

Information for School Boards

Financial Statements & Consolidation

News from the Reporting Entity Workgroup

Successful Consolidation !!!

The Ministry is pleased to announce that it successfully met the provincial consolidation deadline of June 15, 2006 due to school boards' and the Reporting Entity Workgroup's hard work and dedication. The Ministry was very pleased to receive the majority of school boards' March 31, 2006 reports on time - once again demonstrating the school boards' commitment and cooperation which was greatly appreciated.

Following review of the data by the Reporting Entity Team and the recording of the required consolidation adjustments, the Office of the Auditor General of Ontario performed their audit on the consolidation information and found no significant errors.

As a result of the consolidation, a total of \$7.3 billion in net assets was included in the province's financial accounts from the Education sector. This included the net book value of school boards' land and buildings assets totalling \$14.4 billion with a corresponding in-year amortization expense of \$419 million. The in-year deficit for the sector on a consolidated PSAB basis was \$88 million.

Back to the Future....What's Next?

The coming year is shaping to be a busy one for the Reporting Entity Workgroup. The following are the activities planned to be undertaken:

Tangible Capital Assets:

- The Reporting Entity Workgroup will release to school boards the tangible capital asset values for land and buildings as of March 31, 2006 including gross book value, accumulated amortization, remaining service life and the amortization expense for the previous year by the end of January.

NEWS FLASH!!

Tangible Capital Asset Accounting is coming

The Public Sector Accounting Board (PSAB) has approved a section of the handbook that will require municipalities and school boards to report tangible capital assets (land, buildings, furniture and equipment, etc) in their financial statements and record the amortization of these assets as an expense.

More information on this and implementation plans and activities are included in this newsletter.

In addition to consolidating all of the information into public accounts, the workgroup also responded to Public Sector Accounting Board (PSAB) Exposure Drafts and Guidelines on various accounting issues and met with the Institute of Chartered Accountants of Ontario technical committee, to address a number of issues and concerns from school boards.

- To date, the Ministry has collected information from school boards with respect to land and building assets and has used this information for provincial consolidation purposes. However, when school boards adopt *PS 3150 Tangible Capital Assets*, all types of tangible capital assets including furniture and equipment as well as land and buildings, will be required to be reported on school board financial statements. As a result, a major part of the workgroup's efforts are being focused

Back to the Future....What's Next? from page 1

on determining;

1. the other asset classes that should be capitalized;
 2. the capitalization thresholds for these classes; and
 3. the amortization methods and amortization periods to be used by the sector
- Building on the input from the Reporting Entity workgroup, the Ministry will issue a revised draft of the "Tangible Capital Asset Guideline" at the beginning of 2007 which will include detailed information for boards on the policies, procedures and implementation plans for capitalization of assets on school board financial statements.
 - The workgroup is currently planning ways to assist school boards in developing requirements and investigating options for asset management systems. The Ministry will be participating, with

COSBO and OASBO, in a workshop in early March. The workshop will include vendors offering various capital asset management systems as well as a training session on the revised Tangible Capital Asset Guidelines.

March Consolidation Report:

- Similar to last year, school boards will be required to complete the March 31st Report. The Reporting Entity Workgroup is currently working on modifications to the forms and instructions based on the 2005-06 experience and feedback from the boards. A Specified Procedures Report will also be required as part of the March 31st Report submission. Similar to last year, the report will be due mid-May 2007.

PSAB Standard Changes and Implications

- The Reporting Entity Workgroup will continue to keep abreast of current developments in the PSAB world and will provide comments to PSAB on exposure guidelines, transitional provisions and any other documents issued for comment.

Reporting Entity Workgroup

Drawing on staff from the Ministries of Education and Finance, outside experts and personnel from school boards across Ontario, the job of the Reporting Entity Workgroup is to identify any problems and implementation issues arising from consolidation, recommend approaches that will overcome these problems and develop training and resource materials to help school boards cope with changes in how they report financial information.

Marion Jarrell (Co-chair) - MINISTRY OF EDUCATION <i>Project Manager, Reporting Entity Team</i>	Anna Chan (Co-chair) - YORK CATHOLIC DSB <i>Manager of Accounting Services</i>
Marie Li - MINISTRY OF EDUCATION <i>Manager, Financial Reporting Unit</i>	Jane Palmer - OTTAWA-CARLETON CATHOLIC DSB <i>Manager of Finance</i>
Doreen Lamarche - MINISTRY OF EDUCATION <i>Senior Business & Policy Analyst, Reporting Entity Team</i>	Craig Snider - TORONTO DSB <i>Assistant Comptroller, Financial Reporting & Planning</i>
Anthony Yeung - MINISTRY OF EDUCATION <i>Senior Business & Policy Analyst, Reporting Entity Team</i>	Jackie Porter - YORK CATHOLIC DSB <i>Manager of Budget and Financial Reporting</i>
Nadya Bekker - MINISTRY OF EDUCATION <i>Business Analyst, Reporting Entity Team</i>	Paul McMahon - HALTON CATHOLIC DSB <i>Superintendent of Business Services</i>
Andrew Yang - MINISTRY OF EDUCATION <i>Business Analyst, Reporting Entity Team</i>	Larry Reich - NIAGARA CATHOLIC DSB <i>Superintendent of Business & Financial Services</i>
Joe Demma - MINISTRY OF FINANCE <i>Manager (Acting), Broader Public Sector Reporting</i>	Beverly Webb - RAINBOW DSB <i>Manager of Finance</i>
Charles Brousseau - MINISTRY OF EDUCATION <i>Senior Policy Analyst, Pupil Accommodation Unit</i>	Erica Pennell - ALGONQUIN AND LAKESHORE CATHOLIC DSB <i>Manager of Financial Services</i>
Nelson Tam - MINISTRY OF FINANCE <i>Senior Audit Manager (Acting), Ontario Internal Audit</i>	Alana Driedger - MINISTRY OF FINANCE <i>Risk & Assurance Consultant, Ontario Internal Audit</i>
Janet Allan - KPMG <i>Associate Partner</i>	Paula Jesty - DELOITTE & TOUCHE <i>Partner</i>

