F INANCIAL R EPORTING AND A CCOUNTING IN M ANITOBA E DUCATION

Manitoba

Education and Training

Schools' Finance Branch

TABLE OF CONTENTS

INTRODUCTION

The FRAME (Financial Reporting and Accounting in Manitoba Education) manual was originally produced in 1982 to meet the need for standardization of accounting terminology and financial reporting as recognized by school divisions and the Department of Education. This standardization allowed for a common basis of information for use by the Department, school boards, school management and other interested groups. FRAME was based on generally accepted accounting principles with some exceptions (the treatment of capital assets and of interest on debenture and other long-term debt).

In 1992, the FRAME manual underwent considerable revision, including the removal of several sections that were no longer relevant. The entire manual was reissued in November 1992.

In 2007, the FRAME manual was updated to reflect the adoption of Public Sector Accounting Board (PSAB) standards as generally accepted accounting principles for all Manitoba school divisions, effective July 1, 2006. PSAB is the body of the Canadian Institute of Chartered Accountants that sets the financial reporting standards and generally accepted accounting principles for governments in Canada. FRAME users should note that the adoption of PSAB includes key accounting changes from previous FRAME accounting policies regarding amortization of assets, full accrual accounting (particularly debt interest), and the consolidation of controlled entities.

PSAB has become the accounting standard for governments across Canada. The Province of Manitoba adopted the PSAB standard and became fully compliant effective with the 2007/08 fiscal year. Part of that compliance required the consolidation of controlled entities, including school divisions, into the provincial financial statements. A report by the Office of the Auditor General in December 2005 (2004/05 Public Accounts) on school division accounting in Manitoba strongly supported adoption of PSAB standards by school divisions. It is for these reasons that PSAB was adopted for school divisions.

PSAB standards are contained in the *CICA Public Sector Accounting Handbook (Handbook)*. The standards specify the type and format of the financial statements; the information to be reported and disclosed; and the basis of accounting that specifies when revenues, expenses, assets and liabilities should be recognized in the financial statements. The standards also provide criteria to determine if related organizations' financial information must be included in the school division's financial statements. PSAB continually updates the *Handbook* based on a rigorous review process including input from stakeholders.

It is not the intention of the FRAME manual to reproduce the *Handbook* accounting policies and topics. For ease of reference, the FRAME manual includes detailed references to specific accounting policies such as tangible capital assets, School Generated Funds, Employee Future Benefits, and Capital Leases. School divisions and other users should consult the *Handbook* for information on generally accepted accounting principles for the public sector.

FRAME allows for a common basis of information for use by the Department, school boards, school management and other interested groups using a multi-dimensional accounting code structure. The FRAME coding structure allows expenses to be defined not only on the basis of what was purchased (Salaries, Services, Supplies etc.) but also why or what they were purchased for (Regular Instruction, Student Support Services, Divisional Administration, Instructional and Other Support Services, etc.). The FRAME structure has been maintained and revised where appropriate to reflect new PSAB requirements.

School divisions must follow PSAB accounting standards and other reporting policies as set out in this manual including fund accounting, and object and function/program definitions. In addition, a division may develop a more detailed coding and financial reporting for its own internal needs.

The FRAME manual is intended to be a dynamic document that will receive ongoing updates and revisions reflecting significant PSAB revisions and changes to the account coding structure. A FRAME Committee, comprised of secretary-treasurers, Department staff and representatives from stakeholder groups, meets regularly to provide recommendations to the Department on changes to the FRAME system.

CONCEPTS AND ACCOUNTING PRINCIPLES

2.1 Fund Accounting

Under PSAB, school divisions are required to prepare consolidated financial statements for the full nature and extent of the financial affairs for which the school division is responsible. In order to assist users of the consolidated financial statements and present a clear understanding of school division operations, divisions are required to maintain an Operating Fund, a Capital Fund and a Special Purpose Fund to support the consolidated financial statements. Note that under PSAB, Trust Funds are not to be consolidated but must be disclosed in the notes to the financial statements.

The Operating Fund will include all day to day operating revenues and expenses. Special Levy Revenue will be recorded in the Operating Fund as well as funds acquired on an unconditional basis. School division operating funds transferred to acquire tangible capital assets (TCA) will be recorded as an Interfund Transfer in the Operating and Capital Funds.

The Capital Fund will include all tangible capital asset transactions as well as any debenture supported expenditure that does not meet the requirements for capitalization as defined in this manual. Tangible capital assets will not be recorded in the Operating Fund. Funds acquired for the specific purpose of acquiring a tangible capital asset will be shown in the Capital Fund. Please refer to “Capital Fund” and “Tangible Capital Assets”, Sections 7 and 8 of this manual, for complete details on capital accounting.

The Special Purpose Fund will be used to account for School Generated Funds and other controlled charitable foundations.

2.2 Controlled Entity

PSAB standards require that the revenues, expenses, assets and liabilities of all organizations “controlled” by the school division must be reported in the school division financial statements (*Handbook* PS 1300.07 - 1300.24).

Controlled School Generated Funds must be included as part of the controlled entity and reported in the consolidated financial statements. Please refer to Special Purpose Fund, Section 9 of this manual.

School divisions must examine all other entities which may meet the PSAB definition of control and include those in the Special Purpose Fund and consolidated financial statements if applicable. It is recommended that school divisions consult with their

Auditor to examine all related entities and determine any controlled entities for consolidation purposes.

2.3 Foundations, Charitable Donations

Certain revenues received by school divisions either directly (or indirectly through controlled entities) may have stipulations from external parties that the amounts are to be used in a certain manner (*Handbook* section 3100 Restricted Assets and Revenues). Some examples would be a donation to establish a scholarship; donations to purchase computer equipment; or donations towards the construction of a building. These donations are considered externally restricted funds and are to be recorded as revenue in the period in which the expenditure is made. If the expenditure has not been made at the end of the period, the unspent amount is to be recorded as a liability (deferred revenue) in the accounts. Note or schedule disclosure is required to provide financial statement users with information on restricted amounts (*Handbook* PS 3100.18).

Donations received directly by school divisions with no conditions attached are recorded as revenue of the school division in the period received.

School divisions may have established a charitable Foundation as a separate entity to manage donations, related expenses and income tax receipts. The use of revenues received by Foundations may be restricted to specifically identified purposes (either by an external party or by the school division's own by-laws) and would not be available to meet general school division operations.

Foundations that are determined to be controlled entities must be included in the school division reporting entity and reported in the Special Purpose Fund. In addition to the rules above regarding the recording of revenue, PSAB requires condensed supplementary financial information relative to internally restricted entities to be disclosed in notes or schedules to the consolidated financial statements. Reporting of Foundations through the Special Purpose Fund will satisfy disclosure requirements regarding the financial position and results of the entity (total assets and liabilities, net assets or liabilities, total revenues and expenses and net operating results for the period). A general description of the Foundation should also be provided.

2.4 Trusts

Trusts are defined as property that has been conveyed or assigned to a trustee to be administered as directed by agreement. In a trust relationship, the trustee holds title to property for the benefit of, and stands in a fiduciary relationship to, the beneficiary (*Handbook* PS 1300.41).

To meet the PSAB definition, the property conveyed or assigned to the school or school division acting as a trustee, must be provided to fulfill a particular objective of the donor of the property conveyed or assigned. The school or school division would merely administer the terms and conditions embodied in the agreement and has no unilateral authority to change the conditions set out in the trust indenture. For this reason, the assets and activities of the trust are excluded from the school division's reporting entity.

A school or school division acts as trustee when it administers trust funds on behalf of the beneficiaries specified in the agreement. As trustee, the school division is accountable to third parties for the use and disposition of trust assets and for the funds derived from those trust activities. Trust assets are not owned by the school division, and should not be included in the school division reporting entity.

Trust funds must be recorded and reported separately. They must not be included in the school division's Statement of Financial Position as cash, a liability, or due to/from other funds. School division financial statements should disclose, in a note or schedule, a description of trust funds under administration by a school division and a summary of trust balances.

Often the term "trust funds" is applied to assets earmarked as a result of a school division policy decision when no trust liability exists. Such assets comprise part of the school division reporting entity and are to be consolidated.

2.5 Classification of Expenses

To provide a common language through which complete, accurate, and valid data can be obtained, it is necessary to know what was purchased (the **object** of the expense), why the expense was made (**function**), where the beneficiary of the expense is located (**instructional organization**) and how the expense is financed (**funds**).

Object - (what was purchased) - This dimension defines the service or commodity obtained as the result of a specific expense (e.g. salaries, supplies).

Function - (why it was purchased) - The functional classification system provides for four levels of classification. At the primary level are the functions which describe very broadly the services provided. Each function consists of a number of programs which relate the principal operations to the broad functions. Each program consists of a number of sub-programs, which identify the main components of the program. Sub-programs, in turn, are broken into activities or elements to provide additional detail or to assist in the classification of individual transactions.

Four Levels of Classification:

- Function - major group of related programs.

- Program - grouping of program elements.
- Sub-programs - used where a further subdivision of programs is considered useful.
- Program element - identifiable operation/process/activity or service which contributes to the objectives of the program.

Instructional organization/facility - (where the beneficiary of the expenditure is located) - Expenses are classified in relation to the school or organizational unit.

Funds - (how the expense is financed) - A fund is a separate accounting mechanism established to segregate, within the accounting system of an organization, those transactions recording the acquisition or disposal of financial resources which the organization is required, or desires, to devote solely to a particular activity or towards a particular objective. Funds must be consolidated for PSAB reporting purposes.

2.6 Inventories (Supplies)

For school division accounting purposes, inventories on hand at the end of the accounting period are deemed to be held for consumption in the course of its operations and not held for resale. Inventories on hand are therefore considered to be a non-financial asset.

Inventories held in central locations are to be classified as non-financial assets on the Statement of Financial Position. Central locations will include central warehouses and storage areas such as divisional warehouses, garages and repair shops.

Supplies held at schools or maintenance work locations should be expensed in the period in which they were received at these locations.

2.7 Gross Accounting

The gross accounting concept is to be used. This means that all revenue will be shown as income, not netted against expenses. Exceptions to gross accounting are:

- Direct reimbursement of staff expenses when staff is not working under direct control of the school division should be netted against the related salary account. (e.g. secondments, sharing services - see Allocation Rule #11.3)

- Reimbursement of expenses incurred on behalf of another school division should be netted against the related expenditure account. (e.g. sharing services, centralized purchasing - see Allocation Rule #11.3)

- Refunds and rebates should be netted against the accounts originally charged or credited only if the refund or rebate occurs in the same fiscal year. Netting may also be used in cases of ongoing expenses that have associated rebates that do not always occur in the same fiscal year, such as rebates for fleet insurance and natural gas, and Workers Compensation Board payments.

- Revenue from large fire insurance claims should be netted against the related Operating Fund expenses in the financial statements. Insurance revenue and expenses related to the claim are to be reported in the notes to the financial statements. Insurance revenue in the Capital Fund is **not** netted.

- Revenue received from foreign students to cover personal costs such as room and board, field trips, insurance, etc. should be netted against those expenses.

- Fees received for professional development seminars should be netted against the seminar expenses.

FINANCIAL STATEMENTS

3.1 Introduction

School division financial statements will be prepared following the PSAB reporting model which has been designed for use by all levels of government.

The financial statement package is comprised of four required PSAB financial statements, as well as supporting schedules and notes that are integral to the statements. The four statements required by PSAB are:

- Statement of Financial Position
- Statement of Revenue, Expenses and Accumulated Surplus
- Statement of Change in Net Debt
- Statement of Cash Flow

Financial statements should provide an accounting of the full nature and extent of the financial affairs and resources which the school division controls (*Handbook* PS 1100). Accordingly, school division financial statements are a consolidation of the Operating, Capital and Special Purpose Funds, and include all funds and transactions controlled by the division. Each of the statements is, therefore, referred to as “Consolidated”. Supporting schedules for the three funds include Schedule of Financial Position, Schedule of Revenue, Expenses and Accumulated Surplus, and other schedules.

The PSAB reporting model prescribes five key indicators that must be included in the financial statements: net debt; accumulated surplus/deficit; annual surplus/deficit; change in net debt; and cash position and cash flow in the year. How and where these indicators are reported is explained more thoroughly in the explanation of the financial statements that follows.

Examples of the statements and schedules are provided at the end of this section of the manual.

3.2 Consolidated Statement of Financial Position

The Statement of Financial Position reports the two key financial indicators that together explain the financial position at the end of the accounting period. These two indicators are net debt and accumulated surplus/deficit.

- Net Debt (net financial resources) provides a measure of the future revenues required to pay for past transactions and events. It is calculated as the difference between financial assets and liabilities. If financial assets exceed liabilities, the term would be reported as net financial assets.

- Accumulated Surplus/Deficit (net economic resources) represents net resources both financial and physical that can be used to provide future services.

The PSAB Statement of Financial Position is different in two significant respects from a statement of financial position prepared for non-government entities. The first difference is that the assets are split into financial and non-financial assets.

- Financial Assets are assets that could be used to discharge existing liabilities or finance future operations. They include: Cash and Cash Equivalents; “Due from” accounts; Accounts Receivable; Accrued Investment Income and Portfolio Investments.

- Non-Financial Assets are assets that are held for use in the provision of service. They include: Net Tangible Capital Assets; Inventories (of supplies); and Prepaid Expenses.

The second major difference is the format of the Statement of Financial Position which is:

Financial Assets minus Liabilities equals Net Debt; and
Net Debt less Non-Financial Assets equals Accumulated Surplus.

Note: The “Due from Other Funds” and “Due to Other Funds” accounts do not appear on the consolidated Statement of Financial Position as they are eliminated upon consolidation.

3.3 Consolidated Statement of Revenue, Expenses and Accumulated Surplus

This statement, also known as the Statement of Operations, presents the current year surplus/deficit, as the difference between school division expenses (including amortization and controlled school generated funds expenses) and school division revenues (including gains on sale of capital assets and special purpose fund revenues). This statement also presents the accumulated surplus/deficit.

3.4 Consolidated Statement of Change in Net Debt

The Statement of Change in Net Debt provides for reconciliation between the change in net debt and the surplus/deficit for the period. The difference is caused because surplus is expense based, and the change in net debt is expenditure based. Expenses are the cost of goods and services consumed in the period; while expenditures are the cost of goods and services acquired in the period. For example, a school division may have a surplus for the period, but still have an increase in its net debt. This may be due to several reasons, such as the purchase of a capital asset, which is an expenditure that would not affect surplus, but would affect net debt. Also, amortization of tangible capital assets (expense) affects surplus, but has no bearing on net debt.

The Statement of Change in Net Debt reports the items that explain the difference between the surplus/deficit for the accounting period and the change in net debt for the same period. Items included are:

- amortization of tangible capital assets (TCA)
- acquisition of tangible capital assets
- net book value of all tangible capital assets disposed of
- acquisition /consumption of prepaids or inventories

The statement starts with the surplus/(deficit) for the period and then:

- adds back amortization which was included as an expense in the calculation of surplus, but is not reflected in net debt;
- subtracts the acquisition of TCA, which are expenditures that are not included in the calculation of surplus, but the decrease in cash or increase in loans would affect net debt;
- subtracts any gain or adds any loss on the sale of TCA - the gain or loss is included in the calculation of surplus, but has no effect on net debt;
- adds the proceeds received on the sale of TCA – the proceeds would increase cash (decrease net debt), but not affect surplus;
- subtracts any increase in Prepaids or Inventories (of supplies); and
- adds any decrease in Prepaids or Inventories (of supplies).

The resulting total is the change in net debt for the period. This total change is then added to or subtracted from the opening Net Debt balance to arrive at the Net Debt balance at the end of the period.

3.5 Consolidated Statement of Cash Flow

The Statement of Cash Flow reports the change in cash (Cash and Cash Equivalents) in the accounting period, and how the school division financed its activities and met its cash requirements in the period. Cash flows are classified by operating, capital, investing and financing activities. There are two methods of reporting cash flow – the direct method and the indirect method. School divisions follow the indirect method, which is consistent with the Province of Manitoba.

3.6 Schedule of Tangible Capital Assets (TCA)

The TCA Schedule is integral to the completion of all four consolidated financial statements. This schedule reports all tangible capital assets by category/class starting with the previous year end balances, and accounts for additions, disposals, and amortization, resulting in the net book value of all tangible capital assets at the period-end. The proceeds received on disposal of a capital asset are also recorded on this schedule. Most of the data on this schedule comes directly from the Capital Asset Amortization Schedule (CAAS). For more information on the CAAS, refer to sub-section 8.8, Amortization.

Capital leases are reported within the applicable asset class (e.g. a leased bus would be recorded along with purchased buses). Note disclosure will be required to report the total amount of all leased capital assets.

Leasehold improvements will be reported within either “Buildings - School” or “Buildings - Non-school”, as applicable.

3.7 Management Report

The Management Report is an acknowledgment of the school division management’s responsibility for the preparation of the financial statements. This report ensures that users are aware of who is responsible for their preparation and that the statements have been approved by the board of trustees.

The Management Report is a requirement of PSAB and must be included as part of the financial statement package. (*Handbook* PS 1201.005 - 1201.006)

For a sample report, refer to page 1 of the Illustrative Notes to the Consolidated Financial Statements on the forms website - http://www.edu.gov.mb.ca/k12/finance/sbr/illustrative.html.

3.8 Accompanying Notes and Schedules

Notes and schedules that are integral to the financial statements should be clearly identified. The Statement of Financial Position and the Statement of Revenue, Expenses and Accumulated Surplus described on the previous pages are also included as integral schedules for each of the three funds.

The purposes of the Notes and Schedules are to:

- Provide clarification or further explanation of items in the financial statements that may materially affect the assessment and/or judgment of the users of the financial statements.
- Provide detailed or sufficient information for specific accounts, not presented as a separate line item in the body of the financial statements that require disclosure as recommended by PSAB.
- Provide adequate disclosure of transactions, circumstances or events necessary for fair presentation of the school division's financial position, results of operations, change in net debt, and cash flow.
- Provide qualitative and quantitative information useful to the readers such as significant terms and conditions of certain transactions, contractual obligations, and commitments that may have a financial implication on future cash flows.

Notes and Schedules are cross-referenced to the specific financial statement items to which they relate. They have the same significance as if the information or explanations were set forth in the body of the statement themselves.

