

Report to Council

Date: March 24, 2025
From: Kirsten Rahm, Manager of Finance - Treasurer
Re: Ontario Regulation 284/09

RECOMMENDATION

THAT the Council of the Corporation of the Village of Merrickville-Wolford adopt the report reflecting the 2025 budget as adjusted to reflect the PSAB expenses as required under Ontario Regulation 284/09.

BACKGROUND

In 2009, accounting standards and financial reporting requirements changed significantly, with the most notable change being 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.

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 resolution. The Regulation allows a municipality to exclude from its annual budget estimated expenses related to:

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

The Regulation requires that a municipality provide a report containing the following information:

- An estimate of the change in accumulated surplus of the municipality to the end of the year resulting from the exclusion of any of those expenses; and
- An analysis of the estimated impact of the exclusion of any of those expenses on the future TCA funding of the municipality.

ANALYSIS

The Village of Merrickville-Wolford, like many municipalities, continues to prepare budgets on the traditional cash basis. The municipal budget excluded the following expenses:

1. The estimates for closure and post-closure costs for the landfill site are \$2,880,000 with approximately \$1,212,775 accrued at the end of 2024. The solid waste landfill closure and post closure expense is estimated at \$46,000 for 2025.
2. The amortization of capital expenses is estimated at \$850,000 for 2025.

The net result of the exclusion of amortization and solid waste and landfill closure and post-closure costs is a forecasted decrease to the accumulated surplus of \$896,000. These are changes to accounting and reporting requirements under PSAB and are a financial accounting treatment only and do not affect operating surpluses. The difference is one of financial presentation only.

The Village does not provide post-employment benefits, so this has no impact on the accumulated surplus and is excluded from this report.

Amortization expenses should not be used to determine the impairment of an asset; rather, it should be used to attribute the capital cost over the life of the asset and is one method of predicting the future annual financial commitment required to maintain the Municipality's assets.

Conversion from Fund to Accrual Accounting:

Operating Budget Surplus/Shortfall	\$0
Less Amortization Expense	\$850,000
Add Budgeted TCA Acquisitions	\$1,186,400
Less Proceeds of new Debentures	N/A
Add Debt Principal Payments	\$151,981
Add Transfers to Reserves	\$935,110
Less Transfers from Reserves	\$1,037,954
Post-Employment Benefits	N/A
Less Changes in Unfunded Landfill Closure and Post Closure Liability	\$46,000
Estimated Impact on the Ending Accumulated Surplus	\$339,537

Submitted by:

Approved by:

Kirsten Rahm,
Manager of Finance - Treasurer

Darlene Plumley, CAO