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Implementation of the new Financial Accountability Framework

Information Session for School Board Finance Staff and External Auditors
Transfer Payments & Financial Reporting Branch
Fall 2009 (abridged March 2010)

Impact of new reporting model in 2009-10 reporting

Tangible Capital Assets reported on the statement of operations and new presentation/disclosure for the statement of operations for Accumulated Surplus



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Re-Cap:

- Implementation of the Financial Accountability Framework

- Reporting Model Changes:
 - Tangible Capital Assets (TCA) (2009-10)
 - Accumulated Surplus (2009-10)
 - Deferred Capital Contributions (DCC) (2010-11)

- Compliance Model Changes:
 - 1% Provision (2010-11)



Approach

- The objective of the training is to give an understanding on the impact of the upcoming changes to meet 2009-10 requirements
- Using a sample Board XYZ we will record TCA and change presentation on Accumulated Surplus to meet PSAB requirements for 2009-10 and establish opening balances for 2010-11 Estimates



School Board XYZ	2009-10 TB
Condensed Trial Balance DR(CR)	before year end
Cash and cash equivalents	59,792,030
Temporary investments	0
Accounts receivable	22,283,227
Investments	0
Other	1,409,033
Tangible Capital Assets - cost	68,406,809
Tangible Capital Assets - accumulated amortization	0
Temporary Borrowing	-68,406,809
Accounts payable & accrued liabilities	-28,895,325
Other	0
Net Debenture Debt, Capital Loans and Leases	-380,105,468
Deferred revenue	-6,084,423
Employee benefits payable	-65,454,375
Deferred Capital Contributions	0
Deferred Capital Contribution - accumulated amortization	0
Prepaid Expenses	0
Inventories of supplies	0
Operating Fund	-1,167,854
Capital Fund	3,375,912
Reserve Fund	-36,722,479
School Activity Fund	-3,967,375
ATBR - Capital Financing	380,105,468
ATBR - Employee Future Benefits	65,454,375
ATBR - Interest to be accrued	6,977,254
ATBR - Vacation accrued	184,500
ATBR - CPP and EI re-statement	32,895
Accumulated Surplus - available for compliance	0
Accumulated Surplus - available for compliance - internally restricted	0
Accumulated Surplus - unavailable for compliance by regulation	0
Revenue	-515,162,142
Expenses	497,944,747
	0
New accounts	

We have used a simplified trial balance to demonstrate the impact of the restatements and how transactions would be booked

This example has separated out several new summary accounts to use to follow the changes for implementing the new reporting model and compliance model

1. TCA cost and accumulated amortization
2. Categorized accumulated surplus

Since we know TCA is being implemented the additions for the year are shown as being directly coded to the TCA accounts

Implementing TCA for 2009-10 reporting

- Book the opening balance adjustment for 2009-10
 - You will need the TCA continuity reported in Sch 8 for 2009-10
- Book in year activity for 2009-10
 - You will need the TCA continuity reported in Sch 8 for 2009-10
- Determine the comparative TCA balances for 2008-09
 - Assumed restating comparatives are done outside the G/L. If the implementation of TCA can be entered into the closed 2008-09 year then adjustments for 2009-10 will be only the activity for 2009-10
 - You will need the TCA continuity provided in Sch 8 for 2008-09 (this includes the components including mTCA for the audited PSG7 disclosure presented in the notes to the 2008-09 financial statements
 - 2008-09 opening TCA – to adjust statement of financial position through direct entry to accumulated surplus
 - 2008-09 in-year activity – adjustment necessary to accounts in the statement of operations



S8 2009-10 - Booking TCA in 2009-10

The closing balance for the 2009-10 Schedule 8 will be the opening balance for the 2010-11 balances in Schedule 3

Schedule 8 - Tangible Capital Asset Continuity Schedule (prior year)

	Opening Balance September 1, 2009	Additions and Betterments	Transfers in from CIP	Transfers in from Pre-acq or Pre- cons	Disposals / Deemed Disposals	Closing Balance August 31, 2010
COST						
Assets In Service						
Land & Land Improvement with Infinite Lives	135,967,821	17,886,130				153,853,951
Land Improvements with Finite Lives	469,749	2,125,305				2,595,054
Buildings - 40 years	608,457,081	20,816,273	22,587,633			651,860,987
Other Buildings			-			-
Portable Structures	7,728,244	3,802,558	1,188,910		3,837,806	8,881,906
Equipment - 5 years						-
Equipment - 10 years						-
Equipment - 15 years						-
Furniture	10,400,000					10,400,000
Computer Hardware						-
Computer Software						-
Vehicles - under 1 ton						-
Vehicles - over 1 ton						-
SUBTOTAL	763,022,895	44,630,266	23,776,543	-	3,837,806	827,591,898
Assets Permanently Removed From Service						
Buildings - 40 years						-
CIP	4,688,559	23,776,543	23,776,543			4,688,559
TOTAL	767,711,454	68,406,809	-	-	3,837,806	832,280,457

