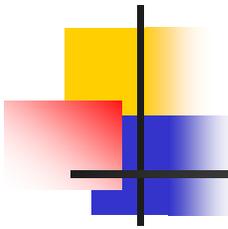
**Reporting Entity Project Workgroup
Ministry of Education**

TPFR Information Sessions
Fall 2005



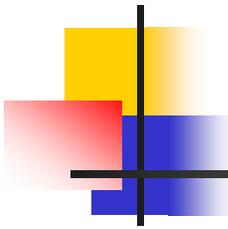
Reporting Entity Project

- Refers to a multi-ministry initiative to consolidate Broader Public Sector Financial information into the provinces accounts.
- Involves
 - Ministry of Education – School Boards
 - Ministry of Health – Hospitals
 - Min of Training, Colleges & Universities – Colleges
 - Ministry of Finance – overall coordination and publication of the provinces public accounts.



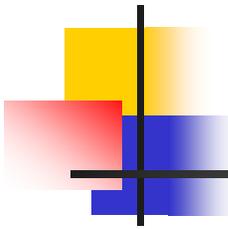
Why is the Province consolidating school boards and other sectors?

- The Province adheres to PSAB GAAP
- Revised PSAB standard (PS 1300) – organizations controlled by the Province include in its consolidated FS
- Office of the Auditor General of Ontario (OAGO) – identified school boards, colleges and hospitals
- “One-Line” consolidation – starts
 - Province’s 2005-06 public accounts (March 31st, 2006)
 - Province’s 2007-08 Budget



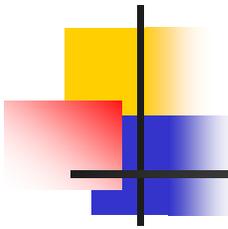
What is “One-Line” Consolidation?

- Modified equity method of accounting for investments in government organizations
- Net revenues/expenses are shown as one line in the Province’s Statement of Operations
- Net assets/liabilities are shown as one line in the Province’s Statement of Financial Position (including Tangible Capital Assets)
- Notes information on commitments, contingent liabilities and loan guarantees required.



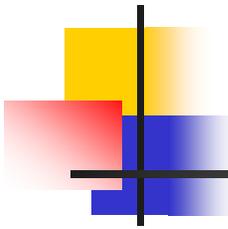
How will Province's consolidation affect School Boards?

- Additional reporting to deal with the issue of different fiscal year-ends.
- Need to value capital assets – land and buildings for reporting on the provinces financial statements.



Different Fiscal Year-Ends

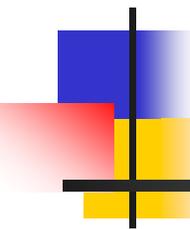
- Province's fiscal year-end is March 31st
- Requires financial results (operating & capital) for the 12-month period: April to March
- School Boards' year-end is August 31st
- 7-month "Stub Period" exists between September 1st to March 31st



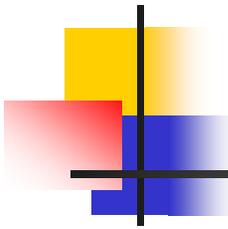
External review – required by Office of the Auditor General

- “Specified procedures report” for the 5-month period (April 1st to August 31st, 2005)
- “Specified procedures report” for the first 7-month stub period report (March 31st, 2006)
- Reviews by boards external auditors

Ongoing: Management representation report

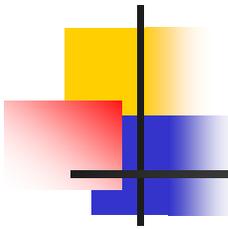


Establishing a Book Value for School Board Land & Buildings



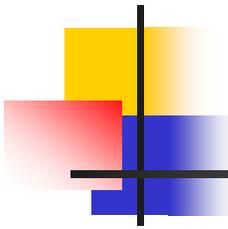
Background

- DSB's use PSAB for local governments as accounting standard
- Do NOT capitalize assets but expense them in the year acquired
- Major assets are buildings and land
- Approx. 5600+ properties.
- Historical info not available due to large number of restructurings in the system



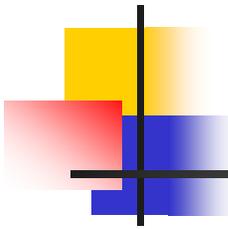
PSAB Handbook - PS 3150.48

- “When a government does not have historical cost accounting records for its tangible capital assets, it will need to use **other methods to estimate the cost and accumulated amortization of the assets...A** government should apply a consistent method of valuing the tangible capital assets..., except in circumstances where it can be demonstrated that a different method would provide a more accurate estimate of the cost of a particular type of tangible capital asset.”



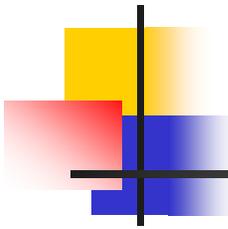
Information Availability

- 1980-1997 – Some historical cost based on “Direct Capital Grant Approvals”
- 1998-2005 – DSB’s able to provide historical cost
- SFIS – School Facilities Inventory System – good inventory of open schools and sizes of buildings
- ReCapp – in depth description and condition of all open schools
- 1998 Benchmark Construction Costs



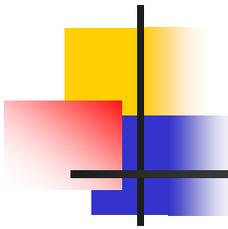
Objective

- Method to value DSB land & buildings
- Value to be updated and maintained in future
- Adhere to PSAB Handbook recommendations
- Acceptable to OAGO
- Implementable in 2005-06 timeframe
- Cost effective within requirements of accuracy and materiality.



