



City of
Peterborough

TO: Members of the Audit Committee

FROM: Brian Horton, Senior Director of Corporate Services

MEETING DATE: December 13, 2010

**SUBJECT: Report CPFRAS10-015
Municipal Act Regulation 284/09 and Public Sector Accounting
Board Standards**

PURPOSE

A report to comply with Ontario Regulation 284/09, which requires Council to approve a resolution regarding expenses excluded from the 2010 Budget and to present the 2010 Operating Budget in the full accrual PSAB Budget format to be used in the preparation of the 2010 Consolidated Financial Statements.

RECOMMENDATIONS

That Council approve the recommendations outlined in Report CPFRAS10-015 dated December 13, 2010, of the Senior Director of Corporate Services, as follows:

- a) That Report CPFRAS10-015 setting out the excluded expenses, as defined in Ontario Regulation 284/09, that were not included in the City of Peterborough's 2010 approved budget, be received.
- b) That the 2010 full accrual budget as presented in Appendix B of report CPFRAS10-014 be received.

BUDGET AND FINANCIAL IMPLICATIONS

There are no budget and financial implications to the City's 2010 operations by Council approving the recommendations of Report CPFRAS10-015.

BACKGROUND

Regulation 284/09 of the Municipal Act, 2001

Effective for the 2009 financial statements, new accounting standards, as set out in the Public Sector Accounting Board (PSAB) Handbook, required municipalities to record certain expenses (excluded expenses) in its 2009 Financial Statements that had not been included before. They are:

- Amortization expense of tangible capital assets
- Post-employment benefits expenses
- Solid waste landfill closure and post-closure expenses

Regulation 284/09 of the Municipal Act, 2001 (Regulation), as set out in Appendix A, allows a municipal budget to be approved excluding these expenses. If a municipality has adopted a budget for 2010 that excludes any of these expenses, the municipality shall, within 60 days after receiving its audited financial statements for 2009, prepare a report about the excluded expenses; and adopt the Report by resolution.

The City's 2009 Audited Consolidated Financial Statement report was presented to the Audit Committee on July 26, 2010 and was officially received by Council at its meeting held August 9, 2010. To comply within the 60-day time frame as stipulated by the Regulation, this report should have been presented to and endorsed by Council in early October 2010. That was not possible because of the 2010 election break, and staff are now submitting this report to the first scheduled Audit Committee of the 2011-2014 Council for consideration and ultimate adoption by Council.

The balance of this report fulfills the obligation under the Regulation.

City of Peterborough's Application of the Regulation

As was permitted under the Regulation, the City did not provide for the excluded expenses in its 2009 or 2010 Budgets. To comply with the regulation, staff have prepared a schedule, as set out in Appendix B that converts the approved 2010 Budget to a Full Accrual PSAB Compliant Budget that includes estimates of the excluded expenses.

The regulation also stipulates that the report required under the regulation shall, as a minimum, provide an estimate of the change in accumulated surplus of the municipality to the end of the year resulting from the exclusion of the excluded expenses.

Table 1 illustrates the impact on the City's 2009 Accumulated Surplus, previously known as the Municipal Financial Position, if the excluded expenses had not been deducted. Because the 2009 Annual Surplus in the Consolidated Financial Statements was calculated after deducting these excluded expenses, when the excluded expenses are eliminated the 2009 Accumulated Surplus is higher.

**Table 1
Impact on Accumulated Surplus as at Dec 31, 2009 if “excluded expenses” had Not been Recorded in the Financial Statements**

Accumulated Surplus per Financial Report	
Accumulated Surplus at January 1, 2009	\$554,686,127
2009 Annual Surplus	25,158,590
Accumulated Surplus at December 31, 2009	579,844,717
Adjustments	
1) Amortization expense on tangible capital assets	20,391,912
2) Post employment benefits	827,258
3) Solid waste closure and post closure	(88,798)
Total Adjustments	21,130,372
Adjusted Accumulated Surplus at December 31, 2009	\$600,975,089

1) Amortization Expenses on Tangible Capital Assets

Amortization expenses on tangible capital assets of \$20.4 million were recorded in the 2009 Consolidated Financial Statements, including \$14.3 million for the City of Peterborough. Amortization expenses on tangible capital assets were not included in the City's 2010 Operating Budget, however, and are estimated to be \$16 million. At the end of 2010, the actual amount will be combined with the amortization expenses of the other local boards of the City in the 2010 Consolidated Financial Statements.

For 2011, the City's tangible capital asset spending requirements, funding requirements and capital financing policies will be presented as part of the 2011 budget process.