Restate (TCA 1) TCA Additions (opening TB) (TCA 2)

	Opening Balance September 1, 2009	Amortization Expense	Disposals / Deemed Disposals	Write-downs	Closing Balance August 31, 2010	Net Book Value
ACCUMULATED AMORTIZATION						
Assets In Service						
Land & Land Improvement with Infinite Lives					-	153,853,951
Land Improvements with Finite Lives	15,658	116,157			131,815	2,463,239
Buildings - 40 years	85,290,229	16,468,626			101,758,855	550,102,132
Other Buildings					-	-
Portable Structures	7,977,629	440,143	3,837,806		4,579,966	4,301,940
Equipment - 5 years					-	-
Equipment - 10 years					-	-
Equipment - 15 years					-	-
Furniture	1,600,000	500,000			2,100,000	8,300,000
Computer Hardware						-
Computer Software						-
Vehicles - under 1 ton						-
Vehicles - over 1 ton						-
SUBTOTAL	94,883,517	17,524,925	3,837,806	-	108,570,636	719,021,262
Assets Permanently Removed From Service						
Buildings - 40 years						-
TOTAL	94,883,517	17,524,925	3,837,806	-	108,570,636	723,709,821

Restate in-year

(TCA 1) (TCA 2) (TCA 2)

2009-10 – Set up Opening TCA

Purpose:

- To record Tangible Capital Assets (TCA) to be in compliance with PS3150
- TCA will be shown on the face of the Financial Statements
- This JE reverses the amounts that have been expensed in the past for TCA expenditures and record the amortization that would have been incurred on these assets up to Sept 1 2009

DR - TCA – cost	767,711,454
CR - TCA – AA	94,883,517
CR Accumulated Surplus	672,827,938

Reference: S8 -2009-10 TCA continuity

2009-10 – in-year TCA amortization and adjustments

Purpose:

- To record deemed disposals, and amortization for 2009-10

DR – Amortization Expense	17,524,925
CR - TCA – AA	17,524,925
DR – TCA – AA	3,837,806
CR – TCA cost	3,837,806

Reference: S8 -2009-10 TCA continuity



S8 2008-09 – Capital Assets for Comparatives

Schedule 8 - Tangible Capital Asset Continuity Schedule (prior year)

COST	Opening Balance September 1, 2008	Additions and Betterments	Transfers in from CIP	Transfers in from Pre-acq or Pre-cons	Disposals / Deemed Disposals	Closing Balance August 31, 2009
Assets In Service						
Land & Land Improvement with Infinite Lives	127,967,821	8,000,000				135,967,821
Land Improvements with Finite Lives	469,749					469,749
Buildings - 40 years	571,457,081	37,000,000				608,457,081
Other Buildings	-					-
Portable Structures	6,728,244	1,000,000				7,728,244
Equipment - 5 years	-					-
Equipment - 10 years	-					-
Equipment - 15 years	-					-
Furniture	7,400,000	3,000,000				10,400,000
Computer Hardware	-					-
Computer Software	-					-
Vehicles - under 1 ton	-					-
Vehicles - over 1 ton	-					-
SUBTOTAL	714,022,894	49,000,000	-	-	-	763,022,895
Assets Permanently Removed From Service						
Buildings - 40 years	-					-
CIP	3,688,559	1,000,000				4,688,559
TOTAL	717,711,453	50,000,000	-	-	-	767,711,454

TCA Additions

ACCUMULATED AMORTIZATION	Opening Balance September 1, 2008	Amortization Expense	Disposals / Deemed Disposals	Write-downs	Closing Balance August 31, 2009	Net Book Value
Assets In Service						
Land & Land Improvement with Infinite Lives	-				-	135,967,821
Land Improvements with Finite Lives	14,658	1,000			15,658	454,091
Buildings - 40 years	72,691,229	12,599,000			85,290,229	523,166,852
Other Buildings	-				-	-
Portable Structures	5,977,629	2,000,000			7,977,629	249,385
Equipment - 5 years	-				-	-
Equipment - 10 years	-				-	-
Equipment - 15 years	-				-	-
Furniture	1,200,000	400,000			1,600,000	8,800,000
Computer Hardware	-				-	-
Computer Software	-				-	-
Vehicles - under 1 ton	-				-	-
Vehicles - over 1 ton	-				-	-
SUBTOTAL	79,883,517	15,000,000	-	-	94,883,517	668,139,379
Assets Permanently Removed From Service						
Buildings - 40 years	-				-	-
TOTAL	79,883,517	15,000,000	-	-	94,883,517	672,827,938

