



REPORT FIN-2024-005

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 7, 2024

SUBJECT: Ontario Regulation 284/09 – 2024 Budget
File: F05 BUD

RECOMMENDATION

That Report FIN-2024-005 entitled Ontario Regulation 284/09 – 2024 Budget be received; and

That Council adopts Report FIN-2024-005 which meets the requirements of Ontario Regulation 284/09 and outlines the preparation of the 2024 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 2024 budget)
- e) Fixed Asset/TCA expenditures

Comments

Table 1 below outlines the changes made to convert the balanced 2024 budget prepared under the cash basis of accounting to increase the Township's accumulated surplus in the amount of \$1,019,578. 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 TCA and balances in the Township's discretionary reserves.

Table 1	
2024 Budget – Cash Based	
2024 Operating Budget Tax Levy	\$4,024,046
2024 Operating Budget Revenues	\$2,876,345
2024 Operating Budget Net Contributions to Discretionary Reserves	-\$64,957
2024 Operating Budget Expenditures	-\$6,835,434
Surplus/(Deficit)	\$0
2024 Capital Budget Funded	\$4,426,132
2024 Capital Budget Expenditures	-\$4,426,132
Surplus/(Deficit)	\$0
Add Expenditures Excluded from Cash Based Budget	
Amortization Expense – 2022 Audited Financial Statements – Note A	-\$1,572,050
Exclusion Impact on Accumulated Surplus/ (Deficit)	-\$1,572,050
Remove Non PSAB Items from 2024 Cash Based Budget	
Debenture Principal Repayments	\$0
Transfers to Discretionary Reserves (Capital Budget)	\$1,534,875
Transfers to Discretionary Reserves (Operating Budget)	\$63,750
Contribution from Discretionary Reserves (Capital Budget)	-\$1,679,461
Contribution from Discretionary Reserves (Operating Budget)	-\$198,793
Funds from Debenture Issuances	\$0
Budgeted TCA Acquisitions – Note B	<u>\$2,871,257</u>
Total Non PSAB Items Removed from Cash Based Budget	\$2,591,628
Total Impact on 2024 Accumulated Surplus/(Deficit)	\$1,019,578

Note A - Amortization expense of \$1,572,050 has an impact on the 2024 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 – 2024 budgeted TCA purchases of \$2,871,257 is higher than the amortization expense of \$1,572,050. 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 2024 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. 2023 Ontario Structure Inspection Manual Report (Bridges and Culverts) and 2023 Roads

Management Plan). Report FIN-2024-004 provides information on the estimated balances in the AM Discretionary Reserve from 2023 to 2033.

The Township's projected accumulated surplus at the end of 2024 is as follows:

December 31, 2022 Audited Accumulated Surplus	\$29,043,088
Projected Impact of 2023 Budget as per Report FIN-2023-005 presented to Council at the February 8, 2023 Council Meeting	\$1,443,876
Projected Impact of 2024 Budget	\$1,019,578
2024 Estimated Ending Accumulated Surplus	\$31,506,542

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 2024 budget process as outlined in Report FIN-2024-006.

Attachments

None

Respectfully submitted:

Mary Hasan
Director of Finance/Treasurer