Unlike financial statements that can be kept to a concise PSAB format, there is no standard with regards to the Notes. A template (named Illustrative Notes to the Consolidated F/S) providing "SAMPLE" wording can be found on the forms website at http://www.edu.gov.mb.ca/k12/finance/sbr/illustrative.html. In consultation with their auditors, Divisions should revise, add or delete notes for circumstances particular to their Division as prescribed by the PSAB Handbook. Except for items where PSAB specifically recommends note disclosure, the determination of what information should have accompanying notes requires the exercise of professional judgment.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		Current Year	Previous Year
	Financial Assets		
	Cash and Bank	-	-
	Portfolio Investments	-	-
	Due from - Provincial Government	-	-
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
	Accounts Receivable	-	-
	Accrued Investment Income	-	-
	Other Investments	-	-
		0	0
	Liabilities		
	Overdraft	-	-
	Accounts Payable	-	-
	Accrued Liabilities	-	-
	Employee Future Benefits	-	-
	Accrued Interest Payable	-	-
	Due to - Provincial Government	-	-
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
	Deferred Revenue	-	-
	Debenture Debt	-	-
	Other Borrowings	-	-
	School Generated Funds Liability	-	-
		0	0
	Net Debt	0	0
	Non-Financial Assets		
	Net Tangible Capital Assets (TCA Schedule)	-	-
	Inventories	-	-
	Prepaid Expenses	-	-
		0	0
	Accumulated Surplus	0	0

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes			Current Year	Previous Year
	Revenue			
	Provincial Government		-	-
	Federal Government		-	-
	Municipal Government	- Property Tax	-	-
		- Other	-	-
	Other School Divisions		-	-
	First Nations		-	-
	Private Organizations and Individuals		-	-
	Other Sources		-	-
	School Generated Funds		-	-
	Other Special Purpose Funds		-	-
			0	0
	Expenses			
	Regular Instruction		-	-
	Student Support Services		-	-
	Adult Learning Centres		-	-
	Community Education and Services		-	-
	Divisional Administration		-	-
	Instructional and Other Support Services		-	-
	Transportation of Pupils		-	-
	Operations and Maintenance		-	-
	Fiscal	- Interest	-	-
		- Other	-	-
	Amortization		-	-
	Other Capital Items		-	-
	School Generated Funds		-	-
	Other Special Purpose Funds		-	-
			0	0
	Current Year Surplus (Deficit)		0	0
	Less: Non-vested sick leave		0	0
	Opening Accumulated Surplus		-	-
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	-
		Other than Tangible Cap. Assets	-	-
		Non-vested sick leave	-	-
	Opening Accumulated Surplus, as adjusted		0	0
	Closing Accumulated Surplus		0	0

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2012

	Current Year	Previous Year
Current Year Surplus (Deficit)	-	-
Amortization of Tangible Capital Assets	-	-
Acquisition of Tangible Capital Assets	-	-
(Gain) / Loss on Disposal of Tangible Capital Assets	-	-
Proceeds on Disposal of Tangible Capital Assets	-	-
	-	-
Inventories (Increase)/Decrease	-	-
Prepaid Expenses (Increase)/Decrease	-	-
	-	-
(Increase)/Decrease in Net Debt	-	-
Net Debt at Beginning of Year	-	-
Adjustments Other than Tangible Cap. Assets	-	-
	-	-
Net Debt at End of Year	-	-

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2012

	Current Year	Previous Year
Operating Transactions		
Current Year Surplus/(Deficit)	-	-
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	-	-
(Gain)/Loss on Disposal of Tangible Capital Assets	-	-
Employee Future Benefits Increase/(Decrease)	-	-
Short Term Investments (Increase)/Decrease	-	-
Due from Other Organizations (Increase)/Decrease	-	-
Accounts Receivable & Accrued Income (Increase)/Decrease	-	-
Inventories and Prepaid Expenses - (Increase)/Decrease	-	-
Due to Other Organizations Increase/(Decrease)	-	-
Accounts Payable & Accrued Liabilities Increase/(Decrease)	-	-
Deferred Revenue Increase/(Decrease)	-	-
School Generated Funds Liability Increase/(Decrease)	-	-
Adjustments Other than Tangible Cap. Assets	-	-
Cash Provided by Operating Transactions	-	-
Capital Transactions		
Acquisition of Tangible Capital Assets	-	-
Proceeds on Disposal of Tangible Capital Assets	-	-
Cash (Applied to)/Provided by Capital Transactions	-	-
Investing Transactions		
Other Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	-	-
Financing Transactions		
Debenture Debt Increase/(Decrease)	-	-
Other Borrowings Increase/(Decrease)	-	-
Cash Provided by (Applied to) Financing Transactions	-	-
Cash and Bank / Overdraft (Increase)/Decrease	-	-
Cash and Bank (Overdraft) at Beginning of Year	-	-
Cash and Bank (Overdraft) at End of Year	-	-

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2012

	Buildings and Leasehold Improvements School	Buildings and Leasehold Improvements Non-School	School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	Current Year TOTALS	Previous Year TOTALS
Tangible Capital Asset Cost											
Opening Cost, as previously reported	-	-	-	-	-	-	-	-	-	-	-
Adjustments	-	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	-	-	-	-	-	-	-	-	-	-	-
Add: Additions during the year	-	-	-	-	-	-	-	-	-	-	-
Less: Disposals and write downs	-	-	-	-	-	-	-	-	-	-	-
Closing Cost	-	-	-	-	-	-	-	-	-	-	-
Accumulated Amortization											
Opening, as previously reported	-	-	-	-	-	-		-		-	-
Adjustments	-	-	-	-	-	-		-		-	-
Opening adjusted	-	-	-	-	-	-		-		-	-
Add: Current period Amortization	-	-	-	-	-	-		-		-	-
Less: Accumulated Amortization on Disposals and Writedowns	-	-	-	-	-	-		-		-	-
Closing Accumulated Amortization	-	-	-	-	-	-		-		-	-
Net Tangible Capital Asset	-	-	-	-	-	-	-	-	-	-	-
Proceeds from Disposal of Capital Assets	-	-	-	-	-	-				-	-

* Includes network infrastructure.

SUMMARY REPORTING

This section of the manual, which will deal with the March year-end reporting requirements, will be included in a future update.

OPERATING FUND

5.1 Introduction

This section of the manual provides descriptions of Operating Fund asset and liability accounts and revenue and expense categories.

The Operating Fund will include all day to day operating revenues and expenses. Special Levy Revenue will be recorded in the Operating Fund as well as funds acquired on an unconditional basis. School Division operating funds transferred to acquire Tangible Capital Assets will be recorded as an Interfund Transfer in the Operating and Capital Funds.

Operating Fund expenses are organized into nine major functions. Each function is comprised of programs that capture costs which relate the principal operations to the broad functions and describe operations in more meaningful terms. Expenses within programs are recorded by object (what was purchased) to define the service or commodity obtained as the result of a specific expenditure. A more complete description of the function/program/object expense classification system is included in sub-section 2.5, Classification of Expenses.

Operating Fund revenues are organized by major source with sub-categories to provide more detail.

5.2 Operating Fund Accounts

5.2.1 Financial Assets

Cash and Bank (Cash Equivalents)

Includes moneys on deposit in any bank, credit union, etc. as well as cash on hand and petty cash funds. Also, includes short term highly liquid investments with a maturity date of 3 months or less. If the net balance of all the accounts included in this classification is a deficit, then the amount would not be reported as a financial asset, but rather should be reported as an “Overdraft” in the Liabilities section of the Statement of Financial Position.

Due from Provincial Government

Includes all amounts due from the Core Manitoba Government. Does not include Government Business Enterprises (GBE’s) ie. MB Hydro, MPIC, Workers Compensation

Due from Federal Government

Includes all amounts due from the Government of Canada.

Due from Municipal Government

Includes all amounts due from municipal governments.

Due from Other School Divisions

Includes all amounts due from other school divisions (e.g. transfer fees, residual fees).

Due from First Nations

Includes all amounts due from First Nations (e.g. tuition).

Due from Other Funds

Represents amounts due from either the Capital Fund or Special Purpose Fund. The amount reported in the Operating Fund as “Due from Other Funds” must equal the amounts due to the Capital Fund and/or the Special Purpose Fund.

Accounts Receivable

Includes all amounts due from individuals, corporations, firms, etc. that have not been reported elsewhere on the Statement of Financial Position. Include amounts due from Government Business Enterprises (GBE’s).

Allowance for Doubtful Accounts

Represents the amount of estimated bad debts that is included in receivable accounts. This amount is subtracted from the applicable receivable account and only the net balance is reported on the Statement of Financial Position for the related account. The related detail would be reported in the notes to the financial statements.

Accrued Investment Income

Represents interest or other types of income that has been earned on an investment but that has not been received.

Portfolio Investments

Investments in organizations outside of the school division reporting entity, such as investments in GICs, term deposits, bonds and equity instruments that have no maturity dates or have a maturity date of greater than 3 months. Excludes investments in GBE’s. Securities that a school division may invest in are defined under Section 201 of The Public Schools Act and can only be securities of a bank, trust company or credit union, or securities issued or guaranteed by the Government of Canada or the Government of Manitoba.

5.2.2 Non-Financial Assets

Inventories

Represents inventories (supplies) on hand at the end of the accounting period that are held in central locations. See sub-section 2.6 for more detail on Inventories.

Prepaid Expenses

Includes expenses paid in a fiscal year which specifically relate to the operations of a future fiscal year (e.g. insurance premiums).

5.2.3 Liabilities

Overdraft

Represents the net deficit position of bank, credit union and other amounts included in the "Cash and Bank (Cash Equivalents)" accounts. For more information regarding the reporting of an overdraft refer to the explanation for "Cash and Bank (Cash Equivalents)" under Financial Assets in this section.

Accounts Payable

Represents amounts owed to private persons, firms or corporations for goods or services that have been received and invoiced, but not yet paid. Also includes amounts owed to GBE's.

Accrued Liabilities

Represents liabilities that have been incurred, but not paid or reported under accounts payable. In other words, obligations for services provided to the school division for which invoices have not been received. Includes accrued salaries, wages and employee benefits (current).

Employee Future Benefits

Includes vested and non-vested employee future benefits that accumulate (e.g. pensions, long-term disability income benefits, continuation of benefits for health care, dental or life insurance, sick leave). See Section 10 for more information on accounting for Employee Future Benefits.

Accrued Interest Payable

Represents the amount of interest that has accrued, to the end of the reporting period, on operating borrowings of the school division.

Due to Provincial Government

Includes all amounts owing to the Core Manitoba Government. Does not include amounts owing from GBE's.

Due to Federal Government

Includes all amounts owing to the Government of Canada.

Due to Municipal Government

Includes all amounts owing to municipal governments.

Due to First Nations

Includes all amounts owing to First Nations.

Due to Other School Divisions

Includes all amounts owing to school divisions (e.g. transfer fees, residual fees).

Due to Capital Fund

Represents amounts due to the capital fund. Note: the amount due from the one fund must equal the amount due to the other fund.

Deferred Revenue

Represents certain unexpended revenues received by school divisions that have stipulations from external parties that the amounts are to be used in a certain manner e.g. Curricular Materials Grant (Manitoba Text Book Bureau portion); donation to establish a scholarship; or donations to purchase computer equipment. If the expenditure has not been made by the end of the period, the unspent amount is to be recorded as a liability (deferred revenue) in the accounts.

Other Borrowings

Represents temporary loans and borrowings.

5.2.4 Accumulated Surplus

Represents accumulated Operating Fund revenue in excess of expenses over time (or expenses in excess of revenues in an accumulated deficit situation).

5.2.5 Revenue Accounts

Provincial Government:

Education - Funding of Schools Program

Consists of annual operating support grants received through the Public Schools Finance Board in accordance with a funding formula based on enrolment, property assessment values and expenditures. Also includes Technology Education Equipment grants and School Buildings Support ("D" projects) for which the expenditures may be either operating or capital. If the expenditures belong to the Capital Fund, the support is recorded in the Operating Fund and then transferred to the Capital Fund. The Funding of Schools Program includes the following categories:

- Base Support (see annual Funding Booklet for detail)
- Categorical Support (see annual Funding Booklet for detail)
- Equalization Support (see annual Funding Booklet for detail)
- Other Program Support
    - School Buildings Support ("D" Projects)
    - Technology Education Equipment Replacement
    - Skills Strategy Equipment Enhancement
    - Other Minor Capital Support

Education - Other

Consists of support, other than the Funding of Schools Program, received from the Department of Education. (Also includes the Education Property Tax Credit.)

- Special Needs (multi-sensory programs, autistic, schizophrenic, hearing impaired, etc.)
- Institutional Programs
- Nursing Supports in Schools (URIS)
- Substitute Fees
- General Support Grant
- New Schools
- Adult Learning Centres
- Other (as established by Education and Training)

Other Provincial Government Departments

Consists of revenue received from the Manitoba Government Reporting Entity (GRE), other than the Department of Education, other School Divisions and Manitoba GBE’s such as MPIC, Workers Compensation.

- Employment Programs
- Other

Federal Government:

Consists of revenue received from the Government of Canada (excluding funds received on behalf of First Nation student’s education).

- Tuition Fees
- Transportation of Pupils
- French Language Monitor
- English as an Additional Language (Adults)
- Other

Municipal Government:

Consists of revenue received from municipal governments, including the Special Levy property tax (on a school year basis).

- Property Tax
- Education Property Tax Credit(Offset)
- Other

Other School Divisions:

Consists of revenue received from Manitoba school divisions/districts.

- Tuition Fees
- Transfer Fees
- Residual Fees
- Transportation of Pupils
- Other

Note that receipts from independent schools and out of province school boards are included under Private Organizations and Individuals.

First Nations:

Consists of revenue from First Nations (including funds received from the Federal Government on behalf of First Nation student's education).

- Tuition Fees
- Transportation of Pupils
- Other

Private Organizations and Individuals:

Consists of revenue from organizations, institutions, corporations, societies, private individuals, independent schools, out of province schools and provincial governments other than the Manitoba Government Reporting Entity (GRE), with the exception of revenue from Manitoba GBE's.

Includes tuition fees, plus revenues from ancillary services, such as, food services, teacherages, residences, bookstores, parking and rentals.

- Regular Tuition
- International Tuition
- Continuing Education
- Driver Education
- Other Tuition
- Food Service
- GBE's such as MPIC, MB Hydro, Workers Compensation
- Other

Other Sources:

Includes funds received from the investment of non-capital funds, sale of non-capital assets and miscellaneous income.

- Interest
- Donations
- Other

5.3 Function and Program Summary

Regular Instruction - Function 100
- 110 Administration
- 120 English Language - Single Track Schools
- 150 Français - Single Track Schools
- 170 French Immersion - Single Track Schools
- 180 Dual Track Schools
- 190 Senior Years Technology Education

Student Support Services - Function 200
- 210 Administration/Coordination
- 230 Clinical and Related Services
- 240 Special Placement
- 250 Regular Placement
- 260 Resource Services
- 270 Counselling and Guidance

Adult Learning Centres - Function 300
- 310 Administration and Other
- 320 Instruction

Community Education and Services - Function 400
- 410 Continuing Education
- 420 English as an Additional Language for Adults
- 430 Community Services and Recreation
- 440 Pre-Kindergarten Education

Divisional Administration - Function 500
- 510 Board of Trustees
- 520 Instructional Management and Administration
- 530 Business and Administrative Services
- 550 Management Information Services

Instructional and Other Support Services - Function 600
- 605 Curriculum Consulting and Development Administration
- 610 Curriculum Consulting and Development
- 620 Library/Media Centre
- 630 Professional and Staff Development
- 680 Other

Transportation - Function 700
- 710 Administration
- 720 Regular Transportation
- 770 Allowances in Lieu of Transportation
- 780 Boarding of Students/Dormitories
- 790 Field Trips and Other

Operations and Maintenance - Function 800
- 810 Administration
- 820 School Buildings - Maintenance
- 850 School Buildings - Repairs and Replacements
- 870 Other Buildings
- 880 Grounds

Fiscal - Function 900

5.4 Regular Instruction - Function 100

Consists of costs related directly to the K - 12 classroom, e.g. teachers, educational assistants, textbooks (incl. e-books), related supplies, services, and equipment such as desks, chairs, tables, audio visual equipment and computers. Includes costs related to Gifted students, International Baccalaureate, Advanced Placement, university offered and correspondence courses, and enrichment activities that are generalized in nature. Also includes school based administration costs including principals, vice-principals, and support staff. Summer school costs are recorded here.

5.4.1 Administration – 110

Consists of activities relating to Administration at the school level. Includes activities performed by Principals, Vice-Principals, Senior Years Technology Education coordinators, and related support staff. (Activities related directly to instruction, including clerks, graders, etc., should not be charged to this program but to the specific instructional program.)

Technology costs related to school and student information systems maintained by school administrators (daily attendance, mark reporting, time-tabling, and school funds) are included here. Salary and other costs related to IT technicians working in schools and IT Services should be charged under here. IT Equipment is to be charged to individual instructional programs.

5.4.2 English Language - Single Track Schools - 120

(90% or more of enrolment in English Language Program)

Consists of activities dealing directly with the teaching of pupils and co-curricular activities in schools in which 90% or more of Regular Instruction students are enrolled in the English Language Program. Other programs of instruction (Français, French Immersion or Other Bilingual) may be offered, but students enrolled in those programs comprise, in total, less than 10% of the total enrolment. Includes cost of Regular Instruction for all students in these schools. Where other programs of instruction comprise, in total, more than 10%, then all costs of Regular Instruction should be recorded under Dual Track Schools.

5.4.3 Français - Single Track Schools - 150

(90% or more of enrolment in Français Program)

Consists of activities dealing directly with the teaching of pupils and co-curricular activities in schools in which 90% or more of Regular Instruction students are enrolled in the Français Program. Other Programs of instruction (English, French Immersion or Other Bilingual) may be offered, but students enrolled in those programs comprise, in total, less than 10% of the total enrolment. Includes cost of Regular Instruction for all students in these schools. Where other programs of instruction comprise, in total, more than 10%, then all costs of Regular Instruction should be recorded under Dual Track Schools.

5.4.4 French Immersion - Single Track Schools - 170

(90% or more of enrolment in French Immersion Program)

Consists of activities dealing directly with the teaching of pupils and co-curricular activities in schools in which 90% or more of Regular Instruction students are enrolled in the French Immersion Program. Other Programs of instruction (English, Français or Other Bilingual) may be offered, but students enrolled in those programs comprise, in total, less than 10% of the total enrolment. Includes cost of Regular Instruction for all students in these schools. Where other programs of instruction comprise, in total, more than 10%, then all costs of Regular Instruction should be recorded under Dual Track Schools.

