

Financial Reporting & Budget Compliance

News from the Reporting Entity Workgroup

Welcome to another school year

It seems like just yesterday we were celebrating the beginning of summer but somehow it has come and gone and we are celebrating the beginning of a new school year and the beautiful fall colours.

So much is still happening in the financial side of our world therefore we hope you find this instalment of the newsletter helpful.

You can also find the first three newsletters on our TPFR (Transfer Payments & Financial Reporting Branch) website.

MODERNIZING THE FINANCIAL ACCOUNTABILITY FRAMEWORK:

A Three Part Plan

Implementing a new financial reporting model is a major milestone in the overall goal of modernizing the financial accountability framework.

The sector will be able to start seeing the benefits of these financial reporting changes as the rest of the modernization efforts start to be implemented. This three part plan covers

- New financial reporting model,
- Proposed changes to the Education Act (Balanced Budget and compliance); and
- Grant design and accrual based entitlements.

This issue provides updates on the New Financial Reporting Model (pg 1) and in particular on the changes for tangible capital assets (pg 3). Updated information on balanced budget changes and timing can be found on page 2. Next month the newsletter will provide more information on implementing accrual based concepts into grant entitlements. Until then you can still see the 2008 Fall TPFR training session material on the TPFR web site. (See page 2 for details)

PART 1:

New Financial Reporting Model

In our last newsletter (issued in January 2007) we shared with you that the Public Sector Accounting Board (PSAB) released an exposure draft on the New Reporting Model. The exposure draft was approved in February 2007 and will be effective for the boards' 2008/09 financial statements.

The New Reporting Model moves all levels of governments (including school boards) to one financial statement standard based on full accrual accounting principles. The move to full accrual accounting will bring about changes to school board financial statements including:

- Reporting the capitalization of assets on the Statement of Financial Position and the effect of amortization expense on the Statement of Operations;
- A new "Statement of Change in Net Debt" will highlight the effects of capital; and, spending on net debt; and
- 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.

Please refer to page 4 for a listing of dates and areas where the Ministry will be providing training on implementing the New Reporting Model.

REPORTING TIMELINES!!

Changes to dates

Please keep in mind that the fall reporting timelines have been advanced as follows:

2007/08 Financial Statements:

November 14, 2008 (Per 2008:SB21)

2008/09 Revised Estimates:

December 12, 2008 (Per 2008:SB26)

NOTE: No late filing penalties 'till Jan 1/09

For questions, please contact your finance officer.

**PART 2:
Balanced Budget Requirements and
changes to the Education Act**

At the fall training sessions, we presented a topic called the "Balanced Budget Initiative". This topic discussed changes to budgeting to incorporate accrual based concepts. This is the next component in the modernization of the accountability framework in the Education Act. In particular, the Ministry presented the need for aligning our financial reporting model, our grant structure and our governance model which defines balanced budget and budget compliance (as seen in the graphic below).

After careful consideration around changes in the PSAB standards, and timing of EFIS changes, it was decided to work on implementing proposed changes to the Education Act in early 2009, but not have the new balanced budget definition come into effect until the 2010/11 estimates. This is one year later than previously announced.

Therefore, school boards will continue to budget for, and be in compliance with, the existing legislative rules for the 2008/09 and 2009/10 school year.

Fall TPFR Training Sessions

We would like to thank everyone who attended our annual fall TPFR training sessions that were held at five locations across the province during September. We have reviewed all of your comments and we look forward to incorporating your suggestions in our next round of training sessions.

There were a number of questions raised at these sessions where Ministry staff were unable to provide clarification while on-site. We have therefore created a document of Q&A's and have posted them on our TPFR website.

Also recognizing that some school board finance staff did not receive our e-mail invitations to participate in these training sessions, the invitation will take a different format for any further sessions. We invite you to obtain a copy of the training materials that have also been posted on our TPFR website.

www.what????

Have you ever wondered where you could find the following:

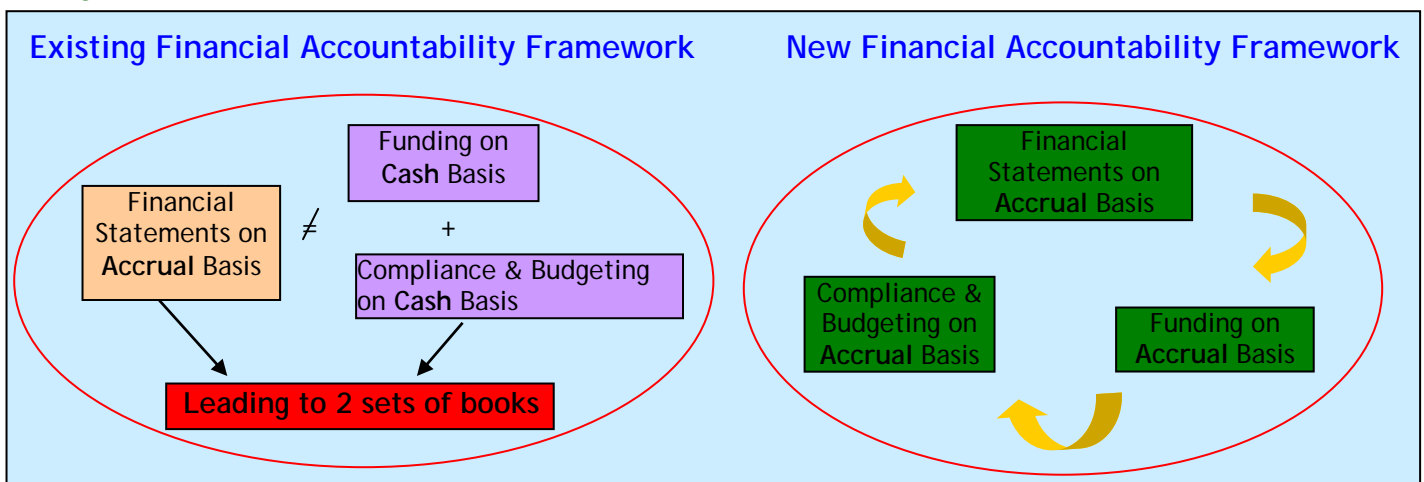
- SB memos?
- Reporting deadlines?
- Information on the Reporting Entity Project?
- EFIS information?