Amortization

The 2008-09 balances will need restatement for comparatives on the statement of financial position and statement of operations for 2009-10

Note: the closing balance of this this schedule will match the information used in the audited PSG-7 note to the financial statements

Determining 2008-09 comparative numbers

Purpose:

- Adjust financials for 2008-09 to reflect TCA balances and in-year activity to report as comparatives for the 2009-10 financial statements

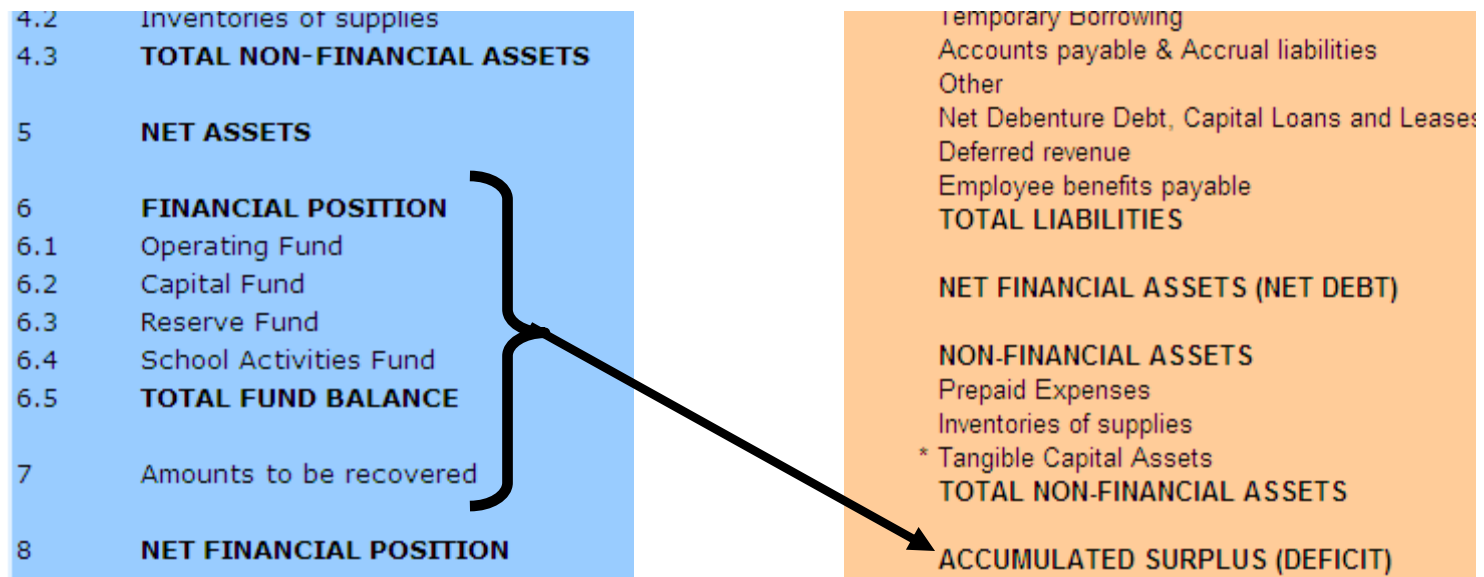
DR - TCA – cost	767,711,454	
DR – Amortization Expense	15,000,000	
CR - TCA – AA		94,883,517
CR – Capital Expenditures		50,000,000
CR Accumulated Surplus		637,827,937

Reference: S8 -2008-09 TCA continuity

Financial statement presentation of Accumulated Surplus

Purpose:

- The new reporting model requires Accumulated Surplus to be presented on the statement of Financial Position as a single balance calculated as the total of Net Debt and Non-Financial Assets.
- The new compliance model needs to identify Accumulated Surplus available for compliance and accumulated surplus unavailable for compliance



Migration of ATBR and Reserves

Purpose:

- To implement the compliance model the Accumulated Surplus section needs to be broken down into amounts available for compliance and amounts not available for compliance
- Fund Balances (Reserve and other funds) and Amounts To Be Recovered (ATBR) balances need to be reclassified into the new account structure for Accumulated Surplus
- What is included or excluded for compliance will be a policy decision that will be implemented through regulation
- For the purpose of this example we used the following assumptions
 - » Within the Reserve fund Board XYZ has \$28M for pupil accommodation with the remaining balance (\$8.7M) being items restricted through board motions (internally restricted)
 - » All ATBR except for CPP and EI restatement are excluded from compliance



