



## CORPORATE SERVICES *Staff Report*

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REPORT NO: COR 2023-08

TO: Council

SUBMITTED BY: Patrick Kelly, CPA, CMA, Director of Corporate Services / Treasurer

PREPARED BY: Patrick Kelly, CPA, CMA, Director of Corporate Services / Treasurer

REVIEWED BY: Sharon Chambers, CAO

DATE: January 30, 2023

SUBJECT: O. Reg 284/09 – Excluded Expense Estimate

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### RECOMMENDATION:

THAT pursuant to Ontario Regulation 284/09, Report COR 2023-08 serve as a method for communicating the exclusion of estimated amortization expenses from the 2023 Municipal Budget.

### SUMMARY:

This report is provided in accordance with O. Reg 284/09, and meets the legislative reporting requirements for accrual-based budgeting.

### BACKGROUND:

Ontario Regulation 284/09 states that municipal budgets may exclude from estimated expenses, amortization expenses on tangible capital assets, post-employment benefits expenses and solid waste landfill closure and post-closure expenses. In addition, a report about the excluded expenses and their impact on the accumulated surplus shall be approved by Council and adopted by resolution within 60 days of completing the Consolidated Financial Statements.

Section 290 of the Municipal Act requires municipalities to prepare balanced budgets which include all of the expenditures and revenues for the taxation year. The adoption of full accrual

accounting within the Public Sector Accounting Board (PSAB) handbook require municipalities to report on expenses instead of expenditures. Expenditures represent outlays of assets to purchase goods and services. Expenses represent the consumption of assets to provide goods, services and intangibles. Expenses include amortization of tangible capital assets over their useful lives, change in liabilities for postemployment benefits and change in liabilities for solid waste landfill closure and post-closure.

### REPORT:

The Township is not impacted by post-employment benefits expenses, solid waste landfill closure nor post-closure expenses. The single “non-cash” item excluded from the forthcoming 2022 municipal budget is the amortization of tangible capital assets. This practice of reporting is consistent with area municipalities.

As per the audited 2021 financial statement, annual amortization for the municipality is approximately \$6.13 million. Therefore, the budget proposed to the ad hoc Budget Advisory Committee will not include approximately \$6.13 million of amortization.

Notwithstanding the exclusion of this funding of amortization, the proposed municipal budget will continue to include allocations to the Township’s Infrastructure Reserve Funds, and levy funding of the 2023 Capital Program.

Originally introduced, under Report FIN 2019-41, the Township has a dedicated infrastructure levy which generates funding to help close the infrastructure funding gap. While it will take time to build up internal financial capacity, the staged process introduced as part of the 2020 Municipal Budget will promote fiscal sustainability through the Township’s Asset Management Program.

### ALIGNMENT WITH THE TOWNSHIP OF WILMOT STRATEGIC PLAN:

This report is aligned with the Strategic Plan goal of *Responsible Governance*, through the strategies of fiscal responsibility and infrastructure investments. The most recent Strategic Plan included the specific action of developing sustainable funding mechanisms to invest in asset management and infrastructure improvement activities.

### ACTIONS TOWARDS UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS:

This report is aligned with the UN Sustainable Development Goal:

Goal 11 – Sustainable Cities and Communities

### FINANCIAL CONSIDERATIONS:

The actual amortization expense for fiscal 2023 will be calculated as part of year end processing and reporting within the 2023 audited financial statements. This amount will fluctuate from the

estimate based upon new acquisitions and disposals of tangible capital assets throughout the year.

ATTACHMENTS:

None