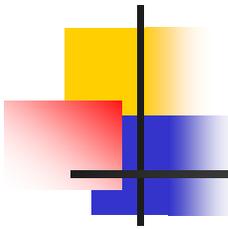
Valuation Approach

- Use “Book Value Calculator” to estimate book values and remaining service life.
- Designed by federal Public Works dept. for valuing federal gov’t assets in 2001.
- Used by the Ontario provincial gov’t for valuation of assets.



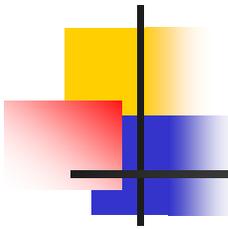
Book Value Calculator (BVC)

- Uses cost indices and calculated betterment rates to develop estimated book values and remaining service life based on key data inputs.



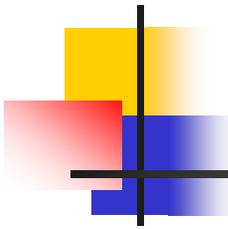
Key Inputs

- Key inputs are:
 - Acquisition date - historical or estimate
 - Cost – historical or estimated cost at a date which is factored back to “deemed historical cost”
 - Condition of the asset



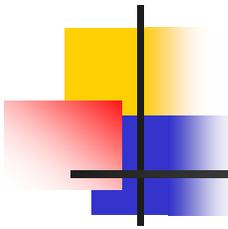
Acquisition Date and Condition

- Historical date wherever available or
 - Date of original construction from SFIS or
 - Weighted average date of construction when there have been significant additions
 - Other estimated dates where required
- Asset Condition: Use ReCapp data for schools. Condition assessment for other buildings will have to be developed.



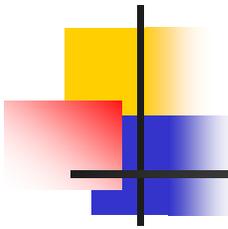
Estimated Cost

- Historical cost whenever available
 - Info from DSB's post 1998,
 - Direct capital grant plan approvals (1980 – 1997)
 - other info where available



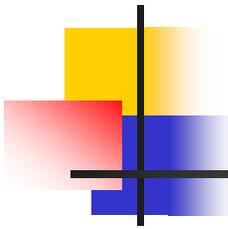
Estimated Cost (con't)

- Where historical cost is not available:
 - Pre 1965 –
 - Land estimated at nominal value
 - School or school-type buildings estimated using 1998 School Construction Benchmark cost.
 - Other Buildings – Appraiser estimates cost.
 - 1965 on – Appraiser estimates cost of Land & Building



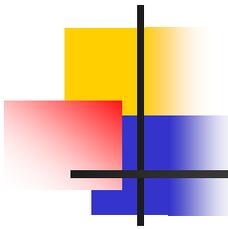
Benchmark Construction Costs

- From Expert Panel on Pupil Accommodation – 1997
- Estimated construction costs per sq. ft. for elementary & secondary schools
- Based on “Yardsticks for Costing” – 1997.



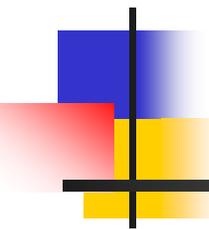
Evaluation of Approach

- Consistent with CICA PSAB recommendations
- Produces individual property values that can be maintained & updated with actual information in future
- Information is useable by DSB's
- Implementable within time-frame
- Cost-effective

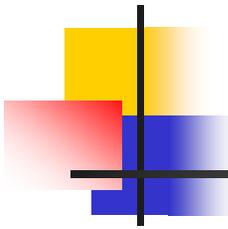


Summary

Original Date	LAND	SCHOOL-TYPE BUILDINGS	OTHER BUILDINGS
Pre - 1965	Historical Cost or Nominal Value	Historical Cost or Benchmark Construction Cost	Historical Cost or Appraiser Estimate
1965 to Present	Historical Cost or Appraiser Estimate	Historical Cost or Appraiser Estimate	Historical Cost or Appraiser Estimate

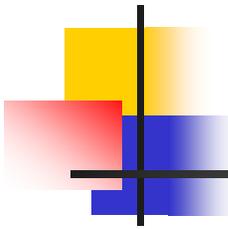


Book Value Calculator



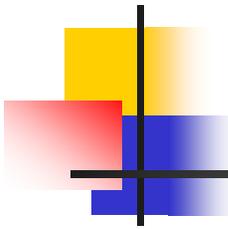
What does it do?

- Estimates
 - Gross Book Value
 - Net Book Value
 - Accumulated Amortization
 - Remaining Service Life



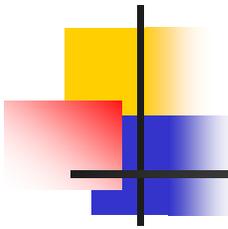
LAND

- Historic Cost or Nominal Value
 - does nothing – no amortization
- Estimated Cost –
 - deflates back to acquisition date



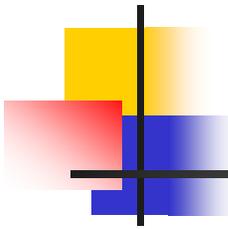
BUILDINGS

- Takes Original Historical Cost
 - Based on building condition – Estimates a betterment investment rate
 - Calculates
 - Estimated GBV, NBV, Accum. Amortization and Remaining Service Life
- No Historic Cost?
 - Deflates an estimated cost back to acquisition date.



Estimated Cost?

- Post 1965 buildings
 - Appraisers Estimate 2004 cost
- Pre 1965 buildings
 - 1998 Benchmark Construction Cost



Additional Info on the TPFR website

- [Http://tpfr.edu.gov.on.ca](http://tpfr.edu.gov.on.ca)
- Username: edu
- Password: EDUgeneral9
- Click on Reporting Entity Project