5.4.5 Dual Track Schools - 180

Consists of activities dealing directly with the teaching of pupils and co-curricular activities in schools in which more than one Program of instruction (English, Français, French Immersion or Other Bilingual) is offered, and where none of the programs alone comprise 90% or more of the total Regular Instruction enrolment. Includes cost of Regular Instruction for all students in these schools.

5.4.6 Senior Years Technology Education - 190

Consists of costs related to Technical Vocational Industrial courses offered as part of an approved Technical Vocational Cluster leading to a Senior Years Technology Education diploma.

Costs related to other Technology Education courses (Industrial Arts, Human Ecology, Business and Marketing), or Academic courses are not to be included in this program.

5.5 Student Support Services - Function 200

Consists of costs specifically related to students who have exceptional learning needs, as well as counselling and guidance and resource costs for all students. Students with exceptional learning needs are students who have physical, cognitive, sensory or emotional/behavioural disabilities.

Costs would include special education and resource teachers, special needs educational assistants, counsellors, clinicians, and related and appropriate services (e.g. occupational therapists), supplies, textbooks, materials, equipment, and software. Special education coordinators or student services administrators and clerical staff are also included.

5.5.1 Administration/Coordination - 210

Consists of activities related to the administration and co-ordination of this function. May include both school and division based positions related to the programs identified below.

5.5.2 Clinical and Related Services - 230

Consists of activities related to the diagnosis and provision of physical, mental and emotional health services not considered to be direct instruction required to implement a program of studies. Include the costs related to the activities of clinicians. The costs for nurses and therapists for special needs students could also be included here, as well as related support staff expenses.

Do not include the costs of nursing services and dental services which are normally intended to provide all students with these services. Do not include those activities concerned with providing, preparing and serving regular and incidental meals, lunches, milk or snacks primarily to pupils. These costs are to be reported under Instructional and Other Support Services.

5.5.3 Special Placement - 240

Consists of activities directly related to teaching and instructional support provided in a special placement outside the regular instructional classroom for students who have physical, cognitive, sensory or emotional/behavioural disabilities. These students require extensive adaptations and modifications in educational programming based on a comprehensive educational needs assessment. Normally, this does not include students whose primary educational placement is in a regular classroom. However, costs associated with specialized classrooms established for the specific purpose of meeting both long-term and short-term needs on a regular “pull out” basis should be included here.

5.5.4 Regular Placement - 250

Consists of personnel (excluding classroom teacher) and material costs related to providing support, above and beyond regular classroom requirements, to specific students who have physical, cognitive, sensory or emotional/behavioural disabilities. These students require extensive adaptations and modifications in educational programming based on a comprehensive educational needs assessment. These expenditures are necessary to maintain these students in the regular classroom setting on an ongoing basis.

5.5.5 Resource Services - 260

Consists of costs for all resource services (resource/special education teachers, educational assistants and supplies) except that which is related to special placement or the maintenance of a student with exceptional learning needs in the regular classroom. If the assignment of a resource teacher or educational assistant is exclusively (or nearly exclusively) with students as defined in Program 240 or Program 250, his/her salary should be allocated to the appropriate program; otherwise, all resource teacher/educational assistant costs are to be charged here.

Resource programming is provided in addition to regular instructional courses, programs and services. Such activities could be initiated and/or delivered at the classroom, school or divisional level.

5.5.6 Counselling and Guidance - 270

Consists of those activities involved in counselling pupils and parents, providing support to other staff members to assist pupils in personal, career and social development, providing referral assistance, working with other staff members in planning and conducting guidance programs for pupils.

Includes guidance counsellors, social workers, and community liaison officers. All costs related to counselling and guidance are recorded in this program.

5.6 Adult Learning Centres - Function 300

Consists of costs related to Adult Learning Centres (ALC) owned and operated by school divisions, including "hybrid" facilities that serve both adults and regular K – 12 students. ALC's offer adult centred programs in which adult education principles and practices are applied to curriculum and program delivery. Does not include costs associated with adults in the regular K – 12 classroom.

In the case of ALC's that are governed by their own board of directors, the transfer of provincial funding from a school division to an ALC is recorded in Object 980, Transfers to Organizations and Individuals, under Program 320, Instruction. This includes ALC funding received from Multiculturalism and Literacy (previously Adult Learning and Literacy.

5.6.1 Administration and Other - 310

Consists of all expenditures relating to the administration of the centre including activities performed by principals and administrative support staff, and any administration fees charged by the school division; all costs related to ALC premises such as rent, utilities, custodial care, and insurance; costs of day cares operated for the benefit of the ALC students; and any other costs related to an ALC that is not included under Program 320, Instruction.

5.6.2 Instruction - 320

Consists of expenditures dealing directly with the teaching of students, e.g. teachers, educational assistants, textbooks, related supplies, services, and equipment such as desks, chairs, tables, audio-visual equipment and computers.

5.7 Community Education and Services - Function 400

Consists of costs related to providing services (such as community use of facilities and gym rentals) and non-credit courses to community groups and individuals. Includes pre-kindergarten education.

5.7.1 Continuing Education - 410

Consists of learning experiences offered other than during regular school hours and that are not part of the regular K - 12 programming. Do not include expenditures related to courses offered for high school credit purposes. These courses are to be reported in Function 100, Regular Instruction. Also, do not include English as an Additional Language for Adults. Driver training is reported in Program 680, Instructional and Other Support Services - Other.

5.7.2 English as an Additional Language for Adults - 420

Consists of teaching the English language to adults (e.g. immigrants and refugees). Do not include K - 12 English as an Additional Language students in this program category as these students are included in Function 100, Regular Instruction.

5.7.3 Community Services and Recreation - 430

Consists of activities related to offering services to the community such as youth program sponsorship, meetings, films, and recreational services. Do not include K - 12 co-curricular or extra-curricular activities occurring during the school year in this program.

5.7.4 Pre-Kindergarten Education - 440

Consists of activities related to offering services to enhance the knowledge, skills, behavioural and developmental characteristics considered to be needed by children in preparation for kindergarten. Includes nursery programs.

5.8 Divisional Administration - Function 500

Consists of costs related to the administration of the school division including the board of trustees and the superintendent's and secretary-treasurer's departments.

5.8.1 Board of Trustees - 510

Includes all activities related to the board of trustees, its members, secretarial and clerical staff. Includes professional services rendered to the board, travel, conventions, membership in school board organizations, and other expenses related to the official duties of the Board. Also includes expenses relating to school trustee elections.

5.8.2 Instructional Management and Administration - 520

Includes activities performed by the superintendent of schools and related support staff, in general direction and management of all affairs of the school system.

5.8.3 Business and Administrative Services - 530

Activities related to business and administrative services provided at the central office level. Includes business services such as budgeting, accounting, auditing, payroll, purchasing, property management, warehousing, inventory, distribution and other fiscal services as well as administrative activities such as information services, personnel services, advertising, central secretarial services applicable to administration function, legal services, facilities development, printing, publishing and duplicating.

General liability insurance is charged here. See Allocation Rule #2 in Section 11 for assistance about where to record other insurance.

5.8.4 Management Information Services - 550

Consists of activities related to the centralized data management requirements of a school division. Includes computer hardware, system software, computer repairs, related staff salary and benefit costs and out-sourced data management costs such as contracted services through computer service bureaus. The salaries of directors/managers that have overall responsibility for information technology services in their school division should be allocated here.

Computer costs related to the student learning process or another discrete function/program elsewhere in FRAME are excluded from this program category and are to be included in the appropriate program.

5.9 Instructional and Other Support Services - Function 600

Consists of costs related to support services for students, teaching staff, and the educational process, such as libraries/media centres, professional development, and curriculum consulting and development.

5.9.1 Curriculum Consulting and Development Administration - 605

Consists of expenditures for the administration, supervision and coordination of the Curriculum Consulting and Development Program. Administrators or curriculum coordinators who have supervisory responsibilities for personnel in Program 610, Curriculum Consulting and Development, are recorded here in accordance with the allocation rules.

5.9.2 Curriculum Consulting and Development - 610

Consists of providing professional, technical and technology-related advice and assistance in the planning, development, adaptation, modification and monitoring of curricula. This includes procuring and preparing curricular materials and supplies and conducting the research related to the curriculum requirements.

Training teachers in the use of curricula is charged to Program 630, Professional and Staff Development. Salaries of curriculum consultants who are also involved in the delivery of professional development should be allocated between Program 610 and Program 630 accordingly.

Curriculum consulting and development activities are reported in Program 610 whether school based or school division based. There should be no curriculum consultant expenditures in Function 100. Secondment of a teacher within a school division to assist classroom-based curriculum development should be allocated to Program 610.

Development of tests and exams by a curriculum consultant is included here. However, development and marking of tests and exams by a teacher are allocated to the appropriate instructional program (e.g. English Language - Single Track Schools, Program 120).

5.9.3 Library/Media Centre - 620

Consists of those activities involving the organization, management and operation of libraries and media centres; preparing, caring for, and making available relevant Technologies, which assist teaching and learning. Included are: technical activities (ordering, cataloguing, processing and circulating books and making available relevant technologies); planning and use of the library by teachers and pupils.

Includes costs of staff, supplies, media materials, and minor equipment used in media activities supportive to the educational process. Computer related costs applicable to the support and direct administration of educational media will be included.

Computer related costs involved in computer science courses, computer-assisted instruction or computer-managed learning would not be included here but would be charged to the applicable instruction program.

5.9.4 Professional and Staff Development - 630

Consists of the activities designed to contribute to the professional or occupational growth of instructional staff during the time of their services to the school division. Instructional staff refers to those who have direct contact with students in an instructional setting. Included is the professional and staff development of employees in 2nd level object codes: 330, Instructional - Teaching; 350, Instructional - Other; 380, Clinicians; and instructional staff in object code 320 - Executive, Managerial and Supervisory. Includes workshops, conventions, service training demonstrations, and school visits.

Training teachers in the use of curricula is also included here. Salaries of curriculum consultants who are also involved in the delivery of professional development should be allocated between Program 610 and Program 630 accordingly.

Professional and staff development for non-instructional employees will be recorded in the Professional and Staff Development Object Code 650, in the function/program to which the related salary is charged. Superintendents and assistant superintendents who are not part-time teachers are considered non-instructional employees.

Do not include salary costs of own regular staff involved occasionally in professional and staff development. Include the additional costs due to hiring of substitutes, but do not include the salary of the employee attending the workshop, etc. Associated fees, travel, accommodation and meal expenses are to be included.

5.9.5 Other – 680

Includes activities related to instructional and other support not included in above programs. Examples of such support are staff and student recognition, graduation, student aid, scholarships, awards, driver education, crossing guards, parent councils, emergency response teams/crisis management teams, teaching heritage languages after school hours to division students, and outdoor activities and classes during summer for students at risk of dropping out of school. Programs, such as Bright Futures, which provide tutoring and/or mentoring for students outside of normal school hours (e.g. after school, evenings, weekends, or summer) are to be included in this program.

Also includes activities related to health services which provide pupils with medical, dental and nursing service; cost of providing insurance for students involved in school activities; and activities related to attendance, including prompt identification of patterns of non-attendance.

Activities concerned with providing, preparing and serving regular and incidental meals, lunches, milk or snacks primarily to pupils are also included. The only cafeteria expenditures included are those related to a cafeteria that is run by the school division and which is not part of a Senior Years Technology Education program. If a cafeteria is operated as part of a Senior Years Technology Education program, the related expenditures are recorded in Program 190. If the cafeteria is operated by the school or the student council, the revenue and expenditures associated with its operation should be reported as per the School Generated Funds Accounting Policy (sub-section 9.6).

Costs related to personal counselling for instructional staff, sabbatical leave and courses for college and university credit are to be included here as well.

5.10 Transportation of Pupils - Function 700

Consists of all costs, including supervisory and clerical personnel, related to the transportation of pupils. Does not include the purchase of school buses over $20,000 per unit as they are recorded in the Capital Fund.

5.10.1 Administration - 710

Consists of expenditures for administering and supervising this function.

5.10.2 Regular Transportation - 720

Consists of costs relating to the safe transportation of pupils to and from an instructional facility on a regular basis. This includes fleet maintenance and repair, the cost of contracting out buses and/or drivers, professional development for bus drivers, and bus ridership instruction provided by transportation personnel.

It also includes transportation to and from instructional facilities, other than the instructional facility which the pupils normally attend, where the purpose is to provide instructional programs not available at the home facility.

5.10.3 Allowances in Lieu of Transportation - 770

Consists of activities related to the payment of monies to parents and organizations in lieu of providing direct transportation services normally supplied by the school division.

5.10.4 Boarding of Pupils/Dormitories - 780

Includes all expenditures related to the boarding of pupils in lieu of transportation. Also included are expenditures related to the management and control of pupil's dormitories. The regular operating expenses of the facility should be recorded under plant operations and maintenance.

5.10.5 Field Trips and Other - 790

Included are transportation expenditures for field trips, co-and extra-curricular activities, and other activities which are not part of the Regular Transportation program category above. Non transportation costs such as meals, lodging etc. are not to be included here but included under applicable instruction program.

5.11 Operations and Maintenance - Function 800

Consists of all costs, including supervisory and clerical personnel, related to the upkeep, maintenance, and minor repair of all school division buildings and grounds. Includes utilities, taxes, insurance, and supplies. Does not include capital costs. Desks, chairs, tables and computer equipment are to be included in the instructional functions, not in Function 800.

5.11.1 Administration - 810

Consists of expenditures for administering and supervising this function.

5.11.2 School Buildings - Maintenance - 820

Consists of all activities related to keeping school buildings, systems (heating, lighting, plumbing, etc.) and equipment clean and ready for daily use. Also includes:

- minor repairs of an upkeep or routine maintenance nature, such as replacing filters, oil, belts, batteries, hardware, etc.;
- painting and varnishing;
- annual cleaning or servicing of mechanical/electrical equipment to keep it in operating condition.
- utilities, rentals, leases, property taxes, and building and property insurance for schools buildings.
- Workplace Safety and Health officer costs (salary, furniture, supplies, support, etc.)

All other school building and systems repairs are charged to Program 850, School Building Repairs and Replacements

5.11.3 School Buildings - Repairs and Replacements - 850

Consists of repair and replacement expenditures, of a non-routine or non-annual nature, required to maintain schools in operating condition. See sub-section 8.7 to determine if expenditures are repairs and replacements or betterments. **All expenditures recorded in Program 850 are eligible for Section D funding.**

5.11.4 Other Buildings - 870

Consists of activities described under Program 820. Included would be teacherages, administration building, dormitories and residences, repair shops, warehouses, transportation buildings and other non-educational buildings. Also includes property taxes and building and property insurance for buildings other than school buildings.

5.11.5 Grounds - 880

Includes expenditures for operation of grounds such as snow removal, grass mowing, planting, and for repairing, replacing and maintaining the utility of walks, driveways, playgrounds, flagpoles, fences, etc. Also includes property taxes on vacant land.

5.12 Fiscal - Function 900

Consists of operating loan interest, bank charges, bad debt expenses and the Health and Education Levy.

OBJECTS (OPERATING FUND)

6.1 Object Code Summary

3XX Salaries
- 310 Trustees Remuneration
- 320 Executive, Managerial and Supervisory
- 330 Instructional - Teaching
- 350 Instructional - Other
- 360 Technical, Specialized and Service
- 370 Secretarial, Clerical and Other
- 380 Clinician
- 390 Information Technology Salaries

4XX Employee Benefits and Allowances
- Group Health and Life Insurance
- Employee Retirement
- Social Insurance
- Employee Future Benefits
- Other

5XX -6XX Services
- 510 Professional, Technical and Specialized
- 520 Communications
- 530 Utility Services
- 540 Travel and Meetings
- 550 Transportation of Pupils
- 560 Tuition
- 570 Printing and Binding
- 580 Insurance and Bond Premiums
- 590 Maintenance and Repair Services
- 610 Rentals
- 620 Property Taxes
- 630 Advertising
- 640 Dues and Fees
- 650 Professional and Staff Development
- 680 Information Technology Services

7XX Supplies, Materials and Minor Equipment
- 710 Supplies
- 740 Curricular and Media Materials
- 760 Minor Equipment
- 780 Information Technology Equipment

900-959 Other Expenses
- 910 Loan Interest and Bank Charges
- 950 Bad Debt Expense

960-999 Transfers and Non-Vested Sick Leave
- 960 School Divisions
- 970 Payroll Tax
- 980 Organizations, Individuals and Other Entities
- 990 Interfund
- 991 Non-Vested Sick Leave
- 999 Recharge

6.2 Second Level Object Definitions

6.2.1 Salaries

Trustees Remuneration - 310

Includes payment to members of a school board in consideration of all regular or special services rendered. Travel allowances to trustees and reimbursement for other expenses incurred are recorded under Travel and Meetings. Includes attendance at conventions.

Executive, Managerial and Supervisory - 320

Includes salaries of all personnel on the school division payroll who have managerial and/or supervisory duties. This category includes superintendents, secretary-treasurers, directors, principals and their assistants, business managers, non-teaching department heads and supervisors.

Also includes principals' allowances and allowances for any other supervisors who have a formal reporting relationship (e.g. evaluation) with personnel they supervise.

Instructional - Teaching - 330

Includes salaries of all certified teachers on the school division payroll who render direct and personal services which are in the nature of teaching or the improvement of the teacher learning situation. Includes counselling and guidance personnel, librarians, consultants, etc. who are certified teachers. The only non-certified teachers included are those teaching evening school.

Also includes allowances for team leaders, head teachers, consultants, etc.

Instructional - Other - 350

Includes salaries of all staff whose duties are supportive to the learning situation. Includes educational assistants, library clerks and technicians and other non-administrative support staff. Counselling and guidance personnel who are not certified teachers are included here.

Technical, Specialized and Service - 360

Includes salaries of all personnel whose duties are technical or specialized in nature. Includes accountants, nurses, trades, bus drivers, custodians, mechanics, cooks, etc.

Secretarial, Clerical and Other - 370

Includes salaries of all personnel whose duties are secretarial or clerical in nature. Includes secretaries, data input personnel, accounting clerical and administrative clerical.

Clinician - 380

Includes salaries of all personnel who are psychologists, reading clinicians, speech/language pathologists, social workers, physiotherapists, and occupational therapists and who are certified as school clinicians.

Information Technology Salaries - 390

Information technology is the application of technologies to the creation, management, and use of information related to computer systems and data, video and/or multi-media networks in office administration and the learning environment.

Includes salaries of all personnel who are responsible for the coordination, installation, and maintenance and repair of computers and computer systems and data, video and/or multi-media networks such as computer technicians, programmers and network administrators. Also includes personnel whose main function is to train other personnel (not students) in the use of computers and computer software.