2) Post-Employment Benefits Expenses

The City's 2009 Consolidated Financial Statements reported liabilities of \$28.9 million and expenses of \$0.8 million for post-employment benefits. The amounts were based on actuarial estimates and include retirement benefits; life insurance, worker's compensation, vested sick leave and vacation pay entitlements.

The City's 2010 budget includes a \$40,000 provision for vested sick leave benefits as well as a provision for vacation agreements through the salary and benefit lines. In addition, the City and its local boards have set aside, either through reserves or accruals, amounts totaling \$3.4 million which represents 11.8% of the liabilities. Additional provisions will continue to be included in future operating budgets for consideration by Council through the Budget process.

3) Solid Waste Landfill Closure and Post-Closure Expenses

The City's 2009 Consolidated Financial Statements reported liabilities of \$3.6 million for landfill closure and post-closure at the end of the year. The PSAB standards do not require liabilities associated with solid waste landfill closure and post-closure care activities to be fully funded, however, the City does contribute annually to a Landfill Closure and Post Closure Reserve to provide for this liability. The balance of the reserve at the end of 2009 amounted to \$1.7 million. Additional provisions will continue to be included in future operating budgets for consideration by Council through the Budget process.

Full Accrual Budget To Be Used In The Preparation Of The 2010 Consolidated Financial Statements

Section 294.1 of the Municipal Act, 2001 requires that all Ontario Municipalities follow the accounting standards as prescribed by the PSAB Handbook in the preparation of their annual audited financial statements. PS Handbook section 1200.122 makes the following statement:

The statement of operations should present a comparison of the results for the accounting period with those originally planned. Planned results should be presented for the same scope of activities and on a basis consistent with that used for actual results.

In using the 2010 full accrual budget as summarized in Appendix B in the preparation of City's Consolidated Financial Statements, the City will comply with PS 1200.122.

For 2011 and subsequent years

The Regulation also stipulates that for 2011 and subsequent years, the municipality shall, before adopting a budget for the year that does not include any of the excluded expenses, prepare a report about the excluded expenses and adopt the report by resolution. Staff will comply with this requirement as part of the 2011 budget process by including a schedule in the 2011 Budget presentation similar to Appendix B.

Submitted by,

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Attachments:

- Appendix A Municipal Act, 2001 - Regulation 284/09 Budget Matters
- Appendix B Conversion of 2010 Approved Budget to Full Accrual PSAB Compliant Budget

Appendix A

Ontario Regulation 284/09

Municipal Act, 2001
Loi de 2001 sur les municipalités

ONTARIO REGULATION 284/09
BUDGET MATTERS — EXPENSES

Consolidation Period: From July 31, 2009 to the [e-Laws currency date](#).

No amendments.

This Regulation is made in English only.

Exclusion

1. In preparing the budget for a year, a municipality or local board may exclude from the estimated expenses described in paragraph 3 of subsection 289 (2) and in paragraph 3 of subsection 290 (2) of the Act all or a portion of the following:

1. Amortization expenses.
2. Post-employment benefits expenses.
3. Solid waste landfill closure and post-closure expenses. O. Reg. 284/09, s. 1.

Report

2. (1) For 2011 and subsequent years, the municipality or local board shall, before adopting a budget for the year that excludes any of the expenses listed in section 1,

- (a) prepare a report about the excluded expenses; and
- (b) adopt the report by resolution. O. Reg. 284/09, s. 2 (1).

(2) If a municipality or local board plans to adopt or has adopted a budget for 2010 that excludes any of the expenses listed in section 1, the municipality or local board shall, within 60 days after receiving its audited financial statements for 2009,

- (a) prepare a report about the excluded expenses; and
- (b) adopt the report by resolution. O. Reg. 284/09, s. 2 (2).

Contents

3. A report under section 2 shall contain at least the following:

1. An estimate of the change in the accumulated surplus of the municipality or local board to the end of the year resulting from the exclusion of any of the expenses listed in section 1.
2. An analysis of the estimated impact of the exclusion of any of the expenses listed in section 1 on the future tangible capital asset funding requirements of the municipality or local board. O. Reg. 284/09, s. 3.

Review

4. The Ministry of Municipal Affairs and Housing shall initiate a review of this Regulation on or before December 31, 2012. O. Reg. 284/09, s. 4.