Stop searching and go to the TFPR website



<http://tpfr.edu.gov.on.ca>

Balanced Budget Requirements and proposed changes to the Education Act



UPDATES ON TANGIBLE CAPITAL ASSETS

Changes to TCA Guide

We have recently issued our third release of changes to our TCA Guide. The two changes are as follows:

- Correction to paragraph .236 to read that betterments made to an asset subject to a capital lease should be amortized over the useful life of the asset rather than over the lease term.

- Revised the first-time equipping asset class - this class now excludes all computer hardware and computer software in Appendix C.

One more 7-month data collection period

In the TCA Guide, we had originally anticipated that the last data collection period of 5-month and 7-month capital asset activity from school boards was to be April - August 2008. After receiving input from school boards, it was decided to extend one final data collection period from September 2008 - March 2009. Look for these forms to be available by the end of March 2009 for completion.

TCA reporting post-March 2009

As noted above, the September 2008 - March 2009 period will be the last time the Ministry of Education collects TCA data on the existing Excel templates. After this point in time, school boards will be responsible for maintaining the activity of their tangible capital assets. Beginning with the 2008/09 financial statement period, school boards will be uploading asset by asset activity for all land, land improvement and building assets (excluding portables) using an upload interface built into EFIS. For the other asset classes, the boards will enter summarized level data directly into a new EFIS schedule.

The Ministry is currently in the design stages of this interface application and it is scheduled to be finalized by the end of the 2008 calendar year. We anticipate using a pipe delimited file that boards can download directly from their TCA or other software applications. We will ask a few boards to submit

some 'test' data to run through this application over the course of the winter.

At the fall 2008 TPRF training session, the Ministry of Education handed out a draft copy of the field parameters that need to be incorporated into the boards' software applications. We are diligently working on finalizing these requirements and will circulate them to all as they are finalized.

Changes to Remaining Service Life (RSL)

The current 5-month TCA Excel Report (due Nov. 2008) represents school boards last chance to make changes to RSL which will be shown as an impact to the Province's bottom line rather than on the school board's bottom line....have you reviewed the remaining service life of your building assets yet?

NEW INFORMATION ON TCA SYSTEM SELECTION AND DESIGN

As we are working through the implications of the New Reporting Model and working with the Capital Programs Branch on upcoming changes to SFIS (School Facilities Inventory System), it appears that an important feature of a TCA software application is to be able to link assets and/or components together, for example:

Piece A + Piece B = Total asset

The importance of this feature will depend on many factors including the degree in which the system will be used to meet both financial reporting and capital program branch reporting needs, the number of assets in the system, any board specific objectives for the system, and other functionality offered by the system that could support the objectives. The OASBO Finance committee has started a subgroup to work on implementation issues for TCA and the reporting model, and the Reporting Entity Workgroup will disseminate any news and suggestions on this topic.

For questions, please contact Sangita Barman

New Reporting Model Training Sessions

Ottawa: January 27, 2009 (English)
January 28, 2009 (French)

Toronto: February 3, 2009 (English)
February 4, 2009 (English)

One session will be taped and will be available on-line for those who cannot attend in person.

Training is one day in duration - so hold one of these dates on your calendar. Registration details to follow.

SUMMARY OF IMPLEMENTATION TIMELINES

June 2009

2009/10 Estimates under new reporting model (including reporting of capital assets, elimination of fund reporting and new presentation for reserve accounts) + existing balanced budget legislation

November 2009

2008/09 Financial Statements under new reporting model (including restatement of estimates for capital assets and restatement of prior year for new model changes) + existing balanced budget legislation

December 2009

2009/10 Revised Estimates (same as 2009/10 estimates)

June 2010

2010/11 Estimates under new reporting model + new balanced budget legislation

Inspirational Quote:

*The roots of education are bitter,
but the fruit is sweet.*

Aristotle

To Learn More >>>>

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

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Coming up in the next issue:

Communication resources available to Boards on changes to the accountability framework

Updates on the new financial reporting model winter training sessions

Financial reporting on capital - the good, the bad and the ugly

News on accrual based entitlements

Multiyear recovery plans

...and much more