6.2.2 Employee Benefits and Allowances

Group Health and Life Insurance

Includes any group health or life insurance to which the school division is making contributions on behalf of its employees.

Employee Retirement

Consists of contributions by the school division on behalf of its employees, to a retirement plan other than Canada Pension Plan. Include Canada Pension Plan under Social Insurance.

Social Insurance

Includes contributions by the school division on behalf of its employees to any social insurance plan including Canada Pension Plan, Employment Insurance and Workers Compensation.

Employee Future Benefits

Includes all costs associated with Employee Future Benefits including Pension Plan costs, as explained in Section 10, with the exception of vacation days. Accrued vacation is recorded as salary expense.

Other

Includes other expenditures made on behalf of employees, such as, subsidized housing and board and other allowances.

6.2.3 Services

Professional, Technical and Specialized - 510

Amounts paid for services rendered that can be performed only by persons with specialized skills and knowledge. Included are the services of architects, engineers, auditors, dentists, medical doctors, lawyers, consultants, teachers, artists (Artists in the Schools program), accountants, data processing service centres, laundry services, catering, etc. Contracts for repairs and maintenance are classified as Maintenance and Repair Services (Object 590), while repair and maintenance costs for computers and computer networks, etc. are charged to Information Technology Services (Object 680).

Communications - 520

Expenditures for services provided by persons or businesses to assist in transmitting messages or information. Includes telephone, postage, and line charges for fire and security systems. **Do not include expenditures related to electronic transfer of data or educational programming. Those costs are to be recorded under Information Technology Services, Object Code 680.**

Utility Services - 530

Expenditures for services provided by private and public utilities such as water, sewage, garbage collection, natural gas, electricity, and oil and propane for heating buildings.

Travel and Meetings - 540

Includes transportation, meals, accommodation, per diem allowances, and other expenses associated with travelling, meetings, etc. that are not part of a professional development nature. Also includes meals while not in travel status.

Transportation of Pupils - 550

Consists of all expenditures to individual carriers or contractors for transportation of pupils. Include payments in-lieu-of in this category.

Tuition - 560

Includes tuition payments to allow students attending school in the division to take courses not offered within the division such as distance education and correspondence courses. This relates only to students counted in a division's full-time equivalent enrolment figures.

Printing and Binding - 570

Expenditures for job printing and binding, usually following specifications. Include design and printing of forms and posters as well as the printing and binding of publications that the local division may publish. Exclude pre-printed standard forms as they are considered supplies.

Insurance and Bond Premiums - 580

Expenditures for all forms and types of insurance coverage such as property, liability, fidelity bonds, as well as the cost of judgements, and the deductible portion of insured losses.

Maintenance and Repair Services - 590

Expenditures for repairs and maintenance not provided by divisional personnel. Include contracts and agreements covering the upkeep of buildings, grounds, and equipment (e.g. caretaking, snow removal). **Repair and maintenance costs for computers and computer networks, etc. are to be charged to Object Code 680, Information Technology Services.**

Rentals - 610

Expenditures for the rental or lease of land, buildings, and equipment for temporary or long-term use, but **not** including capital leases. (For detailed information on capital leases refer to Capital Leases, sub-section 8.9). Included under Object Code 610 are bus and other vehicle rentals when operated by personnel on the payroll of the local division and other similar rental agreements. **Rentals and leases related to information technology equipment are to be charged to Object Code 780, Information Technology Equipment.**

Property Taxes - 620

Expenditures for regular or special charges levied by a governmental unit. This includes special assessments levied for capital improvements such as streets, curbs and drains.

Advertising - 630

Expenditures for advertising in professional periodicals, newspapers and other media for purposes such as personnel recruitment, used equipment sales, objects wanted, promotions, etc. Costs for public relation services and professional fees are not recorded here. (See Object Code 510, Professional, Technical and Specialized).

Dues and Fees - 640

Includes membership fees and/or dues in professional organizations. Registration fees for conventions and conferences will be included under either Object Code 650, Professional and Staff Development, or Object Code 540, Travel and Meetings.

Professional And Staff Development - 650

Consists of activities designed to contribute to the professional or occupational growth of staff, including workshops, seminars and conferences, and associated fees, travel, accommodation, meal expenses, and per diem allowances.

The professional and staff development of instructional staff **must** be reported in Program 630, Professional and Staff Development. (See Operating Fund – sub-section 5.9.4.)

Information Technology Services - 680

Information technology is the application of technologies to the creation, management, and use of information related to computer systems and data, video and/or multi-media networks in office administration and the learning environment.

Includes services not provided by division personnel respecting the installation and maintenance of computers, computer systems, and data, video and/or multi-media networks, including contracts and maintenance agreements, as well as software licences, upgrades and annual charges not related to educational software. (See Object 740, Curricular and Media Materials). Also includes dedicated line charges and long distance charges related to the electronic transfer of data and educational programming (e.g. distance education), and Internet access charges. **Rentals and leases related to information technology equipment are to be charged to Object Code 780, Information Technology Equipment.**

6.2.4 Supplies, Materials and Minor Equipment

Supplies - 710

Expenditures for all supplies consumed in the operation of the school division, including freight and cartage charge. A supply item is any article or material which meets one of the following conditions:

- it is consumed in use;
- it loses its original shape or appearance with use;
- it is expendable: that is, if the article is damaged or some of its parts are lost or worn out, it is usually more feasible to replace it with an entirely new unit than to repair it.
- it loses its identity through incorporation into a different or more complex unit or substance.

Included are items such as paper, chalk, toner, pencils, paints, paint brushes, crayons, test tubes, chemicals, shop supplies for technology education courses, oils, food, all janitorial supplies like brooms, mops, soap, etc.; gasoline, lubricants, tires, etc.

Oil and propane for heating buildings are excluded and charged to Object 530, Utility Services.

Also included are licences and permits other than software licences, (software licences are charged to Object 680, Information Technology Services), as well as fees for student activities such as Winnipeg Children's Festival, etc.

Curricular and Media Materials - 740

Consists of expenditures for textbooks, workbooks, course packs, manuals, library books, reference books, copyright fees, films, pre-recorded audio/video cassettes/CD/DVD, recordings, educational software (including related licences, upgrades and annual charges), periodicals, newspapers, magazines, fees for on-line subscriptions, educational charts, maps and globes. Includes the costs of repairs of textbooks and library books.

Does not include non-educational software, instructional equipment or hardware, or blank CDs and DVDs.

Minor Equipment - 760

Consists of equipment (including furniture & fixtures) that does not meet or exceed the applicable capitalization threshold dollar amount. (For detailed information regarding the capitalization of assets refer to "Accounting for Tangible Capital Assets", sub-section 8.5).

Information Technology Equipment - 780

Information technology is the application of technologies to the creation, management, and use of information related to computer systems and data, video and/or multi-media networks in office administration and the learning environment.

Includes expenditures for computer hardware, operating system software and software bundled with the computer, and computer related peripherals such as printers, scanners, CD ROM writers/players, monitors, modems, routers, Local and Wide Area Network components. Digital devices such as e-readers, tablets and smart boards are included here. Also includes equipment that is part of a one or two-way multi-site video delivery system such as TV, VCR, microwave transmitter, satellite receiver, switching controls and video/audio equipment. Rentals and leases related to information technology equipment are to be charged here.

6.2.5 Other Expenses

Loan Interest and Bank Charges – 910

Includes interest on loans, bank interest and service charges.

Bad Debt Expense – 950

Consists of those receivables that are deemed uncollectible and written off, as well as the estimated expense related to "Allowance for Doubtful Accounts".

6.2.6 Transfers and Non-Vested Sick Leave

School Divisions - 960

Includes payments for transportation costs, residual fees and transfer fees related to students attending school in a division other than the home division.

Payroll Tax - 970

Consists of payroll tax paid to the provincial government.

Organizations, Individuals and Other Entities - 980

Includes payments in lieu of transportation, and board and room, as well as grants or donations to organizations and individuals where no goods or services of an educational nature are received in return. Tuition fees to First Nations are also included here. **Do not include payments for students that are counted in the home division's full-time equivalent enrolment figures.**

Interfund - 990

Amounts transferred from one fund to another on a permanent basis. Do not include loans of a temporary nature. Temporary loans are set up in Statement of Financial Position Accounts. (See How - to sub-section 12.2.1 and 12.2.2)

Non-Vested Sick Leave - 991

Consists of the accrual for the current period's non-vested accumulated sick leave costs. The calculation is based on a 3 year average actual history of sick days used in excess of sick days earned to project the expected future sick time utilization, then discounted using net present value techniques. The resulting entry can either be a debit or a credit in any given year.

Recharge - 999

This account may be used to recharge (transfer) costs from one program to another where it is deemed unnecessary to credit specific object codes. A debit to the appropriate program is made using this object while a credit using the same object is used to reduce the program being credited. An example would be the transfer of costs of field trips to the program "Other" where a division has maintained its total bus fleet costs under the program "Regular". (See Allocation Rules sub-section 11.7.)

CAPITAL FUND

7.1 Introduction

The Capital Fund will include all transactions relating to tangible capital assets as well as any debenture supported expenditure that does not meet the requirements for capitalization as defined in this manual. Tangible capital assets will not be recorded in the Operating Fund. Funds acquired for the specific purpose of acquiring a tangible capital asset will be shown in the Capital Fund, while funds transferred from either the Operating Fund or Special Purpose Fund will be recorded as an Interfund Transfer between the applicable funds.

Expenses within the Capital Fund will mainly consist of the amortization costs relating to the tangible capital assets as well as interest costs on debenture and other debt.

This section of the manual provides information on the various Capital Fund accounts including financial and non-financial assets, liabilities, revenues, and expenses. There is also information provided on the capital reserve accounts policy.

7.2 Capital Fund Accounts

7.2.1 Financial Assets

Cash and Bank (Cash Equivalents)

Includes moneys on deposit in any bank and/or credit union for accounts that have been opened specifically for purposes relating to capital transactions. Also includes short term highly liquid investments with a maturity date of 3 months or less in which a school division has invested capital funds on a short term basis (e.g. 3 months or less). If the net balance of all the accounts included in this classification is a deficit, then the amount would **not** be reported as a financial asset, but rather should be reported as an “Overdraft” in the Liabilities section of the Statement of Financial Position.

Due from Provincial Government

Includes all amounts due from the Core Manitoba Government**.**

Due from Federal Government

Includes all amounts due from the Government of Canada.

Due from Municipal Government

Includes all amounts due from Municipal Governments.

Due from First Nations

Includes all amounts due from First Nations.

Due from Other Funds

Represents amounts due to the Capital Fund from the Operating Fund and/or the Special Purpose Fund.

NOTE: The “Due from Other Funds” and “Due to Other Funds” accounts do not appear on the consolidated financial statements (they are eliminated upon consolidation). Therefore the balance in this account must equal the total of what is reported as “Due to the Capital Fund” within the other two Funds.

Accounts Receivable

Includes all amounts due from individuals, corporations, firms, etc. that have not been reported elsewhere on the Statement of Financial Position. Also includes amounts due from GBE’s. The receivable total reported should be net of any allowance for doubtful accounts, if applicable.

Portfolio Investments

Represents investments outside of the school division reporting entity where a school division has invested capital funds which have no maturity date or have a maturity date of greater than 3 months such as investments in GICs, term deposits, bonds and equity instruments. Excludes investments in GBE’s. Securities that a school division may invest in are defined under Section 201 of the Public Schools Act and can only be securities of a bank, trust company or credit union, or securities issued or guaranteed by the Government of Canada or the Government of Manitoba.

Accrued Investment Income

Represents interest or other types of income that has been earned on an investment but that has not been received.

7.2.2 Non-Financial Assets

Tangible Capital Assets

For all information regarding tangible capital asset classes, capitalization thresholds and estimated useful lives for the various asset classes, as well as what is included in acquisition cost, refer to Section 8, “Tangible Capital Assets”.

Accumulated Amortization

Represents the cumulative amount of the annual amortization charges made against those capitalized assets that are still carried in the books of the school division.

NOTE: For recording purposes, it may be beneficial for school divisions to have separate "Accumulated Amortization" general ledger accounts for each asset class.

7.2.3 Liabilities

Overdraft

Represents the net deficit position of all bank and/or credit union accounts that have been opened specifically for purposes relating to capital transactions. Refer also to "Cash and Cash Equivalents" in the Financial Assets section.

Accounts Payable

Represents amounts owed to private persons, firms or corporations for goods or services that have been received and invoiced, but not yet paid. Also includes amounts owed to GBE's.

Accrued Liabilities

Represents liabilities that have been incurred, but not paid or reported under accounts payable. In other words, obligations for services provided to the school division for which invoices have not been received. An example would be where contract work has been performed on an asset under construction but the billing period for the contract extends beyond the reporting period ending date.

Accrued Interest Payable

Represents the amount of interest that has accrued, to the end of the reporting period, on all capital borrowings of the school division, including debenture debt**.**

Due to Provincial Government

Includes all amounts owing to the Core Manitoba Government.

Due to Federal Government

Includes all amounts owing to the Government of Canada.

Due to Municipal Government

Includes all amounts owing to the Municipal Governments.

Due to First Nations

Includes all amounts owing to First Nations.

Due to Operating Fund

Represents amounts due to the Operating Fund from the Capital Fund.

NOTE: The "Due from Other Funds" and "Due to Other Funds" accounts do not appear on the consolidated financial statements (they are eliminated upon consolidation). Therefore, the balance in this account must equal the total of what is reported as “Due from the Capital Fund” within the Operating Fund.

Deferred Revenue

Represents revenues that have been received in advance of the earnings process or prior to the revenue recognition criteria having been met. For example, externally restricted funds may be recorded as deferred revenue until the expenditures relating to the external restriction are incurred.

Another example of when deferred revenue would be recorded in the Capital Fund would be to offset the cost of a donated asset. The deferred amount would be recognized as revenue on the same basis that the donated asset is amortized. For more information regarding this topic refer to Donated Assets**,** sub-section 8.5.2

Debenture Debt

Represents the principal amount of debenture debt not yet due for repayment.

Other Borrowings

Represents the principal amount of all borrowings, other than debenture debt. The notes to the financial statements should provide detailed information regarding the amounts reported in this category.

The liability for capital lease obligations is to be included in this category. (For more information on capital leases, refer to sub-section 8.9.)

7.2.4 Accumulated Surplus / Equity

Represents balances held in reserve accounts and the school division’s equity in tangible capital assets.

7.2.5 Reserve Accounts

Represent the portion of Equity that is internally restricted and held for capital purposes. Refer to sub-section 7.3, Capital Reserve Policy**,** for further details.

7.2.6 Revenue

Provincial Government

- Grants

  Consists of funds received from the core Manitoba Government for the reimbursement of, or grants toward, the costs associated with the acquisition of **non-debentured** tangible capital assets. Do not include Government Business Enterprise grant revenue here.

- Debt Servicing – Principal
  Represents funds received from the Manitoba Government for reimbursement of the annual principal payment on debenture debt

- Debt Servicing – Interest
  Represents funds received or receivable from the Manitoba Government for reimbursement of the interest paid or accrued on debenture debt.

Federal Government

Consists of funds received from the Government of Canada for the reimbursement of, or grants toward, the costs associated with the acquisition of tangible capital assets.

Municipal Government

Consists of funds received from Municipal Governments for the reimbursement of, or grants toward, the costs associated with the acquisition of tangible capital assets.

Other Sources

- Investment Income
  Represents the income earned on investment of capital funds.

- Donations
  Includes funds acquired as a gift towards the acquisition of a tangible capital asset. The capital asset itself would not be recorded here but would be recorded in the applicable asset category to be amortized as required. See also “Deferred Revenue” for information on how to record the revenue associated with a donated asset.

- Insurance Proceeds
  Represents funds received as a result of an insurance claim on an insured tangible capital asset that has previously been removed from the books. (Refer to sub-section 8.5.4)

- Grants from Entities other than Core Provincial Government
  Consists of funds received for the reimbursement of, or grants toward, the costs associated with the acquisition of tangible capital assets, such as Manitoba Hydro Grants.

7.2.7 Expenses

Amortization Expense

Represents the annual amortization charges made against those capitalized assets that are still carried in the books of the school division.

NOTE: For recording purposes, it may be beneficial for school divisions to have separate “Amortization Expense” general ledger accounts for each asset class.

Debenture Debt Interest

Represents the annual interest costs relating to debenture debt. This amount includes the accrued portion to the end of the reporting period.

Other Interest

Represents the annual interest costs relating to all other capital debt, excluding debenture debt. This amount includes the accrued portion to the end of the reporting period.

Other Capital Items

Represents the costs of those items that have been funded through debenture financing but do not meet the requirements for capitalization. Non-debentured capital costs that do not meet the capitalization threshold are to be reported in the Operating Fund (e.g. School Buildings Repairs and Replacements – Program 850 – Section D eligible expenses).

The expense associated with a “Write-down” of a tangible capital asset would also be included here. For more information regarding write-downs, refer to the Definitions area within Section 8, **“**Tangible Capital Assets**”**.

Loss / (Gain) on Disposal of Capital Assets

A loss on disposal represents the amount by which the net book value of the tangible capital asset, after applying the half year of amortization in the year of disposal (if applicable), exceeds any proceeds realized upon the asset’s disposal.

A gain on disposal represents the amount by which the proceeds realized upon the asset’s disposal, exceed the net book value of the tangible capital asset, after applying the half year of amortization in the year of disposal (if applicable).

7.3 Capital Reserve Policy

School Divisions may establish capital reserves with the approval of The Public Schools Finance Board (PSFB) in accordance with Section 200 of The Public Schools Act of Manitoba. The intention of this policy is to promote consistency and uniformity in accounting for, reporting of, and use of Capital Reserve funds. The policy applies to all Capital Reserves, including previously established reserves.

1. Capital Reserves may be established for the purpose of funding capital expenditures and expenditures of a capital nature that align with PSFB capital programs, but that may or may not meet the accounting rules for capitalization. Capital reserves may also be established for large scale computer renewals.

2. In order to establish a Capital Reserve, the School Division requires the express written approval of the PSFB. In the request to establish a Capital Reserve, the School Division shall state the purpose for the Capital Reserve, the source of the funds and the projected balance (inclusive of interest) of the Capital Reserve. The reserve must be for a specific project and may not be used on a revolving basis. (i.e. Total deposits to the reserve may not exceed the maximum amount approved.)

