



REPORT FIN-2022-008

TO: Mayor and Members of Council

FROM: Mary Hasan, Director of Finance/Treasurer

MEETING DATE: February 9, 2022

SUBJECT: Ontario Regulation 284/09 – 2022 Budget
File No. F05 BUD

RECOMMENDATIONS

That Report FIN-2022-008 regarding Ontario Regulation 284/09 – 2022 Budget be received; and

That Council adopts Report FIN-2022-008 which meets the requirements of Ontario Regulation 284/09 and outlines the preparation of the 2022 Operating and Capital Budgets to a Public Sector Accounting Board compliant format.

DISCUSSION

Purpose

Ontario Regulation 284/09 requires municipalities that have excluded expenses in their budgets to prepare a report about those excluded expenses and adopt the report by Council Resolution before approving the Township's budget.

There are no direct financial implications associated with this report. The intent is to describe the conversion of the cash based operating and capital budgets to a PSAB budget compliant format.

Background

In 2009, accounting standards and financial reporting requirements changed significantly, with the most notable change being that of the requirement to report on tangible capital assets (TCA). However, these new accounting standards do not require budgets to be prepared on the same basis.

The Township, like many municipalities, continues to prepare budgets on the traditional cash basis. These budgets do not include the Public Sector Accounting Board (PSAB) requirements of accrual accounting and accounting for non-financial assets such as TCA.

Ontario Regulation 284/09

Allowable excluded expenses as per Ontario Regulation 284/09 can be all or a portion of the following:

- a) Amortization expenses
- b) Post-employment benefit expenses
- c) Solid waste landfill closure and post-closure expenses

The Township excludes amortization expense from its cash based budget. Post-employment benefit expenses (ie. premiums paid for retirees who qualify) are included in the operating budget, therefore no adjustment is required. The Township does not have any landfill expenses and as such, they are not applicable.

The regulation requires the report to contain at a minimum:

- a) An estimate of the change in the accumulated surplus (revenues less expenditures) of the municipality to the end of the year resulting from the exclusion of expenses
- b) An analysis of the estimated impact of the exclusion of expenses on future TCA funding requirements

In addition to these excluded expenses, the cash based budgets prepared by the Township include certain types of transactions that need to be excluded for PSAB reporting purposes. These are not covered in Ontario Regulation 284/09.

- a) Debenture principal repayments (ie. Carroll Pond debenture)
- b) Transfers to discretionary reserves
- c) Contributions from discretionary reserves
- d) Funds from debenture issuances (no new debentures issued for the Township in the 2022 budget)
- e) Fixed Asset/TCA expenditures

Comments

Table 1 below outlines the changes made to convert the balanced 2022 budget prepared under the cash basis of accounting to increase the Township's accumulated surplus in the amount of \$1,635,790. It is important to note that the accumulated surplus is not cash available to the Township. The most significant portion of the accumulated surplus is investments in tangible capital assets and balances in the Township's discretionary reserves.

Table 1	
2022 Budget – Cash Based	
2022 Operating Budget Tax Levy	\$3,203,288
2022 Operating Budget Other Revenues	\$2,507,927
2022 Operating Budget Net Contributions to Discretionary Reserves	-(22,603)
2022 Operating Budget Expenditures	-(5,688,612)
Surplus/(Deficit)	\$0
2022 Capital Budget Funded	\$4,459,949
2022 Capital Budget Expenditures	-(4,459,949)
Surplus/(Deficit)	\$0
Add Expenditures Excluded from Cash Based Budget	
Amortization Expense – 2020 Audited Financial Statements – Note A	-(1,420,550)
<i>Exclusion Impact on Accumulated Surplus/ (Deficit)</i>	-(1,420,550)
Remove Non PSAB Items from 2022 Cash Based Budget	
Debenture Principal Repayments	\$0
Transfers to Discretionary Reserves (Capital Budget)	\$1,430,100
Transfers to Discretionary Reserves (Operating Budget)	\$295,650
Contribution from Discretionary Reserves (Capital Budget)	-(1,334,712)
Contribution from Discretionary Reserves (Operating Budget)	-(273,047)
Funds from Debenture Issuances	\$0
Budgeted Tangible Capital Asset Acquisitions – Note B	<u>\$2,938,349</u>
Total Non PSAB Items Removed from Cash Based Budget	\$3,056,340
<i>Total Impact on 2022 Accumulated Surplus/(Deficit)</i>	\$1,635,790

Note A - Amortization expense of \$1,420,550 has an impact on the 2022 accumulated surplus amount. The amortization expense reduces the surplus amount and also reduces the net book value of the TCA reported on the audited statement of financial position.

Note B - TCA purchases of \$2,938,349 is higher than the amortization expense of \$1,420,550. The Township's Asset Management Program and Capital Budget and Forecast enables the Township to plan effectively for the replacement of current infrastructure. The 2022 Capital Budget and Forecast was prepared taking into consideration the 2019 Asset Management Plan and new and updated information regarding asset conditions (ie. 2021 Bridge and Culvert inspection reports, etc.). Based on the 2022 Capital Budget and Forecast, the estimated balances in the Asset Management Discretionary Reserve from 2021 to 2031 are within the minimum target balance of \$2.0 million and a maximum target balance of \$4.0 million as recommended in the 2019 Asset Management Plan. Report FIN-2022-007 provides further information on this matter.

The Township's projected accumulated surplus at the end of 2022 is as follows:

December 31, 2020 Audited Accumulated Surplus	\$26,033,333
Projected Impact of 2021 Budget as per Report FIN-2021-019 presented to Council at the June 16, 2021 Council Meeting	\$2,104,555
Projected Impact of 2022 Budget	\$1,635,790
2022 Estimated Ending Accumulated Surplus	\$29,773,678

FINANCIAL IMPLICATIONS

There are no direct financial implications associated with this report. The intent is to describe the conversion of the cash based operating and capital budgets to a PSAB budget compliant format.

APPLICABLE LEGISLATION AND REQUIREMENTS

Ontario Regulation 284/09 of the Municipal Act, 2001

ATTACHMENTS

None