Reserve and ATBR Balances to Accumulated Surplus

Sample Board XYZ Accumulated (Surplus)/Deficit 2009-10	Sample TB Account Balance 2008-09	Accumulated Surplus		Unavailable for Compliance
		Available for Compliance		
		unrestricted	Internally restricted	
Operating Fund	-1,167,854	-1,167,854		
Capital Fund	3,375,912			3,375,912
Reserve Fund	-36,722,479		-8,722,479	-28,000,000
School Activity Fund	-3,967,375		-3,967,375	
ATBR - Capital Financing	380,105,468			380,105,468
ATBR - Employee Future Benefits	65,454,375			65,454,375
ATBR - Interest to be accrued	6,977,254			6,977,254
ATBR - Vacation accrued	184,500			184,500
ATBR - CPP and EI re-statement	32,895	32,895		0
	414,272,696	-1,134,959	-12,689,854	428,097,509
TCA	-672,827,938			-672,827,938
Accumulated (Surplus)/Deficit	-258,555,242	-1,134,959	-12,689,854	-244,730,429



Migration of ATBR balances

Entry:

DR Accum Surplus – Available for Compliance	32,895
DR Accum Surplus – Unavailable for Compliance	452,721,597
CR – ATBR Capital Financing	380,105,468
CR – ATBR Employee Future Benefits	65,454,375
CR – ATBR Interest to be Accrued	6,977,254
CR – ATBR Vacation Accrued	184,500
CR – ATBR CPP and EI Re-statement	32,895

Migration of Fund Balances

Entry:

DR – Operating Fund	1,167,854	
DR – Reserve Fund	36,722,479	
DR – School Activity Fund	3,967,375	
CR – Capital Fund		3,375,912
CR – Accum Surplus – Available for Compliance		1,167,854
CR – Accum Surplus – Available but Internally Restricted		12,689,854
CR – Accum Surplus – Unavailable for Compliance		24,624,088



School Board XYZ						
Condensed Trial Balance DR(CR)	Trial Balance for 2009-10	Step 1 - Record Opening TCA	2009-10 In year depreciation (TCA 2)	Step 4 - Migrate ATBR balances	Step 5 - Migrate Reserve balances	Trial Balance for 2009-10 Restated
Cash and cash equivalents	59,792,030	0	0	-	-	59,792,030
Temporary investments	0	0	0	-	-	0
Accounts receivable	22,283,227	0	0	-	-	22,283,227
Investments	0	0	0	-	-	0
Other	1,409,033	0	0	-	-	1,409,033
Tangible Capital Assets (TCA) - cost	68,406,809	767,711,454	-3,837,806	-	-	832,280,457
AA - TCA	0	-94,883,517	-13,687,119	-	-	-108,570,636
Temporary Borrowing	-68,406,809	0	0	-	-	-68,406,809
Accounts payable & Accrual liabilities	-28,895,325	0	0	-	-	-28,895,325
Other	0	0	0	-	-	0
Net Debenture Debt, Capital Loans and Leases	-380,105,468	0	0	-	-	-380,105,468
Deferred revenue	-6,084,423	0	0	-	-	-6,084,423
Employee benefits payable	-65,454,375	0	0	-	-	-65,454,375
Deferred Capital Contributions (DCC)	0	0	0	-	-	0
Deferred Capital Contribution - accumulated amortization	0	0	0	-	-	0
Prepaid Expenses	0	0	0	-	-	0
Inventories of supplies	0	0	0	-	-	0
Operating Fund	-1,167,854	0	0	-	1,167,854	0
Capital Fund	3,375,912	0	0	-	3,375,912	0
Reserve Fund	-36,722,479	0	0	-	36,722,479	0
School Activity Fund	-3,967,375	0	0	-	3,967,375	0
ATBR - Capital Financing	380,105,468	0	0	- 380,105,468	-	0
ATBR - Employee Future Benefits	65,454,375	0	0	- 65,454,375	-	0
ATBR - Interest to be accrued	6,977,254	0	0	- 6,977,254	-	0
ATBR - Vacation accrued	184,500	0	0	- 184,500	-	0
ATBR - CPP and EI re-statement	32,895	0	0	- 32,895	-	0
Accumulated Surplus - available for compliance	0	0	0	32,895	- 1,167,854	-1,134,959
Accumulated Surplus - available for compliance - internally restricted	0	0	0	-	- 12,689,854	-12,689,854
Accumulated Surplus - unavailable for compliance	0	-672,827,938	0	452,721,597	- 24,624,088	-244,730,429
Revenue	-515,162,142	0	0	-	-	-515,162,142
Expenses	497,944,747	0	17,524,925	-	-	515,469,672
	0	0	0	-	-	0
	0	0	0	0	0	0
New accounts						
	414,272,696			Opening Accumulated Deficit (Surplus)		-258,555,242
	-17,217,395			In-year (Surplus)/Deficit		307,530
	397,055,301			Closing Accumulated Deficit (Surplus)		-258,247,711

*NB - There is a large swing from Accumulated deficit to Accumulated surplus as a result of implementing TCA in one year and deferring the implementation of DCC to 2010-11