CHANGES TO ACCOUNTING STANDARDS

PS 3150 - Tangible Capital Assets

PSAB recently approved a revised section PS 3150 of its Handbook. The revised section applies to local governments for years starting on or after January 1, 2009. As a result, school boards will be required to report tangible capital assets in their books for the 2009-10 fiscal year, at the latest. Early adoption of the section is encouraged, however, a 'piece meal' approach is not allowed and thus, school boards would have to report all of the tangible asset classes at once upon implementation. The Reporting Entity Workgroup is currently discussing the pros, cons and feasibility of early adoption by the sector.

PSG-7 - Tangible Capital Assets for Local Governments

PSG-7 provides transitional guidance on requirements to present information related to tangible capital assets in the notes to the financial statements until PS 3150 is fully implemented on or before the 2009-10 fiscal year. PSG-7 is effective for school boards beginning on or after January 1, 2007 (2007-08 school year) although earlier adoption is encouraged by PSAB. The guideline requires school boards to provide any information they currently have on tangible capital assets in the notes to its financial statements. If information is not available on some assets then this must also be stated in the notes.

Reporting Model Exposure Draft:

In November 2006, PSAB approved a financial statement reporting model that will apply to all levels of government in Canada for years starting on or after January 1, 2009. After extensive consultation with the local government community and with only minor amendments to the existing

OASBO Finance Committee

**Tangible Capital Assets Workshop &
Mini Trade Show**

March 1 & 2, 2007

WATCH FOR FURTHER INFO

(Sponsored by the E & E Advisory Committee of the
Ministry of Education)

standards for senior governments, PSAB approved revised Sections PS 1000, *Financial Statement Concepts*, PS 1100, *Financial Statement Objectives*, and PS 1200, *Financial Statement Presentation*. This model is based on full accrual accounting principles including the capitalization of assets and the amortization of that expense. Accrual accounting (including amortization) helps users to understand the entity's cost of service; how that cost was funded; and assists in predicting the ability of the entity to meet its obligations and achieve its service delivery responsibilities.

Implementation of this reporting model in conjunction with the introduction of accounting for tangible capital assets will mean a number of changes in school board financial statements including;

- Reflecting the capitalization of assets and the effect of amortization expense on the Statement of Financial Position and the Statement of Financial Activities.
- Fund and Reserve balances will no longer be shown on the Statement of Financial Position but may be disclosed in the Notes to the Financial Statements
- A new "Statement of Change in Net Debt" will highlight the effects of capital spending on net debt

TIMELINES & MILESTONES

March 2007

- ¥ Participate in the COSBO/OASBO Tangible Capital Asset Workshop
- ¥ Deliver “refresher” information sessions to school board staff as required.

April 2007

- ¥ Form a sub-group to investigate, discuss and make recommendations on the policy implications of consolidation and capital asset reporting.

May 2007

- ¥ March 2007 Report due including:
 - 7-Month Period Report on financial activity during the period and asset and liability balances.
 - 7-Month Capital Activities Report.
 - Specified Procedures Report on the 7-Month Period Report and 7-Month Capital Activities Report.
- ¥ Consolidation of data for the 2006-07 Ontario Public Accounts
- ¥ Prepare training plan for school board tangible capital asset implementation

To Learn More >>>>

This newsletter will be available on the TPF website at <http://tpfr.edu.gov.on.ca/> under “Reporting Entity Project.”

If you have any questions or concerns regarding the project or newsletter, please contact:

Marion Jarrell

PROJECT MANAGER

Marion.Jarrell@ontario.ca

416-325-2057 or 519-865-0044

Anthony Yeung

FISCAL YEAR-END ISSUES

Anthony.Yeung@ontario.ca

416-325-8527

Doreen Lamarche

TANGIBLE CAPITAL ASSETS

Doreen.Lamarche@ontario.ca

613-225-9210 ext. 113

Information for School Boards
Financial Statements & Consolidation

News from the Reporting
 Entity Workgroup

January 2007