5. OMITTED (PROVIDES FOR COMING INTO FORCE OF PROVISIONS OF THIS REGULATION). O. Reg. 284/09, s. 5.

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Appendix B

**Conversion of 2010 Approved
Budget To Full Accrual PSAB
Compliant Budget**

City of Peterborough
Conversion of 2010 Approved Budget to Full Accrual PSAB Compliant Budget

Ref	Description	Budgeted Items Levied							Unlevied Expenses				2010 Full Accrual City Budget
		Approved 2010 Operating	Approved 2010 Other Capital	Approved 2010 Tangible Capital Assets	Net Transfers To/From Reserves	Debt Principle	Tangible Capital Assets	Subtotal 2010 Budgeted Items Levied	Amortization	Interest on Long Term Debt	Landfill Closure & Post Closure	Employee Future Benefits	
C1	C2	C3	C4	C5	C6	C7	C8	C9	C10	C11	C12	C13	C14
SUMMARY OF GROSS REVENUE & EXPENSES													
1	REVENUE												
2	Tax Levy and Other Revenue												
3	Tax	94,450,568						94,450,568					94,450,568
4	Payments in Lieu	2,609,840						2,609,840					2,609,840
5	OMPF	1,849,000						1,849,000					1,849,000
6	City of Ptbo Holdings	4,614,600						4,614,600					4,614,600
7	Draw From Social Services Reserve	2,280,000			(2,300,000)			(20,000)					(20,000)
8	Other	392,000						392,000					392,000
9	Direct Revenue	93,287,176						93,287,176					93,287,176
10		199,483,184	-	-	(2,300,000)			197,183,184	-	-	-	-	197,183,184
11	EXPENSES												
12	City Council	545,348						545,348					545,348
13	Chief Administrative Officer	447,649						447,649					447,649
14	Corporate Services	7,134,671	402,700	1,548,700	(18,081)	(171,793)	(1,548,700)	7,347,497		(4,464)		1,200	7,344,233
15	Legal Services	1,410,691						1,410,691					1,410,691
16	Utility Services	40,468,104	3,775,700	31,641,350	(6,235,814)	(573,677)	(31,641,350)	37,434,313		275,544	400,000		38,109,857
17	Community Services	86,101,712	1,286,500	3,834,700	(602,504)	(713,376)	(3,834,700)	86,072,332		(22,898)		348,800	86,398,234
18	Planning & Development Services	17,924,103	812,500	3,747,000	253,555		(3,747,000)	18,990,158		(7,048)			18,983,110
19	Financial Services - Other Financial *	10,954,515			(74,135)	(4,247,588)		6,632,792		(38,639)			6,594,153
20	Transfers to Organizations For Provision of Services **	23,579,023		350,000	(20,000)	(43,999)	(350,000)	23,515,024				300,000	23,815,024
21	Amortization								16,000,000				16,000,000
22		188,565,816	6,277,400	41,121,750	(6,696,979)	(5,750,433)	(41,121,750)	182,395,804	16,000,000	202,495	400,000	650,000	199,648,299
23	Government Grants and Other Revenues Related to Capital		50,000	17,052,750				17,102,750					17,102,750
24	Financing and Transfers												
25	Transfer to (From) Capital Levy	8,032,368	(2,262,500)	(5,769,750)			(118)	-					-
26	Transfer to (From) Reserves	2,885,000	(3,964,900)	(15,405,750)	16,485,650			-					-
27	Long term debt issued			(2,893,500)		2,893,500		-					-
28		10,917,368	(6,227,400)	(24,069,000)	16,485,650	2,893,500	(118)	-	-	-	-	-	-
29	Change in Municipal Equity - Surplus (Deficit)	-	-	-	(12,088,671)	2,856,933	41,121,868	31,890,130	(16,000,000)	(202,495)	(400,000)	(650,000)	14,637,635
	Financial Services - Other Financial *												
					Check	Check							
	Debt Charges	5,278,464			30,865	(4,247,588)		1,061,741		(38,639)			1,023,102
	Property Taxation Costs	2,405,786			-			2,405,786					2,405,786
	Other Expenditures	1,293,265			(105,000)			1,188,265					1,188,265
	Contingency	1,977,000						1,977,000					1,977,000
		10,954,515	-	-	(74,135)	(4,247,588)	-	6,632,792	-	(38,639)	-	-	6,594,153
	Transfers to Organizations For Provision of Services **												
	Police	17,367,889		350,000	(20,000)	(43,999)		17,653,890				300,000	17,953,890
	Land Ambulance	3,626,693						3,626,693					3,626,693
	ORCA	593,000						593,000					593,000
	County City Health Unit	968,000						968,000					968,000
	GPAEDC	779,965						779,965					779,965
	Peterborough Humane Society	243,476						243,476					243,476
		23,579,023	-	350,000	(20,000)	(43,999)	-	23,865,024	-	-	-	300,000	24,165,024