

Getting Ready for Consolidation

This newsletter, produced by the Ministry of Education's Reporting Entity Workgroup, is intended to help interested stakeholders to understand the upcoming consolidation of school boards' and school authorities' financial statements into those of the Province. Appearing every few months, it will also provide news updates on consolidation work by the Reporting Entity Workgroup, which is comprised of Ministry of Education representatives, school board representatives and external auditors.

In its 2004 budget, the Province announced that in future the financial statements of all school boards, hospitals and community colleges would be consolidated into the Provincial financial statements. The Province will begin to consolidate financial statements of school

boards and school authorities for the fiscal year ending March 31, 2006. This consolidation will be done on what is termed a "one-line basis." Net assets (or net debt) from school boards and school authorities will be consolidated into the Province's net financial position. Net operating results (i.e. change in net assets) from school boards will be consolidated into the Province's annual surpluses or deficits for the year. Certain note disclosure information will also be required from school boards for consolidation purposes. This will include commitments, loan guarantees and other contingent liabilities. Beginning with fiscal year 2008-09, the Province will consolidate school boards' financial statements on a line-by-line basis.

Implementing consolidation will present the school boards and school

authorities with more than a few challenges. Because the Province has a different year end, the way in which boards report financial information will alter. The Province will also include school boards' tangible capital assets (land and buildings) in its financial statements, something they have never collected.

Over the next few months this newsletter will report on the Ministry of Education's progress in implementing consolidation, highlight upcoming milestones and try to explain in some depth the various changes that are being made to how school boards report financial information to the Province.

We hope you find it useful as we embark on this challenging new initiative.



Zoom in on March 31

Get ready to take a snapshot - a financial snapshot - on March 31, 2005.

One major challenge consolidation poses will be working with two very different fiscal year ends – the Province's March 31 year end versus the school board's August 31 year end.

The Reporting Entity Workgroup is currently in the process of identifying the information that will be required from all of Ontario's school boards each year

so that their financial information can be consolidated with the Province's. Once this review is completed, the Ministry will issue a memorandum to school boards to provide further details and direction on the process.

We hope to do this in a way that minimizes any additional work for the board staff responsible for collecting and reporting this information.

To help us with this task, we ask that all boards keep a record of the general

ledger balances of accounts as of March 31, 2005 as this historical data will be needed later for the provincial consolidation of March 31, 2006. If you require additional information about this, please feel free to contact Anthony Yeung at (416) 325-8527 (Email: Anthony.Yeung@edu.gov.on.ca) or Marion Jarrell at (416) 325-2057 (Email: Marion.Jarrell@edu.gov.on.ca)

Background: Consolidation – Why?

Ontario, in common with several other Canadian provinces, prepares its financial statements in accordance with the generally accepted accounting principles laid down by the Canadian Institute of Chartered Accountants' Public Sector Accounting Board (PSAB).

In August 2003, PSAB altered its standards concerning the organizations that must be included in a government's financial statements. Under these new standards, effective for the fiscal year beginning April 1, 2005, any organization controlled by the government must be included in its financial statements.

PSAB provided "indicators of control"

to use in determining what organizations were affected

Using these, the provincial auditor concluded in his 2003 report that Ontario's 105 school boards and school authorities were under government control. As such the boards' financial statements must be consolidated into the Province's. The auditor also concluded that hospitals' and community colleges' finances should also be reflected in the financial statements of the Province of Ontario.

Faced with this requirement, the Ministry of Education, the Ministry of Finance and the other affected ministries created project teams to implement the

changes that must be made to their financial reporting systems to allow for consolidation. The Ministry approved the outline for the project in January, a detailed working plan was done by February, and the project staff were in place by March 2005. The next few months will see them working to determine new reporting guidelines and policies, and what new forms are needed, to provide training to financial staff in the province's school boards and to make sure that the Ministry and Ontario's boards will be ready when consolidation takes effect.

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 these changes in how they report financial information.

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Consolidation Milestones

Preparing for consolidation will be a complex process, one taking several months to complete. Here are some important milestones in its implementation.

March 2005

- Boards take trial balance.

April 2005

- Ministry takes consolidation proposals on capital asset reporting and March 31 year end reporting to Provincial Auditor's General Office.
- Ministry releases memorandum to school boards on the procedures relating to reporting for the period September to March.

May 2005

- First stage planning on reporting tangible capital assets complete.

June 2005

- Information sessions – consolidation planning and strategies.

September 2005

- First draft of school board tangible capital assets procedures manual released for comments.
- Interim provincial audit on capital asset valuation.

October 2005

- System requirements for recording and updating capital assets identified.
- Information sessions for boards and auditors – highlights of financial statements changes and implication on provincial consolidation.

November 2005

- Data relating to activities for period April to August 2005 gathered and analysed.
- Capital assets acquisitions and disposals, April to August 2005, collected and analysed.

December 2005

- Trial provincial run on school board consolidation. Review and analysis of results.

January 2006

- Interim provincial audit on capital assets in year activities (April to August 2005).

February 2006

- Forms, training and information materials required by boards for consolidation process ready.

March 2006

- Boards gather information needed for consolidated annual report and budgets.

April 2006

- Information for annual report and budgets collected.

May 2006

- Consolidation of data for consolidated 2005-06 public accounts completed.

To Learn More about Consolidation

This newsletter and subsequent editions will be available on the TPFR 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:

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Countdown To School Board Consolidation

News from the Reporting Entity Workgroup

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