

Report to Council

Report Title: Ontario Regulation 284/09
Prepared By: Trish Serratore, Chief Financial Officer
Department: Finance
Date: March 26, 2019
Report Number: FIN2019-12 **File Number:** C11FIN
Attachments: None

Recommendation:

That the Council of the Municipality of Brockton hereby receives Report Number FIN2019-12 Ontario Regulation 284/09 prepared by Trish Serratore, Chief Financial Officer for information purposes.

Report:

Background:

The Public Sector Accounting Board (PSAB) requires municipalities to report under a full accrual basis for financial reporting purposes. This requires Tangible Capital Assets (TCA's) to be capitalized and amortized over their useful lives, rather than expensing the entire capital cost in the year of purchase (cash basis). The preparation of the annual budget, however, does not require the accrual method and therefore Brockton continues to prepare its budget in the traditional format (as do most municipalities in Ontario).

Ontario Regulation 284/09 allows municipalities to exclude from their annual budgets amortization, post-employment expenses, solid waste landfill closure and post-closure expenses. The regulation does, however, require that the Municipality prepare a report on the impact of these excluded costs on the accumulated surplus. This report must be adopted by resolution.

Analysis:

In preparing the budget for a year, a municipality may exclude from the estimated expenses all or a portion of the following:

1. Amortization expenses;
2. Post-employment benefits expenses; and
3. Solid waste landfill closure and post-closure expenses.

The Municipality of Brockton's 2019 Tax Supported Budget and associated tax levy excludes the following:

1. Amortization expenses: Total non-consolidated amortization expense for 2018 is \$2.278 million (unaudited). The annual financial statements include amortization expense for tangible capital assets as required by PSAB standards, which reduces accumulated surplus. Although the Municipality's 2019 Tax Supported Budget does not fund amortization expense directly, provisions are made for transfers to reserve funds for future capital and infrastructure upgrades amounting to \$1,546,385 broken down as follows:

- Equipment Reserve Fund \$1,546,385
- Utility Reserve Funds \$513,916

2. Future post-employment benefits expenses: Under full accrual accounting, any amounts expected to be paid on behalf of employees on or after retirement will be expensed throughout the employee's active service life. The total obligation for all employees as at December 31, 2017 was \$136,997. Reporting post-employment benefits is a reduction to accumulated surplus.

3. Solid waste landfill closure and post-closure expenses: PSAB standards do not require liabilities associated with solid waste landfill closure and post-closure care activities to be fully funded by setting aside any portion of the accumulated surplus as reserves and reserve funds. The impact of solid waste landfill closure and post-closure expenses in 2018 is a decrease to the accumulated surplus in the amount of approximately \$440,157 (unaudited).

A report about the excluded expenses must be prepared and adopted by Council by resolution.

Sustainability Checklist:

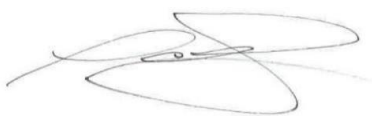
What aspect of the Brockton Sustainable Strategic Plan does the content/recommendations in this report help advance?

- | | |
|---|-----|
| • Do the recommendations help move the Municipality closer to its Vision? | N/A |
| • Do the recommendations contribute to achieving Cultural Vibrancy? | N/A |
| • Do the recommendations contribute to achieving Economic Prosperity? | N/A |
| • Do the recommendations contribute to Environmental Integrity? | N/A |
| • Do the recommendations contribute to the Social Equity? | N/A |

Financial Impacts/Source of Funding:

- Do the recommendations represent a sound financial investment from a sustainability perspective? Yes

Respectfully Submitted by:



Trish Serratore, Chief Financial Officer

Reviewed By:

A handwritten signature in dark ink, appearing to read "Suzanne W. [unclear]", written in a cursive style.

Chief Administrative Officer