Once a Capital Reserve is approved, the funds may only be used for the stated purpose. However, it is recognized that circumstances may change from time to time. Therefore, in limited situations, should circumstances change regarding the intended purpose, the school board, may, by board motion, seek approval from PSFB for a repurpose of an existing capital reserve.

Capital Reserves from proceeds from the sale of land and/or buildings may be established without a stated capital purpose; however funds from this reserve may also only be used for capital expenditures. Any withdrawal from these reserves requires prior approval by the PSFB.

Requests for a Capital Reserve must be received no later than September 15th of the year following the year-end for which the reserve is required.

Requests for Capital Reserves must include a board motion number.

3. Funds held in reserve in the capital fund must be accounted for in a separate capital reserve account and may not be included within any other account in the capital fund.

4. The PSFB gave blanket approval to school divisions to establish bus reserves in March 1997; therefore, it is not necessary for divisions to ask for approval for bus reserves.

5. There shall be separate accounting by the school division for each Capital Reserve. This means that the school division shall keep records for each Capital Reserve,

however, the funds for all Capital Reserves may be held in one bank account at the discretion of the school division.

6. The notes to the financial statements shall disclose the amount and purpose of each capital reserve account.

7. In a year when a Capital Reserve withdrawal occurs from other than a bus reserve, the secretary-treasurer shall prepare a schedule at the end of the fiscal year reporting the opening balance, the additions or increases, the withdrawals, and the closing balance for each Capital Reserve.

This schedule shall be certified by the secretary-treasurer that the transactions reported have been made in accordance with the stated purpose of the Capital Reserve. These transactions shall be reported on a form provided by the PSFB.

8. In the event approval for a Capital Reserve is not obtained by the School Division or the PSFB denies approval, the balance of the proceeds intended for the proposed Capital Reserve shall be returned to the operating fund by the end of the fiscal year in which the request to establish the Capital Reserve is made or should have been made. These funds shall be reported as operating funds for financial statement purposes.

9. Requests for reserves should be sent to the attention of the Director, Schools' Finance Branch at 511-1181 Portage Avenue, R3G 0T3.

Issued: May, 2004
Updated: June, 2008
Updated: June, 2010
Updated: May, 2014

7.3.1 Sample Letter Requesting Approval for a Capital Reserve

Director, Schools' Finance Branch
511 – 1181 Portage Avenue
Winnipeg, MB R3G 0T3

REQUEST TO ESTABLISH A RESERVE

In accordance with Section 200 of The Public Schools Act of Manitoba, the ____________________ School Division hereby requests approval from The Public Schools Finance Board to establish a reserve as described in the following sections.

The purpose of the reserve fund is to ___ *(describe in detail the purpose/proposed use of the fund)*__________.

The source of the funds will be ____*(describe in detail the source of the funds)*__ and the projected balance of the fund will be _____*(provide a projected balance inclusive of interest).*

The board passed a resolution (board motion number)__________ at its Board Meeting on ________________(date) supporting this reserve.

Chairperson of the Board

TANGIBLE CAPITAL ASSETS

8.1 Introduction

Tangible capital assets are a significant economic resource of school divisions and a key component in the delivery of the school division's programs. The "Definitions" and "Accounting for Tangible Capital Assets" sections that follow provide a general framework for school divisions to use when accounting for their tangible capital assets under PSAB standards. The *Handbook* Section 3150, "Tangible Capital Assets", and Accounting Guidelines PSG-2, "Leased Tangible Capital Assets", provide greater detail regarding the reporting procedures that must be followed.

Professional judgment, based on an individual's past experiences and training, will be required when dealing with accounting issues regarding tangible capital assets. Professional judgment must be used in determining which costs should be capitalized, the proper classification of certain assets, and the appropriateness of the useful life, among other things.

8.2 June 30, 2005 Valuation

Prior to the implementation of PSAB standards, school divisions recorded the cost of these assets in the fiscal year in which they were incurred. However, PSAB accounting rules require that the cost of tangible capital assets be amortized over the useful life of the asset.

As part of the transition to PSAB standards, school divisions were required to record opening balances for all of their existing tangible capital assets. As a first step, all school division owned buildings over $25,000 had to be recorded at historical cost. Due to the fact that in many cases school divisions did not have records of original cost for older buildings, Schools' Finance Branch (SFB) developed a methodology to calculate estimated historical costs for school division owned buildings.

Actual cost was used in all cases where it was known or could readily be determined. If the actual cost was not available, the methodology developed by SFB was used. This methodology utilized estimated replacement values, square footage and construction dates for all buildings as obtained from Hayhurst Elias Dudek, the insurance broker for Manitoba school divisions. The current replacement values were then regressed to the original purchase or construction date using a regression index based on Southam and CanaData Construction Cost indices. In the case of a school with additions, the replacement cost was allocated to each section of the building based on square footage. This prorated replacement cost was then regressed to the construction date of each section. The opening valuation was done as of June 30, 2005.

The final step to arrive at the complete historical cost and net book value for buildings was to add the cost of any betterments incurred within the ten year period ending June 30, 2005, using a capitalization threshold of $25,000. Betterments that were older than ten years were included if material, given the effect on net book value.

All tangible capital assets, other than buildings, were capitalized if they had an unamortized balance at March 31, 2006 **and** if they met or exceeded the established threshold for their asset class. The school divisions were responsible for the valuation information of these assets. Actual cost was used where it was known or could be readily determined. Land was valued by Crown Lands and Property Agency.

8.3 Definitions

Acquisition cost is the amount of consideration given up to acquire, construct, develop or better a tangible capital asset and includes all costs directly attributable to acquisition, construction, development, or betterment of the tangible capital asset, including installing the asset at the location and in the condition necessary for its intended use. (For a more detailed listing of costs to be included as acquisition costs refer to “Cost of tangible capital assets” in the “Accounting for Tangible Capital Assets” area in this section of the manual).

Accumulated amortization is the sum of all the amortization charges made and reflects the consumed or “used up” portion of the tangible capital asset.

Amortization (Depreciation) is the process of allocating the cost of a tangible capital asset over its estimated useful life in order to match costs with the revenues or public services that it helps provide. Amortization should be apportioned over an assets’ useful life in a rational and systematic manner appropriate to that particular asset’s nature and use. Amortization of tangible capital assets does not commence until the date of substantial completion.

Assets under construction is a separate asset account that is used to record the costs for those assets that go through a period of construction before they are ready to be put into use. The costs for these assets accumulate in this account until the asset is substantially completed. The value of assets under construction is not amortized, but rather when the asset is ready for use, the costs relating to it are transferred to the appropriate asset class and amortization begins.

Betterments is a cost incurred to enhance the service potential of an existing tangible capital asset. Service potential is enhanced for tangible capital assets if at least one of the following occurs:

i) there is an increase in the previously assessed physical output or service capacity;
ii) associated operating costs are lowered;
iii) the useful life is extended; or
iv) the quality of output is improved.

Consideration is something of value that is given in exchange for goods and / or services rendered.

Date of substantial completion is the date certified by the project architect on which the project / building (or a specified portion) is complete to the extent it can be occupied or used for its intended purpose in accordance with contract and/or regulatory requirements.

Disposals result when the ownership of a tangible capital asset is relinquished. A disposal reduces the cost of a tangible capital asset and its accumulated amortization to zero.

Fair value is the amount of the consideration that would be agreed upon in an arms-length transaction between knowledgeable, willing parties who are under no compulsion to act and is established by reference to market or appraised values. Where fair value cannot be determined, the asset should be recorded at a nominal value.

Gain on disposal of tangible capital assets is the amount by which the proceeds realized upon the asset's disposal, exceed the net book value of the tangible capital asset, after applying the half year of amortization in the year of disposal (if applicable).

Land improvements are improvements to land assets. Those with limited lives, such as driveways, bus loops, walkways, fences, light posts and parking lots, should be reported in a separate asset class from land and amortized over ten years.

Land improvements with infinite life (such as the contouring of land) should be reported in the "Land" asset class and would not be amortized.

Leased tangible capital asset (Capital Lease**)** is a non-financial asset that has physical substance and a useful life extending beyond one accounting period, and is held under lease by a school division for use, on a continuing basis, in the production or supply of goods and services. Under the terms and conditions of the lease, substantially all of the benefits and risks of ownership are, in substance, transferred to the school division without necessarily transferring legal ownership. Refer to sub-section 8.9, Capital Leases, for further information.

Leasehold improvements are additions, improvements, or alterations made by the lessee to a leased property that cannot be removed upon termination of the lease because they are attached to or form part of the leased premises. Leasehold improvements that exceed the capitalization threshold are amortized over the term of the lease with no residual value.

Loss on disposal of tangible capital assets is the amount by which the net book value of the tangible capital asset, after applying the half year of amortization in the year of disposal (if applicable), exceeds any proceeds realized upon the asset's disposal.

Net book value is the cost of a tangible capital asset less both its accumulated amortization and the amount of any write-downs. The net book value is, therefore, the unconsumed cost of a tangible capital asset attributable to its remaining service life.

Tangible capital assets are non-financial assets having physical substance (includes computer software) that are acquired, constructed or developed and:

i) are held for use in the production or supply of goods and services;
ii) have useful lives extending beyond an accounting period;
iii) are intended to be used on a continuing basis; and
iv) are not intended for sale in the ordinary course of operations.

Write-down refers to the process of reducing the cost of a tangible capital asset to reflect the decline in the asset's value. A write-down should be made when conditions indicate that the asset no longer contributes to a school division's ability to provide goods and services, or that the value of future economic benefits associated with the asset is less than its net book value. The net write-downs of tangible capital assets should be accounted for as an expense under "Other Capital Items" on the Schedule of Revenue, Expenses and Accumulated Surplus and should never be reversed.

8.4 Tangible Capital Asset Classes

Buildings – School

Represents the costs of acquisition/construction and betterments for buildings that are used primarily as schools. Included are the heating and air conditioning systems, ventilation, electrical, plumbing, fire protection, and other building service systems.

Buildings – Non-school

Represents the costs of acquisition/construction and betterments for buildings other than school buildings. Includes systems, etc. as outlined above for school buildings.

Leasehold Improvements

Represents the costs of additions, improvements, or alterations made by the lessee to a leased property that cannot be removed upon termination of the lease because they are attached to or form part of the leased premises.

NOTE: Leasehold improvements will be reported within either Buildings - School or Buildings - Non-school, as applicable, on the Schedule of Tangible Capital Assets.

School Buses

Represents the costs of school buses used in the transportation of pupils.

Other Vehicles

Represents the costs of all vehicles other than school buses. Includes automobiles, trucks, vans, boats, snowmobiles, motorcycles and ATVs.

Furniture & Fixtures

Represents the costs of all furniture and fixtures that meet the capitalization threshold of this category.

Fixtures are non-mechanical in nature and things that are fixed or fastened in position, and would include items such as playground structures, bleachers, and basketball backboard systems.

Equipment

Includes the costs of all types of equipment and machinery used in the day-to-day operations of the school division. Security and VOIP systems (see also 8.5.3 Grouping) are included here. Also included in this category are trailers and mobile homes.

Computer Hardware

Represents the costs for the purchase and installation of computer related hardware including personal computers, peripherals, etc. Also includes costs of equipment that can be considered a component of, is typically attached to, or communicates with an information system including all servers and their system software, e.g. LAN servers, network infrastructure.

For information on grouping of assets and the use of a work station approach to determine if computer equipment is to be capitalized, refer to Grouping, sub-section 8.5.3.

Computer Software

Includes the costs to purchase and/or design, develop, modify and install a software application, including all consultant costs, as well as internal labour costs related to employees dedicated to a software or system development project. Also includes the costs of LAN or communications software.

Annual license fees and costs related to maintaining the software are **not** capitalized.

Leased Tangible Capital Assets

Represents the costs recorded at the inception of capital leases based on the present value of the minimum lease payments. For detailed information regarding this asset category refer to Capital Leases, sub-section 8.9.

NOTE: Leased tangible capital assets will be reported within the applicable asset category (e.g. a leased bus would be recorded along with purchased buses) on the Schedule of Tangible Capital Assets. Note disclosure in the financial statements will be required to report the total amount of all leased capital assets.

Land

Represents the cost of all land owned by the school division. Also includes the costs for improvements to the land that are considered to have an infinite life, such as land contouring, etc.

Land Improvements

Includes the costs of depreciable improvements to land (e.g. those with a limited life) such as driveways, bus loops, parking lots (including lighting), walkways and fences. When these costs are incurred as part of a building construction project, they are included in the applicable building asset class. When incurred at a later date and are not considered part of the building construction project, they are recorded under the Land Improvements asset class.

Assets Under Construction

Represents the costs of those assets that go through a period of construction before they are ready to be put into use. The costs for these assets accumulate in this account until the asset is substantially completed, at which time they are transferred to the appropriate asset class and amortization begins.

8.5 Accounting for Tangible Capital Assets

8.5.1 Cost of Tangible Capital Assets

Tangible capital assets should be recorded at cost. This cost would include the purchase price (including net taxes) of the asset, as well as other acquisition costs such as installation costs, design and engineering fees, legal fees, survey and site preparation costs, freight charges, transportation insurance costs, and duties. See “How-to-Section 12.1.6” for specific accounting guidelines related to the capitalization of the costs of construction and set up/installation for modular classrooms.

The cost of a constructed asset would include all direct construction or development costs such as materials and labour, as well as other costs directly attributable to the construction or development activity. These costs include licenses, inspection fees, and interest costs to the date of substantial completion.

When a building is constructed or purchased, all systems that are integral to the building are included as part of the cost (book value) of the building (e.g. heating and air conditioning systems, ventilation, electrical, plumbing, fire protection, and other building service systems). When any of these systems are replaced and they qualify as a betterment, they will be capitalized as an addition to the building. If they do not qualify as a betterment, they will be expensed in the Operating Fund; they will not be capitalized as equipment. For more information about betterments, refer to both “Definitions” and “Betterments” in this section.

Land improvement costs, such as parking lots, driveways, etc., that are incurred **as part of** a building construction project are included in the applicable building asset class. When depreciable improvements are made at a later date and are not considered part of the building construction project, they are recorded under the Land Improvements asset class.

When more than one tangible capital asset is acquired as part of a single purchase (for example, the purchase of a building and land for a single amount), the cost of each individual asset must be calculated and recorded separately in the accounts of the school division. The individual asset cost is determined by allocating the total price paid for all of the assets acquired, to each asset, prorated based on its relative fair value at the time of acquisition.

8.5.2 Donated Assets

When a school division receives a tangible capital asset as a donation from a third party (i.e. not part of the consolidated entity), the asset is recorded at its fair value at the date of the donation. Fair value may be estimated using market or appraisal values. In addition, deferred revenue is recorded at an equivalent amount, for all assets except land. The deferred revenue will be recognized as revenue over the useful life of the related asset, on the same basis that the asset is amortized.

Where the donated asset is land, the land will be recorded at its fair market value on the date of the donation, while an equivalent amount of revenue would be recorded at the same time. There would be no deferred revenue recorded for land, as the cost of land is not amortized.

8.5.3 Grouping

Grouping of assets is not permitted. Each asset must **individually** meet the capitalization threshold for its class in order for it to be recorded as a capital asset.

An exception to the above occurs in the case of systems in which use of each component is dependent on each other to operate (e.g. a security system requires camera(s), monitor, and possibly a recording device). In this case the expenditures may be grouped together to determine if the threshold is met and recorded as one asset.

Similarly, for computers, a workstation approach may be used. All the component parts acquired as part of the installation of a computer workstation are to be recorded as one asset and capitalized, if together they meet the capitalization threshold.

8.5.4 Insurance Proceeds

Insurance proceeds received from loss or damage to tangible capital assets will be recorded as proceeds of disposition (cash or accounts receivable), and will form part of the gain/loss calculation on disposal of the asset. The difference between the insurance proceeds and the net book value of the asset is treated as a gain or loss on disposal.

8.5.5 Trade-ins

The acquisition of an asset, where the transaction involves the trade-in of an existing asset, is to be accounted for on a gross basis. The asset acquired would be recorded at its gross value, while the trade-in amount is used to determine the gain or loss on the disposal of the old asset.

For examples of journal entries involving trade-ins refer to sub-section 12.3.

8.6 Capitalization guidelines

Asset Description	Capitalization Threshold ($)	Estimated Useful Life (years)
Land	N/A	N/A
Land Improvements **(1)**	50,000	10
Buildings - bricks, mortar and steel	50,000	40
Buildings - wood frame	50,000	25
School buses	50,000	10
Vehicles **(2)**	10,000	5
Equipment **(3)**	10,000	5
Network Infrastructure **(4)**	25,000	10
Computer Hardware, Servers & Peripherals **(5)**	10,000	4
Computer Software **(6)**	10,000	4
Furniture & Fixtures	10,000	10
Leasehold Improvements	25,000	Over term of lease

NB: All amortization is on a straight line basis with no residual value. The Estimated Useful Life above is based on the acquisition of new assets. If used assets are acquired, a reasonable estimate of the remaining useful life must be determined.

(1) Includes depreciable improvements to land such as parking lots, bus loops, fences, etc.

(2) Includes automobiles, trucks, vans, boats, snowmobiles, motorcycles and ATVs.

(3) Includes all types of equipment & machinery used in day-to-day operations. Also includes security and VOIP systems; and trailers and mobile homes.

(4) Consists of the costs for fibre optic and wireless networks between sites, including any related development costs and hardware dedicated to data transmission.

(5) Purchase and installation of personal computers and LAN servers. These are to be capitalized on a workstation approach (e.g. include all components acquired to create a PC workstation and/or a LAN system).

(6) Costs to purchase and/or design, develop, modify and install a software application are included here. Includes all consultant costs, as well as internal labour costs related to employees dedicated to a software or system development project. Also includes LAN or communications software. Annual license fees and costs related to maintaining the software are not capitalized.

8.7 Betterments

Betterments, as defined in the Definition section, are considered to be capital asset additions for the assets to which they relate and should be recorded as a sub-asset to the main asset. The minimum threshold limit for the capitalization of betterments is the same as the related main asset class.

The distinguishing feature of a betterment is that it is the addition or substitution of a major part or component of a tangible capital asset which will significantly improve performance capabilities of the asset. The following are some examples:

- Replacement of a roof that would result in the extension of the asset's useful life, and/or result in lower operating costs;
- Installation of air conditioning in a building that was previously not-air conditioned, increasing the service quality of the property;
- Replacement of existing lighting with energy saving lighting, reducing future operating costs;
- Renovations that result in more efficient use of space;
- Asset improvements required as a result of enforceable code, e.g. Workplace, Safety and Health upgrades, Barrier Free Access upgrades, upgrades as a result of a Fire Commissioner report, etc.;
- Systems and equipment replacements that will extend the useful life of the building or reduce operating costs - boilers, elevators, control systems, etc.;
- Building renovations and restorations that will extend the useful life of the building.

