



REPORT FIN-2023-005

TO: Mayor and Members of Council

PREPARED BY: Mary Hasan, Director of Finance/Treasurer

PRESENTED BY: Mary Hasan, Director of Finance/Treasurer

MEETING DATE: February 8, 2023

SUBJECT: Ontario Regulation 284/09 – 2023 Budget
File: F05 BUD

RECOMMENDATION

That Report FIN-2023-005 entitled Ontario Regulation 284/09 – 2023 Budget be received; and

That Council adopts Report FIN-2023-005 which meets the requirements of Ontario Regulation 284/09 and outlines the preparation of the 2023 Operating and Capital Budgets to a Public Sector Accounting Board compliant format.

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 Public Sector Accounting Board (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 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 which was fully repaid in 2018)
- b) Transfers to discretionary reserves
- c) Contributions from discretionary reserves
- d) Funds from debenture issuances (no new debentures issued for the Township in the 2023 budget)
- e) Fixed Asset/TCA expenditures

Comments

Table 1 below outlines the changes made to convert the balanced 2023 budget prepared under the cash basis of accounting to increase the Township's accumulated surplus in the amount of \$1,443,876. 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	
2023 Budget – Cash Based	
2023 Operating Budget Tax Levy	\$3,687,530
2023 Operating Budget Other Revenues	\$2,698,748
2023 Operating Budget Net Contributions to Discretionary Reserves	-\$352,674
2023 Operating Budget Expenditures	-\$6,033,604
Surplus/(Deficit)	\$0
2023 Capital Budget Funded	\$4,704,792
2023 Capital Budget Expenditures	-\$4,704,792
Surplus/(Deficit)	\$0
Add Expenditures Excluded from Cash Based Budget	
Amortization Expense – 2021 Audited Financial Statements – Note A	-\$1,477,772
Exclusion Impact on Accumulated Surplus/ (Deficit)	-\$1,477,772
Remove Non PSAB Items from 2023 Cash Based Budget	
Debenture Principal Repayments	\$0
Transfers to Discretionary Reserves (Capital Budget)	\$1,236,592
Transfers to Discretionary Reserves (Operating Budget)	\$530,750
Contribution from Discretionary Reserves (Capital Budget)	-\$1,998,213
Contribution from Discretionary Reserves (Operating Budget)	-\$178,076
Funds from Debenture Issuances	\$0
Budgeted Tangible Capital Asset Acquisitions – Note B	\$3,330,595
Total Non PSAB Items Removed from Cash Based Budget	\$2,921,648
Total Impact on 2023 Accumulated Surplus/(Deficit)	\$1,443,876

Note A - Amortization expense of \$1,477,772 has an impact on the 2023 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 – 2023 budgeted TCA purchases of \$3,330,595 is higher than the amortization expense of \$1,477,772. The Township's Asset Management (AM) Program and Capital Budget and Forecast enables the Township to plan effectively for the replacement of current infrastructure. The 2023 Capital Budget and Forecast was prepared taking into consideration the 2019 AM Plan and new and updated information regarding asset conditions and replacement cost estimates (ie. 2021 Storm Water Management Facility Maintenance Inspections etc.). Report FIN-2023-

004 provides information on the estimated balances in the AM Discretionary Reserve from 2022 to 2032 including the forecast years in which the estimated balance is within the minimum target balance of \$2.0 million and a maximum target balance of \$4.0 million as recommended in the 2019 AM Plan.

The Township's projected accumulated surplus at the end of 2023 is as follows:

December 31, 2021 Audited Accumulated Surplus	\$27,624,825
Projected Impact of 2022 Budget as per Report FIN-2022-008 presented to Council at the February 9, 2022 Council Meeting	\$1,635,790
Projected Impact of 2023 Budget	\$1,443,876
2023 Estimated Ending Accumulated Surplus	\$30,704,491

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

Engagement Opportunities

The Township has incorporated a number of engagement opportunities associated with the 2023 budget process as outlined in Report FIN-2023-006.

Attachments

None

Respectfully submitted,

Reviewed by:

Mary Hasan
Director of Finance/Treasurer

Glenn Schwendinger
Chief Administrative Officer