



## **REPORT FIN-2026-006**

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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 11, 2026

SUBJECT: Ontario Regulation 284/09 – 2026 Budget  
File: F05 BUD

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### **RECOMMENDATION**

**That Report FIN-2026-006 entitled Ontario Regulation 284/09 – 2026 Budget be received; and**

**That Council adopt Report FIN-2026-006 as meeting the requirements of Ontario Regulation 284/09 and outlining the preparation of the 2026 Operating and Capital Budgets in a Public Sector Accounting Board compliant format.**

### **Purpose**

Ontario Regulation 284/09 under the Municipal Act, 2001 requires municipalities that exclude certain expenses from their budgets to prepare a report outlining those exclusions and to adopt the report by Council resolution prior to approving the budget.

There are no direct financial implications associated with this report. Its purpose is to describe how the Township's cash-based operating and capital budgets are converted to a Public Sector Accounting Board (PSAB)-compliant format for reporting purposes.

### **Background**

In 2009, municipal accounting standards and financial reporting requirements changed significantly, most notably with the introduction of mandatory reporting on tangible capital assets (TCA). While these standards apply to financial statements, municipalities are not required to prepare their budgets on the same accrual basis.

Like many municipalities, the Township continues to prepare its operating and capital budgets using the traditional cash basis of accounting. As a result, these budgets do not reflect certain PSAB requirements, including accrual accounting and the treatment of non-financial assets such as TCA.

### **Ontario Regulation 284/09**

Ontario Regulation 284/09 permits municipalities to exclude all or a portion of the following expenses from their budgets:

- 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 (such as premiums paid for qualifying retirees) are included in the operating budget; therefore, no adjustment is required. The Township does not operate a landfill, and as such, landfill-related expenses are not applicable.

The regulation requires the report to include, at a minimum:

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

In addition to the excluded expenses identified under Ontario Regulation 284/09, the Township's cash-based budget includes certain transactions that must be adjusted for PSAB reporting purposes. While these items are not addressed by the regulation, they are required for financial statement presentation:

- a.) Debenture principal repayments (e.g., the Carroll Pond debenture, fully repaid in 2018)
- b.) Transfers to discretionary reserves
- c.) Contributions from discretionary reserves
- d.) Proceeds from debenture issuances (no new debentures are included in the 2026 budget)
- e.) TCA expenditures

## Comments

Table 1 outlines the adjustments required to convert the balanced 2026 cash-based budget to a PSAB-compliant format, resulting in an increase to the Township's accumulated surplus of \$1,758,416.

It is important to note that accumulated surplus does not represent cash available for use. The majority of the accumulated surplus reflects the Township's investment in TCA and balances held in discretionary reserves.

*Table 1: Impact of 2026 Cash-Based Budget on 2026 Accumulated Surplus/(Deficit)*

<b>Table 1</b>	
<b>2026 Cash-Based Operating Budget</b>	
Operating Budget - Tax Levy	\$4,423,016
Operating Budget - Revenues Including Funding from Operating Discretionary Reserves	\$3,332,690
Operating Budget – Expenditures Including Contributions to Operating Discretionary Reserves	-( \$7,755,706)
<b>Subtotal – Operating Budget</b>	<b>\$0</b>
<b>2026 Cash-Based Capital Budget</b>	
Capital Budget Funding Sources	\$7,237,887
Capital Budget Expenditures	-( \$7,237,887)
<b>Subtotal – Capital Budget</b>	<b>\$0</b>
<b>Add: Expenses Excluded from Cash-Based Budget (O. Reg. 284/09)</b>	
Amortization Expense <b>(Note A)</b>	-( \$1,625,173)
<b>Impact of Excluded Expenses</b>	<b>-( \$1,625,173)</b>
<b>Remove: Non-PSAB Items Included in Cash-Based Budget</b>	
Debenture Principal Repayments	\$0
Transfers to Discretionary Reserves (Capital)	\$1,505,559
Transfers to Discretionary Reserves (Operating)	\$24,350
Contributions from Discretionary Reserves (Capital)	-( \$3,377,584)
Contributions from Discretionary Reserves (Operating)	-( \$236,123)
Proceeds from Debenture Issuances	\$0
TCA Acquisitions (Capital) <b>(Note B)</b>	<u>\$5,467,387</u>
<b>Total Non-PSAB Items Removed</b>	<b>\$3,383,589</b>
<b>Total Increase in 2026 Accumulated Surplus</b>	<b>\$1,758,416</b>

### Note A - Amortization

The amortization expense of \$1,625,173 reported in the Township's 2024 audited financial statements impacts the calculation of the 2026 accumulated surplus. Amortization reduces the accumulated surplus and reflects the annual consumption of TCA, resulting in a corresponding reduction in the net book value of those assets reported on the Township's audited statement of financial position.

### Note B – TCA Purchases

The 2026 budget includes \$5,467,387 in budgeted TCA acquisitions, which exceeds the annual amortization expense of \$1,625,173. This reflects the Township's ongoing investment in maintaining and replacing its infrastructure.

The Township's Asset Management (AM) Program, together with the Capital Budget and Forecast, supports effective long-term planning for infrastructure replacement and renewal. The 2026 Capital Budget and Forecast was developed with reference to the AM Plan, updated asset condition and replacement cost data (including the 2025 Ontario Structure Inspection Manual and refined 2025 road rehabilitation cost estimates), and incorporates Consumer Price Index (CPI) adjustments for major equipment replacements.

Additional details regarding projected balances in the AM Discretionary Reserve from 2025 to 2035 are provided in Report FIN-2026-005.

### Projected Accumulated Surplus

Table 2 outlines the Township's projected accumulated surplus at the end of 2026.

*Table 2: Projected Accumulated Surplus at December 31, 2026*

December 31, 2024 Audited Accumulated Surplus	\$35,161,782
Projected Impact of the 2025 Budget (as per Report FIN-2025-007 presented to Council on February 20, 2025)	\$1,275,682
Projected Impact of the 2026 Budget	\$1,758,416
<b>Estimated Accumulated Surplus at December 31, 2026</b>	<b>\$38,195,880</b>

### Financial Implications

There are no direct financial implications associated with this report. Its purpose is to describe how the Township's cash-based operating and capital budgets are converted to a PSAB - compliant format for reporting purposes.

**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 2026 budget process, as outlined in Report FIN-2026-007.

**Attachments**

None

**Respectfully submitted:**

**Mary Hasan**  
**Director of Finance/Treasurer**