Care must be taken to properly distinguish a repair/replacement from a betterment, especially concerning building components, systems, etc. If the replacement of a component/system occurs towards the end of the useful life cycle of the building and its installation results in the extension of the useful life cycle, then the cost is classified as a betterment. On the other hand, a substitution/replacement of a similar asset, with no added value, would be considered an operating cost that is expensed in the year acquired.

An illustration of this would be roof replacements. A roof will normally have a twenty-five year life cycle. If the roof were replaced with a similar roof in year 15 of a 40-year accounting life cycle, the cost would be expensed rather than capitalized. If the roof was a better roof, e.g. better insulation, etc, the roof would be capitalized. If the roof replacement took place in year 35, the cost would be capitalized, as the roof would clearly extend the life cycle of the building.

A repair or replacement is comprised of the repair of an existing component, or the replacement of an existing component with a similar component. The following are some examples:

- Replacement of individual components of a tangible capital asset due to age, "wear-and-tear" and damage in order to maintain the tangible capital asset in an operating condition without significantly enhancing the functionality, capacity, usability, and efficiency of the tangible capital asset;
- Renovations – replacement of carpeting, painting, etc.
- Systems and equipment repairs, and, in cases where the service potential of the building is not enhanced, replacements - boilers, elevators, control systems, etc.
- Building repairs that are required in the normal maintenance process.
- Repairs to restore assets damaged by fire, flood or similar events, to a condition just prior to the event.

It can be argued that replacing an old HVAC system with a new HVAC system always increases performance capabilities, since after prolonged use the operating efficiency of existing HVAC system usually deteriorates and a new replacement is always more efficient. However, if the replacement is essentially restoring the system to the original design standard for the building, the service potential of the overall property has not been enhanced. Accordingly, the replacement is considered a repair cost and expensed.

The amortization rate for a betterment should be based on the estimated useful life of the betterment rather than on the useful life of the main asset class to which the betterment relates.

Estimated Useful Life of Items that May Be Betterments

HVAC Systems – refers to complete systems	25 years
Components of HVAC systems – e.g. boilers, furnaces, heat pumps, roof top units, unit ventilators, air cooled condensing units, chillers, cooling towers, etc.	15 years
Dust collector	15 years
Roofs – includes all types of roofs, e.g. shingles, metal, built-up roofing (BUR), Modified Bitumen roofing, etc.	25 years
Electrical, Plumbing, Fire Protection and Fire Prevention/Alarm	15 years

8.8 Amortization

Amortization of a tangible capital asset does not commence until the asset is available for use or, in the case of a constructed asset, the date of substantial completion.

Land normally has an unlimited life and would not be amortized.

Amortization of all other tangible capital assets is on a straight line basis, with no residual value, whereby the periodic charge is the same in each year (except for the first and last year) of the useful life of the asset. In order to be consistent with the province of Manitoba's rules, one half year of amortization is recorded in the year of acquisition and in the year of disposal (providing at least one-half year of amortization remains in the year of disposal) for all tangible capital assets.

An Excel spreadsheet has been developed by Schools' Finance Branch to help school divisions record their tangible capital assets and to track the applicable amortization for each. This spreadsheet is entitled the "Capital Assets Amortization Schedule" or more commonly referred to as "CAAS". The CAAS template can be downloaded from the Manitoba Education website at http://www.edu.gov.mb.ca/k12/finance/sbr/valuation.html.

After a tangible capital asset is fully amortized, it remains on the books of the school division (and on the CAAS spreadsheet) until it is disposed of or retired. The disposal / retirement may occur by sale, destruction, loss or abandonment. Refer to Disposal / retirement of tangible capital assets, sub-section 8.10 for additional information regarding disposal of assets.

8.9 Capital Leases

A capital lease, as described in the Definition section, is a lease where the lessee assumes substantially all of the risks and benefits of ownership. Consequently, the lease, when signed, is recorded in the Capital Fund and recognized both as an asset and as a liability on the Statement of Financial Position.

All leases, other than capital leases, would be treated as operating leases. With operating leases, the lessor (or owner) transfers only the right to use the property to the lessee. At the end of the lease period, the lessee returns the property to the lessor. Since the lessee does not assume the risk of ownership, the lease payments are expensed when incurred and there is no liability reported on the Statement of Financial Position.

A leased asset would be capitalized if it meets **all** the characteristics within the definition of a capital lease. The point within the definition that is most difficult to determine is whether the benefits and risks of ownership are considered to have been transferred to the school division. This requirement would be met if one or more of the following conditions are present at the inception of the lease:

i) There must be reasonable assurance that the school division will obtain ownership of the asset by the end of the lease term. This assurance would be present if either:
    - the lease states that ownership will be transferred by the end of the lease term; or
    - the lease contains a bargain purchase option (a price that is substantially lower than the expected fair market value of the property at the date the option becomes exercisable).

ii) The term of the lease is of such duration that the school division will receive substantially all of the economic benefits from the use of the leased property. This would be the case if the lease term represents 75% or more of the economic life of the asset.

iii) The lessor is assured of recovering the investment in the leased property and of earning a return on the investment. This condition would exist if the present value, at the beginning of the lease term of the minimum lease payments is equal to 90% or more of the fair value of the leased property. The minimum lease payments, for purposes of this calculation, would exclude any portion relating to executory costs such as insurance or maintenance costs.

Even if the lease does not meet any of the above three tests, if it transfers substantially all of the benefits and risks of ownership to the lessee, the transaction should be accounted for as a capital lease. In cases where it is uncertain whether a particular lease is to be capitalized, direction should be sought from the school division's auditor.

A capital lease is accounted for as though the asset had actually been purchased. At the inception of the lease, a tangible capital asset and a liability must be recorded at the present value of the minimum lease payments, meaning the payment amount would exclude any portion relating to executory costs such as insurance or maintenance costs, etc.

The discount rate used to calculate the present value of the lease payments is the lower of:

- the school division's rate for incremental borrowing, and
- the interest rate implicit in the lease.

The capitalized value of the asset must be amortized as follows:

- If the lease contains either a bargain purchase option or terms that allow ownership to pass to the school division, then the leased asset must be amortized over the useful life of the associated asset class.

- In all other circumstances, the asset would be amortized over the lesser of the lease term and the useful life of the associated asset class.

The lease payments made in the accounting period would be allocated between:

- repayments of the liability that was originally set up;
- interest expense; and
- any related executory costs.

Capitalized leased assets must be disclosed separately to distinguish between assets that the school division owns and those that it has the right to use. In the same respect, the liability relating to leased capital assets must be disclosed.

The PSAB reporting requirements for Leased Tangible Capital Assets are described in the *Handbook* under Accounting Guidelines PSG-2.

8.10 Disposal / Retirement of Tangible Capital Assets

When a tangible capital asset is disposed of / retired, the asset (along with any betterments, if applicable) must be removed from the CAAS spreadsheet and the proper journal entries recorded. Refer to “How-to-section 12.1.6” for specific accounting guidelines related to the disposal/dismantling/removal costs of modular classrooms, and their set up/installation costs.

If the asset is fully amortized, the journal entry would simply debit the accumulated amortization account for that particular asset class and credit the associated asset account with the asset’s original value. If any consideration was received for the asset, a “Gain on disposal” would also be recorded for the amount of the consideration received.

If the asset is disposed of / retired before it has been fully amortized, then a half-year of amortization must be recorded, prior to preparing the entry to remove the asset from the records. The applicable accumulated amortization account would then be debited for the amount relating to this asset, while the proper asset class would be credited for the original asset value. A gain or loss on disposal would be recorded as explained in the Definition area within this section of the manual.

SPECIAL PURPOSE FUND

9.1 Introduction

The Special Purpose Fund will be used to account for School Generated Funds and controlled charitable foundations. Special Purpose Funds transferred to the Operating Fund or Capital Fund will be recorded as an Interfund Transfer in the Special Purpose and/or the Operating and Capital Funds.

The next section provides descriptions of Special Purpose Fund asset and liability accounts and revenue and expense categories. The School Generated Funds Accounting Policy and the Policy on School Funds documents are also included for ease of reference.

9.2 Financial Assets

Cash and Bank (Cash Equivalents)

Includes moneys on deposit in any bank, credit union, etc. as well as cash on hand. Also includes short term highly liquid investments with a maturity date of 3 months or less.

Accrued Investment Income

Represents interest or other types of income that has been earned on an investment but that has not been received.

Portfolio Investments

Represents moneys a school division has invested in organizations outside of the school division reporting entity, such as investments in GICs, term deposits, bonds and equity instruments that have no maturity dates or have a maturity date of greater than 3 months. Excludes investments in GBE's. Securities that a school division may invest in are defined under Section 201 of The Public Schools Act and can only be securities of a bank, trust company or credit union, or securities issued or guaranteed by the Government of Canada or the Government of Manitoba.

9.3 Liabilities

School Generated Funds Liability

Represents the non-controlled school generated fund balance included in school fund bank accounts (Cash and Cash Equivalents) at the end of the period.

Accounts Payable

Represents amounts owed to private persons, firms or corporations for goods or services that have been received and invoiced, but not yet paid.

Accrued Liabilities

Represents liabilities that have been incurred, but not paid or reported under accounts payable.

Due to Other Funds

Represents amounts due to the Operating and/or Capital Funds. Note - the amount due from the one fund must equal the amount due to the other fund.

Deferred Revenue

Represents certain unexpended revenues received by school divisions that have stipulations from external parties that the amounts are to be used in a certain manner (e.g. donation to establish a scholarship; donation to purchase computer equipment; or donation towards the construction of a building). If the expenditure has not been made at the end of the period, the unspent amount is to be recorded as a liability (deferred revenue) in the accounts.

Accumulated Surplus

Represents accumulated Special Purpose Fund revenue in excess of expenses over time.

9.4 Revenue

School Generated Funds

Consists of revenue of controlled school generated funds (see School Generated Funds Accounting Policy).

Other Funds

Consists of revenues of controlled charitable foundations.

9.5 Expenses

School Generated Funds

Consists of expenses of controlled school generated funds (see School Generated Funds Accounting Policy).

Other Funds

Consists of expenses of controlled charitable foundations.

9.6 School Generated Funds Accounting Policy

Under PSAB, school divisions are required to include school generated funds in their financial statements. This will involve recording revenues and expenses of controlled school generated funds, and period end balances of all school generated funds.

In establishing whether or not certain funds should be included as controlled school generated funds, the actual control of the funds is the key issue. Simply having custody of the funds, or even being a signing authority on the bank account, does not constitute control. To be deemed to have control a school must have the unilateral authority to make the decisions as to when, how and on what the funds are to be spent.

The following funds are deemed not to be controlled school generated funds and therefore their revenues and expenses are not to be included in a school division's financial statements:

- parent council funds,
- other parent group funds,
- student council funds, and
- travel club funds.

Funds raised by parent councils, other parent groups, and student councils are not considered to be controlled school generated funds regardless of who is holding the funds or signing cheques on the bank account. Travel club funds are used for trips that aren't curriculum related (e.g. trips to Europe), and therefore are not included in controlled school generated funds.

If a division has any other material school generated funds that are not controlled by the school, those funds may be excluded as well.

In the case of funds deemed not to be controlled by the school, if the money is spent on items that will belong to the school, it will be recorded in the school division accounts as revenue and expense when the purchase is made. Until the purchase is made or the control of the funds is transferred to the school, the revenue will not be reflected in the school division financial statements.

School divisions may, if unable to obtain school generated funds information in time for the year-end or quarter-end reporting, use the previous quarter's twelve month totals for revenues and expenditures. However, the cash/bank balances must be as at the actual reporting period-end date.

9.7 School Generated Funds Accounting Policy – Additional Information

9.7.1 Double Counting

Many school divisions have noted concerns about the double counting of revenues and expenses which may occur when school generated funds are consolidated with the division's financial statements.

Divisions will need to develop a method for eliminating double counting, such as the use of transfer accounts at the schools to record all transfers and/or reimbursements to and from the division office or between funds within the school. It is possible that some of the accounting software used for school generated funds may already have the ability to accommodate transfers or may be modified to do so.

Until divisions have a system in place to keep transfers and/or reimbursements separate from other revenues and expenses, it will be necessary to remove double counting from the controlled school generated fund revenue and expense figures that will be included in the financial statements. Double counting which results from transfers/reimbursements from the division office would probably be more easily retrieved from the school division records.

9.7.2 Using 12 month figures to March 31st for June 30th

It is recognized that, because schools are closed over the summer months, it may be difficult for some school divisions to receive school generated funds revenue and expense figures from their schools in time for the June 30th financial statements. If school divisions are unable to obtain school generated funds information in time for the year-end reporting, the revenue and expense figures for the 12 month period to the previous March 31st may be used in the financial statements.

If necessary, due to the tight time frame for producing the March 31st limited financial statements, the 12 month totals to the previous December 31st may be used for the revenue and expense figures.

Please note that for both March 31 and June 30, the reconciled bank balance that is reported must be for the respective period end. For June 30th, schools could request that the bank statements for July or August be sent to the division office. Most cheques issued before the year-end should have cleared the bank by the end of July or August, which means that the balances from those statements should be sufficient to represent the reconciled year-end balance.

9.7.3 Reporting

The school generated funds figures that must be reported at each period end are:

- Bank balance - the total of all school generated funds reconciled bank balances held by schools, both controlled and non-controlled;
- Revenues and expenses - only for controlled school generated funds;
- Balancing entry to a new liability account – Non-Controlled School Generated Funds.

The revenues and expenses are the total receipts and disbursements for the year excluding the non-controlled accounts.

The balancing entry that is used for the non-controlled funds will also take care of differences caused by using revenue and expense figures from a different period than the ending bank balances.

9.8 Policy on School Funds

According to The Public Schools Act, subsection 56(4), school funds are moneys that the principal of each school, subject to the rules of the school board, may raise, hold, administer and expend for the purposes of the school.

School funds are comprised of two types of funds, which are described below.

Type A – School Generated Funds

Type A school funds include moneys from all fund raising activities of the school, such as walk-a-thons, bike-a-thons, selling candies, etc., dances, hot dog days, school pictures, bottle drives, car washes, raffles, auctions, etc., etc. These moneys are raised by the school, or under the auspices of the school, through extra curricular activities for the sole use of that school. They are, for the most part, to be reported in the school division's financial statements as School Generated Funds. Please refer to the School Generated Funds Accounting Policy for more information on the accounting treatment.

Funds from cafeterias and vending machines that are operated by or contracted out by the student council are student council funds. Funds from cafeterias and vending machines that are operated by or contracted out by the school are Type A school funds.

Type B

Type B school funds include allocations from the school division (per capita grants, budget allocations, specific purpose grants, etc.), vocational revenues (auto shop repairs and service, cosmetology, business education initiatives, etc.), and revenues from cafeterias and vending machines that are operated by or contracted out by the school division. These moneys are often administered by the school division on behalf of the school, but in cases where the school administers them they are considered to be Type B school funds and would fall under the guidelines for school funds. These funds are included in the school division's Operating Fund as school division moneys.

Guidelines for School Divisions

- School boards should establish a policy or guidelines as to what types of expenditures are allowable or appropriate.

- School boards should develop policies to indicate personal expenses that are allowable and to prohibit payment for inappropriate personal expenses or where there could be a perception of a conflict of interest.

- Type B funds should be accounted for separately as they are reported in the Operating Fund of the school division as school division moneys, not as school generated funds.

- All staff should be required to submit expense reports, complete with copies of receipts, for all advances received.

- All disbursements should be supported by supplier invoices or receipts.

- Separate accounting should be maintained for specific purposes.

- School funds should be reviewed on a rotational basis by the school division's secretary-treasurer (or designate) who shall also ensure that the proper controls and procedures were in place throughout the year. The procedures undertaken to conduct this review should be documented and signed off at the time of the review.

- The school division should develop detailed guidelines for the control and accounting of all school funds, copies of which will be given to each principal and vice-principal. Included would be the policies and guidelines mentioned in points #1 and #2 above.

- Financial reports should be submitted to the school board on a regular basis (i.e. monthly, quarterly, etc.). To improve accountability reporting, additional information should be provided to assist in reviewing the financial statements.

- The divisional external auditor should review the adequacy of the systems and controls established by the secretary-treasurer for school funds and report on same in the Auditor's Supplementary Report.

Please note:

Any school or school division involvement, whatsoever, in student council funds or in parent council funds may cause the school division to be legally liable.

In situations where such involvement exists, school divisions should ensure that adequate controls are in place to safeguard against loss.

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EMPLOYEE FUTURE BENEFITS

10.1 Introduction

Certain benefit plans oblige the employer to provide benefits to an employee in future periods for service provided by the employee in the current period. These are referred to as Employee Future Benefits and include such benefits as:

- Pension plans,
- Long-term disability,
- Severance benefits,
- Salary continuation,
- Supplemental unemployment benefits,
- Job training and counselling,
- Continuation of benefits for health care, dental or life insurance,
- Vacation days,
- Accumulated sick days,
- Parental leaves,
- Sabbaticals,
- Early retirement window enhancements

The accounting objective is to recognize the cost of providing these future benefits in the period in which they are earned by the employee, because the obligation to provide the benefits arises as the employee renders the service. The accounting challenge is to determine the value of the benefit for each period of employee service in order to record the liability for which the school division is responsible.

Sub-sections 10.2 to 10.4 (Definitions, Accounting for Employee Future Benefits and Examples of Employee Future Benefits) that follow are designed to cover some of the more common types of benefits that school divisions may offer to their employees and assist school divisions with meeting the accounting requirements for Employee Future Benefits. *Handbook* PS 3250, “Retirement Benefits” and PS 3255, “Post-employment Benefits, Compensated Absences and Termination Benefits” should be consulted for more detail regarding the accounting procedures that must be followed.

10.2 Definitions

Accumulating describes benefits where the amount of the benefit increases as service is provided and the employee has a right to the benefit while employed by the school division. These benefits can be carried forward to one or more periods subsequent to that in which they are earned.

Actuarial valuation is an assessment of the financial status of a benefit plan and includes the valuation of the assets held by the plan and the calculation of the actuarial present value of benefits to be paid under the plan.

Compensated absences are benefits paid while the employee is absent but still employed by the school division. These benefits include accumulated vacation or sick days, parental leaves, certain sabbaticals and other paid leaves of absence.

