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**DATE:** February 4<sup>th</sup>, 2016

**TO:** Mayor and Members of Council  
Terry Korotki, CAO

**FROM:** Arryn McNichol  
Treasurer

**SUBJECT: REQUIRED DISCLOSURE RE: BUDGET IMPACTS PER  
ONTARIO REGULATION 284/09**

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**Recommendation:**

It is recommended that Council receive this report for information.

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**1. PURPOSE**

The Township of Alnwick/Haldimand is required under Ontario Regulation 284/09 to report whether amortization expenses, post employment benefits and solid waste landfill closure/post closure expenses are included in the budget. The purpose of this report is to explain Ontario Regulation 284/09 and illustrate the 2016 budget in the Public Sector Accounting Board (PSAB) 3150 format.

**2. BACKGROUND**

**The province of Ontario enacted a regulation allowing for certain items to be excluded from budgets but with a required reporting disclosure.**

Accounting standards and reporting requirements have changed dramatically for 2009 onward including the introduction of tangible capital assets accounting. The new accounting standards, however, do not require that budgets be prepared on

the same basis. Alnwick/Haldimand like most municipalities continues to prepare budgets on the traditional basis.

The Province of Ontario introduced Ontario Regulation 284/09 (O.Reg.284/09) that allows a municipality to exclude from their estimated expenses costs related to amortization expense, post employment benefit expenses and solid waste landfill closure and post closure expense. However the regulation does require that the municipality report on the impact of these excluded costs.

The regulation requires that the report contain information regarding:

- i. 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
- ii. An analysis of the estimated impact of the exclusion of any of those expenses on the future tangible capital asset funding requirements of the municipality or local board.

**\*Background information taken from ON. Reg 284/09 and MFOA material from seminar**

### 3. ANALYSIS

**The Township of Alnwick/Haldimand is going to adopt its 2016 Budget excluding amortization, post employment benefits and solid waste landfill closure and post closure expenses on February 18<sup>th</sup>, 2016.**

The Township's 2016 operating/capital budget excludes the following expenses:

- i. The budget did not include expenses for the amortization of its capital assets in the sum of \$4,123,323. However, the budget did include contributions of \$798,950 for capital asset replacement.
- ii. The Township does not have a landfill site or post employment benefits and therefore is not subject to these expenses.

The above items, should they be included in the 2016 budget, would decrease the operating surplus to an operating deficit. Overall accumulated surplus would decrease as a result of amortization.

The recent development of an Asset Management Plan will help to ensure that the Township's tangible capital assets are being replaced without large fluctuations in the tax rate or the issuance of high debt.

The following table illustrates the 2016 budget in PSAB 3150 format.

**Table 1**  
**2016 Budget**  
**PSAB 3150 Reconciliation**

	<b>2016 Budget</b>
<b>Revenues</b>	
Non-Tax Operating	1,965,426
Tax levy	4,975,797
<i>Less:</i>	
Transfer from other funds (1)	-320,228
<b>Total Revenues</b>	<b>6,620,995</b>
<b>Expenses</b>	
Operating	6,142,274
Capital	798,950
<i>Less:</i>	
Capital expenses	- 798,950
Debt principal payments (2)	- 54,323
Transfer to other funds (3)	- 510,000
<b>Total Expenses</b>	<b>5,577,951</b>
 <b>Annual surplus; before exclusions</b>	 <b>1,043,044</b>
 <i>Exclusions:</i>	
Amortization of tangible capital assets	4,132,323
<b>Total exclusions</b>	<b>4,132,323</b>
 <b>Annual deficit; after exclusions</b>	 <b>- 3,089,279</b>

**Notes:**

1. Transfer from other funds represents transfers from reserves for expenditures and is not considered a revenue source under accrual accounting.
2. Debt principal payments are considered a repayment of a long term liability and is not an expense under accrual accounting.
3. Transfers to other funds represents a contribution to reserves and is not considered an expense under accrual accounting.

While there are no direct financial implications associated with this report, information contained in this report will be reflected in the 2016 annual audited financial statements.

#### **4. LOCAL MUNICIPAL IMPACT**

Ontario Regulation 284/09 impacts all municipalities in the same capacity. There is no direct impact of the Region's adherence to this regulation on the local municipalities.

#### **5. CONCLUSION**

This report provides the information necessary to provide disclosure under Ontario regulation 284/09 that requires municipalities to report to Council when certain expenses are excluded from the budget and the impact on the overall accumulated surplus of such transactions.

Submitted by:

*Arryn McNichol*

Arryn McNichol  
Municipal Treasurer