Defined benefit retirement plans promise the employee a specific benefit at retirement that may be stated as an exact dollar amount or the benefit could be calculated through a formula that considers a participant's level of compensation, length of service and retirement age.

Defined contribution retirement plans are benefits in which the school division's contributions are fixed, usually as a percentage of compensation, and provide for an individual account for each employee. The retirement benefit is then based on the amount contributed to the individual's account and the investment earnings on those contributions.

Event-driven describes benefits that will only be paid when and if a particular event takes place. These benefits include post-employment benefits or compensated absences that do not vest or accumulate, such as non-vesting parental leaves.

Post-employment benefits are benefits that the school division is committed to pay after the employee leaves the employ of the school division but before retirement. These benefits include long-term disability income benefits, severance benefits, salary continuation, supplemental unemployment benefits and other benefits paid after employment.

Retirement benefits are benefits that are provided after retirement to employees and their beneficiaries. These benefits include pension income, health care benefits, life insurance, and other miscellaneous benefits provided to employees after retirement.

Termination benefits are benefits payable to the employee upon termination of employment with the school division. These benefits include early retirement window enhancements and closure benefits.

Vesting describes benefits that, after a specific or determinable date, the entitlement of the benefits are no longer conditional on the employee remaining in the service of the school division.

10.3 Accounting for Employee Future Benefits

School divisions in Manitoba offer their employees a wide variety of benefits that fall under the accounting guidelines for Employee Future Benefits. Although there are different accounting requirements for the various benefits, they can basically be grouped within two categories – those that vest and/or accumulate versus those that are event-driven.

Note**:** It is important to clarify the difference between event-driven benefits and those that vest. The definition of an event-driven benefit states that a particular event must take place before this type of benefit becomes payable. One could argue that all benefits fall under this category as all are payable only after a certain event takes place. As an example, pensions are not payable until the employee retires. However, with benefits that vest it is a known fact that the payment will be made at some time in the future because the employee has a right to it. What is not known is when the event will actually take place. On the other hand, event-driven benefits are those where there is no certainty that the event obligating the school division will actually ever happen. An example would be non-vesting parental leave where the benefit is available, but it is not certain that an employee will ever make use of the leave.

Generally, benefits that vest and/or accumulate are accounted for on a full accrual basis, while the liability and expense for event-driven benefits is only recorded once the specific event that obligates the school division actually occurs.

Handbook PS3250 and PS3255 state that materiality, best estimates and actuarial assumptions all must be considered when accounting for Employee Future Benefits. In particular, PS 3255.18 states that when dealing with benefits that vest or accumulate the obligation should be accrued assuming that the payment of benefits is probable and the amounts can be reasonably estimated. PS 3255.20 goes on to state that for benefits that accumulate but do not vest, then the accrual of the obligation should consider the expectation of future utilization of the benefit and, after review of the circumstances, it may be determined that this obligation is not significant and may not justify accrual. In other words, the use of professional judgment will be necessary when determining how to account for these benefits.

The accounting for Employee Future Benefits can be a very complex issue and not all circumstances can be handled in the same manner. The examples that follow by no means cover all possible benefit types or situations and consultation with school division auditors is recommended when dealing with the more complex issues.

10.4 Examples of Employee Future Benefits

10.4.1 Pension plans

Most school division employees are enrolled in some form of pension plan. The Teachers' Retirement Allowances Fund (TRAF) plan is compulsory for all certified teachers under contract, while most non-teaching employees are part of a defined contribution pension, such as the Manitoba School Boards Association (MSBA) plan. There are also a few school divisions that have their own defined benefit pension plans for their non-teaching employees. The accounting differs for each type of plan and is outlined below.

- **TRAF** (teaching staff)
  The TRAF pension plan is a defined benefit plan for teachers employed within Manitoba. School boards make no contributions towards TRAF, as the employer portion of this plan is paid for by the Province of Manitoba. Accordingly, no costs relating to this plan should be included in the school division's Statement of Revenue, Expenses and Accumulated Surplus. A payable would only be reported on the Statement of Financial Position if the school division has not forwarded all of the payroll withholdings to TRAF at period end. No other accrued liability would be required.

  A note in the financial statements advising the reader that school divisions do not contribute to this plan should be included.

- **MSBA** and other **Defined contribution** pension plans (non-teaching staff)
  The MSBA pension plan is a defined contribution plan and is the one that is used by the majority of the school divisions in Manitoba for their non-teaching staff. In addition, there are a few school divisions that offer their own defined contribution pension plans other than the MSBA plan. However the accounting under PSAB is the same for all defined contribution pension plans regardless of who administers it.

  Defined contribution plans, also known as money purchase plans, require school divisions to make a specified fixed contribution each period. With this type of plan school divisions do not assume any actuarial or investment risk as, once their required contributions are made, no additional funds will ever be required for the related service. The employees are the ones who assume the risk because the amount of the benefit they will receive is entirely dependent upon the amount that has accumulated in their fund and the economic conditions prevailing at their retirement date.

  The expense to be recorded by the school division is the required contribution for the accounting period. The liability, if any, would be the difference between the amount that was required to be contributed and the amount that was contributed, including any accumulated interest.

- **Defined benefit** pension plans (non-teaching staff)
  A few school divisions in Manitoba have defined benefit pension plans in place for their non-teaching staff. Unlike defined contribution pension plans, with defined benefit plans it is the school division who is at risk with respect to the amount of the benefit that each employee will receive and the investment returns on any assets set aside to pay for the cost of these benefits. In other words, the annual contribution, along with any investment returns, may not be sufficient to cover the eventual benefit payments and it is the school division that will be responsible to make up any shortfall.

  Defined benefit pension plans present much more complex issues regarding the reporting of expenses and liabilities. The determination of these amounts involves not only accounting for past transactions and events, but also includes the projection of future events such as inflation rates, investment returns, interest rates, salary increases and employee turnover and mortality. Because of the complexity in determining the expense and liability to record each period, an actuarial valuation for accounting purposes is required. PSAB recommends that these valuations should be done every three years. In the years between valuations, the information is to be updated (not necessarily by an actuary) to determine the expected accrued benefit liability and related expense.

  School divisions who are involved with defined benefit pension plans should contact the actuary of their plan and their auditors to ensure proper reporting procedures are followed.

10.4.2 Long-term disability income benefits

Many school divisions offer their employees a long-term disability (LTD) plan. It is very likely that these plans are provided through an outside carrier such as an insurance company. If this is the case, then the annual expense to record would simply be the annual cost of the premiums for the plan. The school division would not be liable for any additional costs.

On the other hand, if the school division self-insures the LTD plan, then a liability and an expense must be accrued, the timing of which is dependant on the type of plan. If the benefit does **not** vest or accumulate then the rules of event-driven benefits would apply. In this case a liability would be recognized immediately when the event that obligates the school division occurs (i.e. when the employee becomes disabled). The full expected cost of providing the benefit would be reported in that same period.

If, however, the benefits for this self-insured plan also accumulate, whereby the disability income benefits are a function of years of service, then the school division should recognize a liability and an expense in the periods in which the employees render the services to the school division that give rise to the benefit. This assumes that the payment of the benefit is probable and the amounts can be reasonably estimated. After review of the circumstances, it may be determined that this obligation is not significant and may not justify accrual.

10.4.3 Severance packages, salary continuation, etc.

This also includes Supplemental Employment benefits. If a school division offers any of these types of benefits to their employees and if the benefit vests or accumulates, then the cost of the benefit should be accrued as the employee renders the service that gives rise to it. An actuarial valuation may be required to determine the amount of the liability and to what periods to attribute the costs.

If the benefit does not vest or accumulate then it should be accounted for as an event-driven benefit. A liability is set up and the full cost of the benefit would be expensed in the period that the school division is demonstrably committed (i.e. it is known that the employee will be receiving the benefit and the amount can be reasonably estimated). This is the case even if the benefit will be paid out over more than one period.

10.4.4 Job training and counselling

A school division may offer benefits to their employees that provide job training and/or counselling upon their leaving or termination. The same rules, as described above for severances, apply for these benefits if they vest, accumulate or are event-driven.

These types of benefits are quite often covered through an employee assistance plan provided by an outside carrier. If this is the case, then the annual expense to record by the school division would simply be the annual cost of the premiums for the plan. The school division would not be liable for any additional costs.

10.4.5 Continuation of benefits for health care, dental or life insurance

Many school divisions offer group health care, dental or life insurance benefit plans to their employees. Some of these plans allow individuals to stay in the plan upon retirement or continue in the plan while on long term leave. The accounting for the cost of these benefits offered to retired or inactive employees will differ depending on who is responsible for the payment of the premiums.

If the school division pays the full amount of the premium or cost shares with the employee, and if the benefit vests and/or accumulates, then the cost of the benefit should be accrued as the employee renders the service that gives rise to the benefit.

An actuarial valuation may be required to determine the amount of the liability and to what periods to attribute the costs. This scenario would be most common in situations where employees remain on the school division's group plans after retirement.

If the school division pays for or cost shares in a benefit that does not vest or accumulate, then the cost would be treated as an event-driven benefit. In these circumstances the full cost of the benefit would be expensed in the period that the school division is demonstrably committed. This scenario would be more likely in situations where the employee remains in the group plan while on some form of long term leave.

If the employee pays the full cost of the benefit, then there is no cost or liability for the school division.

10.4.6 Vacation days

Payment of vacation time is governed by The Employment Standards Code as legislated by the provincial government. The Code states that vacation pay must accrue on all regular wages and the employee has a right to these vacation earnings (i.e. they vest). Common practice is for employees to take their vacation within 12 months of having earned the days. However, there are also situations when a school division and an employee have agreed to allow the accumulation of vacation days beyond this 12 month period. In all cases the cost of vacation days must be accrued in the accounting period that they are earned and an offsetting liability recorded. The accrual is charged to salary expense and the offsetting liability is recorded in accrued liabilities.

10.4.7 Accumulated sick days

It is common practice for school divisions to offer sick day benefits to their employees. It is also likely that the sick days, although not vesting to the employee, can be accumulated for use by the employee beyond the current period. *Handbook* PS 3255.19 states that, if this benefit accumulates, then it is an obligation and should be recognized. However, the Handbook goes on to state that the measurement of the obligation is dependent upon a quantification of expected future utilization and that it may be determined that the obligation is not significant, and therefore may not justify accrual. **Each situation is unique and it is recommended that school divisions consult with their auditors regarding this matter.**

Some school divisions' offer enhanced sick day benefits that not only accumulate, but also vest to the employee (usually to a maximum per year). In this case an accrual, similar to that done for vacation days, must be made. In other words, the cost of these vested sick days must be accrued in the accounting period that they were earned and an offsetting liability recorded.

10.4.8 Parental leaves

In most cases parental leaves would not vest or accumulate and therefore would be accounted for as an event-driven benefit. That is, a liability would be set up and the full cost of the benefit would be expensed in the period that the school division is demonstrably committed (i.e. it is known that the employee will be taking the leave and the cost can be reasonably estimated). This is the case even if the benefit will be paid out over more than one period.

If on the other hand the benefit does vest or accumulate, then the cost of the benefit should be accrued as the employee renders the service that gives rise to it. An actuarial valuation may be required to determine the amount of the liability and to what periods to attribute the costs.

10.4.9 Sabbaticals

Employees on a sabbatical leave must usually use the time away for a designated purpose. If the leave is used for such things as to perform research or provide a public service, then the leave would be seen as enhancing the reputation of or being a benefit to the school division. Under these circumstances a liability for the cost of the leave is not accrued, but rather the cost is expensed as the leave is being taken (i.e. just as the normal wages would have been expensed).

If the sabbatical leave is granted for unrestricted time off, or if it cannot be seen as being a benefit to the school division, then the leave is accounted for in the same manner as for Parental Leaves as described above. The time off is considered "unrestricted" if an employee can use the leave to do whatever he/she chooses.

10.4.10 Early retirement window enhancements

Early retirement window enhancements or other benefits relating to a school division's reorganization, downsizing or termination of a group of employees are considered termination benefits. Termination benefits are accounted for in the same manner as event-driven benefits and, therefore, the full cost of the benefit is set up as a liability and expensed in the period that the school division becomes demonstrably committed.

The timing as to when a school division is demonstrably committed depends on the circumstances surrounding the termination. In the case of a school division offering a group of their employees an early retirement incentive on a voluntary basis, the school division is considered demonstrably committed when the employee accepts the offer and the amount can be reasonably estimated.

If the school division has a contractual obligation that states a certain benefit is to be paid to a group of employees on the chance that they may be terminated due to reorganization or downsizing, the school division would be demonstrably committed when it is probable that the specific event that results in this reorganization or downsizing will occur and the amount can be reasonably estimated.

ALLOCATION RULES

In order to maintain comparability of costs reported in a standardized accounting system, it is necessary to have rules governing where costs will be charged or allocated.

11.1 Salaries

(a) Costs of staff directly involved in program delivery will be charged to the program based on the percentage of time spent on each program. This can be accomplished by either of two methods:

i) allocation by payroll distribution based on a fixed proration. The proration should be reviewed periodically (twice a year minimum) or when it is known that the conditions have changed.

ii) allocation by a journal adjustment for staff not assigned on an on-going basis but occasionally involved in different programs.

NOTE: In some cases it may be necessary to distribute salary costs to a program based on factors other than time (e.g. number of pupils taught). This practice should be kept to a minimum and used only where necessary.

(b) If supervisory staff is involved in more than one function, the salary cost will be charged firstly to the function for which the individual is primarily responsible and then the following shall apply:

i) if involved in supervision, cost **must** be allocated between functions supervised if the time involved in an individual function, on a continuing basis, is more than 25%, and **may** be allocated if the time involved is more than 10%. Supervisory costs may be allocated only when there is a direct reporting relationship and there is no other management layer between the position being allocated and the function supervised.

e.g. A Secretary-Treasurer that has direct responsibility for the transportation function, and where there is no director/manager/ coordinator/supervisor residing in the transportation function, must (may) be allocated if the time spent in the function is more than 25% (10%).

ii) if involved in direct program delivery, then (a) above will apply to portion of time spent in direct delivery, even if less than 25%.

(c) Any allocation of salaries (e.g. library, counselling etc.) should be supported by verifiable evidence, especially where grant monies are involved. An example of verifiable evidence is a document, signed by a supervisor, stating how much time the individual, whose salary is being allocated, worked in each area.

(d) Activities relating to supervision of students such as lunchroom supervision, home room supervision and playground supervision will be charged to Regular Instruction under the appropriate instructional program.

(e) Principal and vice-principal salaries should be included in Object Code 320, unless the principal and vice-principal are directly involved in classroom instruction. If this is the case, then the portion of time spent in direct classroom instruction should be charged to Object Code 330.

(f) Instructional related staff normally referred to as coordinators, consultants, directors or supervisors will normally be performing activities which would require their inclusion in programs under the Instructional and Other Support Services function.

(g) Salaries for substitute teachers replacing regular instruction teachers for such reasons as illness should be reported in Object Code 330, Function 100. **Do not** report time of substitute teachers in the full-time-equivalent count.

Salary costs for substitute teachers required for regular staff involved in professional development activities should continue to be reported under Professional and Staff Development in Function 600.

11.2 Insurance

Building and property insurance will be charged to Program 820, School Buildings - Maintenance, and Program 870, Other Buildings, as applicable. Vehicle insurance will be charged to the program where the vehicles are utilized. All other insurance will be charged to Program 530, Business and Administrative Services.

11.3 Sharing Services

Where two or more school divisions enter into agreements to share services on a fee basis, including (but not limited to) accounting, counselling, and clinician services, the school division receiving the service should record the fee paid in Object Code 510, Professional, Technical and Specialized, in the appropriate program and function. In the case of transportation, the school division receiving the service should record the fee paid in Object Code 550, Transportation of Pupils.

The school division providing the service should record the fee received as a reduction of the appropriate expenditure object code, to the extent that the fee received is a direct reimbursement of expenditures. Any amount in excess of direct reimbursement would be recorded as revenue.

The school division providing the service should report the FTE (full-time equivalent) for any shared staff on a net basis. The receiving school division should not include any FTE in their staff count as there is no associated salary reported in the object code nor does FRAME track FTE's relative to contracted services.

Where a school division is providing shared services to an independent school, the shared services grant from the Department is netted against the expenditures with any excess being recorded as Other Department of Education Revenue. Revenue received from an independent school is netted against incremental costs only, and the balance recorded as revenue.

11.4 Printing/Publishing and Duplicating

Printing/publishing and duplicating that are school division wide and administrative in nature will be charged to Program 530, Business and Administrative Services. Other printing, publishing and duplicating costs will be charged to the applicable program where they are used. The charging of costs can be on a direct or a recharge basis.

11.5 Media Materials

Media materials which are basic to the curriculum and used as a direct teaching tool will be charged to applicable instructional program.

11.6 Copyright Fees

Copyright fees should be allocated proportionately to the programs in which they are utilized.

11.7 Transportation

(a) Expenditures related to transportation of pupils will be included in the Regular program, Transportation of Pupils function if the activity is considered by the school division to be a required part of the Regular Instructional Program and is repetitively scheduled.

Example: transportation of pupils involved in swimming that is scheduled to be taken by a grade for a number of weeks in a row would be charged to Regular

Transportation, Program 720, whereas transportation regarding a periodic involvement by a grade in swimming would not. The cost of the latter would be included in Program 790, Field Trips and Other.

(b) A school division may charge all its costs relating to vehicles used for the transportation of pupils to Regular Transportation, Program 720. It will then recharge applicable costs to Program 790, Field Trips and Other. This recharge may be done on a cost per kilometre basis, but must include all costs including drivers' salaries, gas, oil, maintenance and any other costs applicable to running the vehicles.

11.8 Report Cards

Report cards will be charged to Function 100, Regular Instruction.

11.9 Workplace Safety and Health

Costs related to Workplace Safety and Health are to be allocated as follows:

- substitutes for teachers attending training or meetings - Program 110;
- Workplace Safety and Health Officer costs (salary, furniture, supplies, support, etc) - Program 820; and
- travel for persons attending training or meetings - the program to which that person's salary is charged.

11.10 Capital Expenses

Items that are paid for by debenture but do not meet the capitalization rules (e.g. are under the threshold for the asset class; do not qualify as a betterment) are to be expensed in the Capital Fund. They will appear on the financial statements under "Other Capital Items".

HOW - TO

12.1 Student Support Services - Function 200

Consists of costs specifically related to students who have exceptional learning needs, as well as counselling and guidance and resource costs for all students. Students with exceptional learning needs are students who have physical, cognitive, sensory or emotional/behavioural disabilities.

Costs would include special education and resource teachers, special needs educational assistants, counsellors, clinicians, and related and appropriate services (e.g. occupational therapists), supplies, textbooks, materials, equipment, and software. Special education coordinators or student services administrators and clerical staff are also included.

12.1.1 Special Placement - Program 240

The salaries of the teacher and any educational assistants and resource teachers working with the students in a special placement are allocated to this program. The costs associated with classrooms established specifically for students who have exceptional learning needs are to be charged to this program even if the students are not in the special placement classroom for the whole school year or if they only spend a portion of their day in it. In other words, the costs are associated with the classroom rather than the student.

The counselling costs for students in a special placement are to be charged to Program 270, Counselling and Guidance.

12.1.2 Regular Placement - Program 250

The classroom teacher is included in Function 100, Regular Instruction. An allocation of special education and/or resource teachers' salaries, based on time spent planning or participating in programming for these students or providing professional support to the classroom teacher related to students with exceptional learning needs, is included in Program 250. The costs associated with the provision of educational assistants for these students are allocated to this program.

The counselling costs for students in a regular placement are to be charged to Program 270, Counselling and Guidance.

The distinguishing characteristic of Program 250 is that it consists of incremental costs related to inclusion of specifically identified students with exceptional learning needs in a regular class.

12.1.3 Resource Services - Program 260

Consists of resource room and resource programming costs. Costs related to specialized assistance provided by a resource or special needs teacher that are not otherwise allocated to Program 240 or 250 are charged to this program. Educational assistants involved in the resource room or in resource programs are included.

The distinguishing characteristic of Program 260 is that it includes all resource programming costs other than those allocated to Program 240 or 250.

12.1.4 Allocating Expenditures between Functions and Programs

For example, a resource or special education teacher may teach or plan programming for students with exceptional learning needs in a regular or special placement, and students who are receiving support services on a short term basis. The same teacher may also provide counselling for any of the above or, on the basis of an assessment, make referrals to other agencies.

In a case like this, the amount of time spent on each different role would have to be estimated and the salary allocated to each program on that basis. The intention is to achieve <u>reasonable,</u> not necessarily precise, allocations.

12.1.5 Excluded From Student Support Services, Function 200

Expenditures related to smaller class size.

Computer assisted learning systems - unless this software is purchased for students with exceptional learning needs.

Alternative schools - unless the need being met by the alternative school fits the special placement definition.

12.1.6 Accounting Treatment for the Transfer of Modular Classrooms

NOTE: Divisions require written authorization from PSFB prior to all transfers of modular classrooms. Therefore, the transfer should not be recorded in the transferring/receiving Division's accounting records until this instruction is received.

The initial construction cost of a modular classroom should be capitalized and amortized separately from the costs incurred to ready the modular for its intended use at its location. On subsequent transfer of an existing modular between divisions and/or schools, only the net book value (NBV) of the modular unit should be transferred out to the receiving school division. The initial set up/installation costs that were previously capitalized should be written off in order to bring the asset amount to zero on the CAAS schedule. This will ensure that the inter-entity transaction amount will not be overstated when the receiving school division capitalizes their set up/installation costs to ready the modular for use in its new location.

Refer to the following guidelines for transfers of existing modular classrooms between divisions and/or schools:

Between school divisions:

- The transferring division will remove the original modular cost and accumulated amortization from their TCA schedule, generating a loss in the Capital Fund equal to the NBV remaining at the transfer date (after recording a half-year amortization if applicable). There will be no cash proceeds to account for and the related debenture debt liability will remain with the transferring school division. Costs incurred to remove/dismantle the asset and remediate the site should be expensed to "Other Capital Items" in the Capital Fund (if funded by PSFB) or expensed to the Operating Fund - Program 850 (if division funded). The transferring division should advise the receiving division of the NBV to recognize and the remaining useful life to use for calculating the new amortization period. If the receiving division is not known, the transferor should provide same information to their PSFB project leader.

- The receiving division should capitalize the modular at NBV and amortize the asset over the remaining useful life, as provided by the transferring school division. Costs incurred to relocate and install the modular to the condition necessary for its intended use should be capitalized (if material) separate from the modular and amortized over the remaining useful life of the modular. If the amount is immaterial, then record as an expense to "Other Capital Items" in the Capital fund if PSFB funded or to Program 850 in the Operating fund, if division funded. The receiving division will record the modular at its NBV, as an "Addition" on their TCA schedule (and CAAS schedule) and the gain (balancing credit entry) should be manually recorded in the Capital Fund, Schedule of Revenue, Expenses and Accumulated Surplus – Gain on Receipt of Modular Classroom.

Within the school division, between schools:

- Same treatment as above with the exception that the journal entry will not involve recognition of a gain/loss. The journal entry should reflect a direct transfer of the original cost and accumulated amortization to date from one school to the other and should be recorded as movement on the Capital Asset Amortization Schedule (CAAS) by location, rather than through a disposal entry. This will maintain the original transaction information at the division level.

SAMPLE JOURNAL ENTRIES:

Example #1

This example shows the entries required for the transfer of a modular classroom between school divisions where all moving and set up costs are funded by PSFB.

Scenario -

Transferring division –	
Original purchase price of modular	$150,000
Accumulated amortization to date	$ 63,000
Dismantling, removal costs	$ 15,000
Receiving division –	
Relocation, installation costs	$ 75,000

Transferring division:

	Debit	Credit
Amortization expense	3,000	
Accumulated amortization		3,000
To record one half-year amortization upon disposal of modular.		
Loss on Disposal of capital assets	84,000	
Accumulated Amortization	66,000	
Building		150,000
To record the disposal/transfer of the modular		
Other Capital items – capital fund	15,000	

Cash/Accounts payable		15,000
To record costs of removal and site remediation		

Receiving Division:

	Debit	Credit
Building	84,000	
Gain on receipt of Modular classroom		84,000
To record the receipt of the transferred modular at NBV		
Building	75,000	
Cash/Accounts payable		75,000
To record the relocation/installation costs		

Note: If removal/site remediation costs are division funded, then they should be expensed in the Operating fund – Program 850.

Example #2

If the modular is being transferred between schools within the same division, then the journal entry to record the transfer is as follows:

	Debit	Credit
Accumulated Amort. – Building (Transferring School)	66,000	
Building (Receiving School)	150,000	
Accumulated Amort. – Building (Receiving School)		66,000
Building (Transferring School)		150,000
To record the transfer of the modular classroom between schools		

Note: The entries would be the same as in example #1 for relocation/installation costs and for removal/site remediation costs incurred. The transfer of the asset would be recorded on the Capital Asset Amortization schedule (CAAS).

12.2 Interfund Accounts and Transfers

Financial transactions are recorded in separate funds (Operating, Capital and Special Purpose Funds), in accordance with the purpose for which the funds have been created. Interfund transactions occur when one fund transfers some of its assets to another fund either on a temporary or permanent basis.

12.2.1 Temporary Transfers between the Operating and Capital Funds

These are interfund transactions that will be reversed or repaid. They are recorded as assets or liabilities on the Schedule of Financial Position using the interfund Due from Other Funds and Due to Operating or Capital Fund accounts. The balances of these interfund accounts are maintained until repaid.

A common example of temporary transfers occurs when the funds for capital acquisition have not been received by the time the acquisitions or expenditures are made, and the funds are borrowed from the Operating Fund using the Due to/from accounts as follows:

	Debit	Credit
Operating Fund		
Due from Other Funds-Capital	25,000	
Bank		25,000

To record purchase of capital equipment to be paid from capital grant.

Capital Fund		
Equipment	25,000	
Due to Operating Fund		25,000

To record purchase of equipment paid for by the Operating Fund, but to be reimbursed by capital grant when received.

Entries when capital grant is received:

Operating Fund		
Bank	25,000	
Due from Other Funds-Capital		25,000

To record payment received from capital grant.

Capital Fund		
Due to Operating Fund	25,000	
Capital Grant		25,000

To record capital grant revenue received and payment to Operating fund.

12.2.2 Permanent Transfers between the Operating and Capital Funds

These are interfund transactions that **will not** be reversed or repaid. They are processed through interfund transfers using Transfers from and to the Operating or Capital Fund. These interfund transfers are like revenue and expenses that are closed to the current surplus or equity at the end of the year on the fund's Schedule of Revenue, Expenses and Accumulated Surplus.

The following are examples of permanent Interfund Transfers:

- Money from the Operating Fund permanently transferred to the Capital Fund to acquire capital assets should be recorded as an Interfund Transfer.

	Debit	Credit
Operating Fund		
Transfers to Capital Fund	40,000	
Bank		40,000

To record transfer of general funds to the Capital Fund to purchase equipment for schools.

	Debit	Credit
Capital Fund		
Equipment	40,000	
Transfers from Operating Fund		40,000

To record purchase of equipment for schools and transfer of funds from the Operating Fund.

- School building repairs and replacements that qualify as Betterments should be recorded as an Interfund Transfer to the Capital Fund.

Interfund transfer entries recorded at the time of the transaction:

	Debit	Credit
Operating Fund		
School Bldgs. Repairs and Replacement	10,000	
Transfers to Capital Fund	25,000	
Bank		35,000

To record payment of repair bills, $25,000 of which will be recorded in the Capital Fund.

	Debit	Credit
Capital Fund		
Buildings	25,000	
Transfers from Operating Fund		25,000

To record repair that qualified as a betterment in the Capital Fund.

For the above example, if interfund transfer entries are not prepared until month-end or year-end, at the time of the transaction record the following entry:

	Debit	Credit
<u>Operating Fund</u>		
School Bldgs. Repairs and Replacement	35,000	
Bank		35,000
To record payment of repair bills.		

Entries at month-end or year-end:

	Debit	Credit
<u>Operating Fund</u>		
Transfers to Capital Fund	25,000	
School Bldgs. Repairs and Replacement		25,000
To transfer repair that qualified as a betterment to the Capital Fund.		
<u>Capital Fund</u>		
Buildings	25,000	
Transfers from Operating Fund		25,000
To transfer repair that qualified as a betterment from the Operating Fund.		

12.2.3 Bus Reserve Entries

These are a permanent transfers of general revenues or surplus from the Operating Fund to the Capital Fund to finance school bus acquisitions.

The following entries illustrate how to set up a bus reserve in the Capital Fund when the division does not maintain a capital bank account:

	Debit	Credit
<u>Operating Fund</u>		
Transfers to Capital Fund	70,000	
Due to Capital		70,000
To record a permanent transfer from Operating surplus to Capital to set up a bus reserve.		
<u>Capital Fund</u>		
Due from Other Funds-Operating	70,000	
Transfers to Capital Fund		70,000
To set up a bus reserve.		

Implied closing entries at year-end if applicable (some software does the closing automatically at the end of the year):

	Debit	Credit
Operating Fund		
Surplus	70,000	
Transfers to Capital Fund		70,000
To close the permanent transfer to Operating surplus.		
Capital Fund		
Transfers from Operating Fund	70,000	
Equity		70,000
To close the permanent transfer to Capital surplus.		

In the above entries, the credit for the bus reserve is to the equity account because reserves form part of equity. The reserves and annual transactions would be reported in the financial statements on the Schedule of Capital Reserve Accounts.

When a school bus is purchased using the bus reserve account:

Operating Fund		
Due to Capital	70,000	
Transfer to Capital	10,000	
Bank		80,000
To record purchase of bus with funds from the Capital Reserve plus $10,000 transfer from Operating Fund.		
Capital Fund		
School Buses	80,000	
Transfer from Operating		10,000
Due from Other Funds-Operating		70,000
To record bus acquisition and withdrawal of bus reserve.		

12.2.4 Special Purpose Fund Transfers

The Special Purpose Fund may permanently transfer some of its assets to the Operating and Capital funds, but can not receive any transfers from either fund. Transfers to Operating Fund and Transfers to Capital Fund are the accounts used to record the permanent transfers. These are deducted from current surplus at the end of the year on the Schedule of Revenue, Expenses and Accumulated Surplus.

The Special Purpose Fund may have payables to the Operating and/or Capital funds, but can not have receivables from either fund. Due to Other Funds account is used to record the payables and would appear on the Schedule of Financial Position until repaid.

A common example of a Special Purpose Fund transfer occurs when a playground structure is purchased through School Generated Funds.

	Debit	Credit
Special Purpose Fund		
Transfers to Capital	90,000	
Accounts Payable		90,000
To record transfer of playground structures to the Capital Fund.		

	Debit	Credit
Capital Fund		
Furniture & Fixtures	90,000	
Transfer from Special Purpose Fund		90,000
To record playground structure purchased through School Generated Funds.		

12.2.5 Year-end Procedures

The Interfund Due to and Due from accounts are maintained on each fund’s schedule of financial position until their balances are repaid.

The Interfund Transfer to and from accounts are closed to current surplus or equity at the end of the year on each fund’s Schedule of Revenue, Expenses and Accumulated Surplus.

All interfund accounts and transfers of each fund (Operating, Capital and Special Purpose) are eliminated upon consolidation.

12.3 Journal Entries for TCA Purchases Involving Trade-Ins

Example #1

The first example shows the entries required for the acquisition of a new truck when a trade-in of an existing truck that had originally been capitalized is involved.

Scenario	-	original cost of old truck	-	$10,000
	-	accumulated amortization	-	$ 5,000
	-	cost of new truck	-	$15,000
	-	trade-in allowance for old truck	-	$ (3,500)
	-	total amount due to dealer	-	$11,500

	Debit	Credit
Amortization expense	1,000	
Accumulated amortization		1,000
To record one half year amortization upon disposal of old truck.		
Other vehicles (new truck)	15,000	
Accumulated amortization (old truck)	6,000	
Loss on disposal of capital asset (old truck)	500	
Other vehicles (old truck)		10,000
Accounts payable / Cash		11,500
To record the acquisition of new truck, disposal of old truck and allowance for trade-in.		

Note that there is no income recorded with regards to this transaction, as there is actually a loss on disposal of the old truck.

Example #2

If, on the other hand, the old truck had originally been purchased for $9,000, it would **not** have been capitalized, as it is less than the required threshold amount. This truck would have been expensed in the operating fund in the year of acquisition. In this case, the entries required would involve both the operating and capital funds.

Scenario	-	original cost of old truck	-	$ 9,000
	-	accumulated amortization	-	$ 0
	-	cost of new truck	-	$15,000
	-	trade-in allowance for old truck	-	$ (3,500)
	-	total amount due to dealer	-	$11,500

	Debit	Credit
<u>Operating Fund</u>		
Transfer to Capital Fund	11,500	
Accounts payable / Cash		11,500

To record the transfer to the Capital Fund of the net cost of the new truck.

<u>Capital Fund</u>		
Other vehicles (new truck)	15,000	
Transfer from Operating Fund		11,500
Gain on disposal of Capital Assets		3,500

To capitalize the full value of the new truck; record the transfer from Operating Fund; and record the trade-in allowance as a Gain on Disposal.

Note that with this entry there is income recorded in the capital fund for the trade-in allowance received. The gain or recovery from the expensed asset is passed on to the Capital Fund along with the new tangible capital asset. Any trade-in transactions related to tangible capital assets should be recorded in the capital fund and should be entered on the Schedule of Tangible Capital Assets (TCA) as Proceeds from Sale under applicable capital asset column.

FRAME REPORT STATISTICS

13.1 Student Statistics

When reporting student statistics for FRAME, include all K to 12 students attending a division school whether or not they are eligible for support. Division students not attending a division school are not included in FRAME FTE numbers. Kindergarten students are counted as one half and adults are counted according to percentage of time attending.

In order to be able to match FRAME program costs to students, it is necessary that both costs and students be reported on the same basis using common definitions. (See Section 5, Operating Fund, for program definitions.) In completing the statistics required for FRAME, please use the following instructions.

13.1.1 Regular Instruction

Report K-12 students under the appropriate program in accordance with FRAME program definitions. (See sub-section 5.4, Regular Instruction). The only exceptions are special placement students who are counted as part of Regular Instruction.

The following rules apply when calculating the full-time equivalent (FTE) for Senior Years Technology Education (SYTE) students:

- The academic portion of SYTE students' time is reported under Single or Dual Track Schools, while the SYTE portion is reported under Program 190, Senior Years Technology Education.
- If there is a problem counting FTE Senior Years Technology Education students due to a number of students taking only a few courses rather than an entire program, either of the following methods may be used:
    - divide the total number of credits being taken in Vocational Industrial by seven (the number of credits considered to be a full course load for the purpose of this calculation) or;
    - calculate the percentage of the day or cycle that each student spends in a Vocational Industrial class.

- School divisions utilizing the Manitoba Institute of Trades and Technology (previously Winnipeg Technical College) for Senior Years Technology Education should deduct, on an FTE basis, SYTE students from their enrolments.

- School divisions comprising the Red River Technical Vocational Area should report Senior Years Technology Education students on a net FTE basis. That is, students attending other divisions in the area should be deducted on an FTE basis from the enrolments of the reporting division, while students from other divisions should be added on an FTE basis.

13.2 Pupil Transportation Statistics

In order to be able to report comparative pupil transportation cost data, it is necessary for Divisions to report the following.

Regular Students Transported

This includes all students transported (whether eligible for funding or not) for whom costs have been included in the FRAME program Regular Transportation. (See sub-section 5.10.2, Regular Transportation, for program definition).

Total Kilometres - Log Book

Consists of all kilometres travelled by buses. The figures are to be taken from the Daily Inspection Logs for school buses and therefore will include kilometres for regular transportation to and from school in the morning, at lunch time and after school, transportation to other schools, transportation to other facilities for school sponsored activities, and transportation for field trips, etc.

Total Kilometres - Bus Routes

Consists of all kilometres travelled by buses on regular bus routes. Includes only kilometres related to transportation from the bus garage in the morning to the school and back to the bus garage after school (e.g. field trips, lunch hour transportation, etc. are not included).

Loaded Kilometres

Consists of all kilometres travelled by buses on regular bus routes while loaded with students. Includes only kilometres related to transportation on regular routes (see description of regular bus routes above) starting from when the first student is picked up until the last student is dropped off.

13.3 Personnel Statistics

When reporting the number of full-time-equivalent (FTE) personnel employed:

- A reasonable FTE for the year should be reported whether that is in an average for the year, an updated budget number or an FTE at a particular date during the year.

- Bus drivers should be counted as one full-time-equivalent.

- Educational assistants should be counted as full-time-equivalents regardless of whether a full day is considered to be 5 ½ hours or 6 hours.

INDEX

A

B

T