



County Council

Meeting Date: November 21, 2023

Submitted by: Cindy Howard, General Manager Finance and Community Services/Treasurer

Subject: 2023 PSAB Budget

BACKGROUND:

The Public Sector Account Board (PSAB) Handbook requires that budget numbers in the financial statements should be presented on the same basis and scope as the actuals. At the same time, the budget numbers reported in our financial statements must be reconcilable or relate back to the budget that was approved by Council. How you do this is entirely up to each municipality.

The implementation of PS 3150 starting with fiscal 2009 is an accounting change, not a budgeting change.

Municipalities still must determine the amount they require for taxation to run their municipality on a cash basis.

The impact of PSAB on the budget does not change the methodology in determining the tax amount that needs to be raised each year.

The PSAB budget will make council aware of the amortization requirements versus the transfer to capital and reserve currently in the budget, but as shown in the County PSAB budget reconciliation, we are transferring more to capital and reserve for future capital than amortization of our assets' historical costs.

The goal is for municipalities to use the tangible capital asset information to set aside funds for future replacement of its infrastructure and have an estimate of when they will need to be replaced. The County of Middlesex has already approved a number of procedures for transfers to reserve funds for the replacement of our capital today and in the future.

ANALYSIS:

Attached is the net 2023 PSAB/Full Accrual Budget.

To go from a tax rate budget or cash budget to a PSAB/full accrual budget we must go through a number of steps.


1. We must remove the transfer to capital, under PSAB, the capital fund does not exist as far as financing of capital.
2. Remove costs in the operating budget that are tangible capital assets such as computer replacement and library books.
3. Add back any capital projects that are not assets such as transportation bridge maintenance program.
4. Add in the amortization expense. As noted above our total transfer to capital exceeds the asset amortization expense. This is because we are replacing our assets at market value, where the amortization expense is at historical value.
5. Add back the transfer from reserve, reserve funds and capital to operating, under PSAB, reserve funds do not exist, but form part of the overall surplus.
6. Remove the transfer to reserve and reserve funds from operating, under PSAB, reserve funds do not exist, but form part of the overall surplus.
7. Add back post-employment benefit liability and the change in accrued interest on long term debt. In the full accrual budget, post-employment benefits are employee benefits that have been earned in the current year but will be paid in the future as employees retire.
8. Remove debt principal, under full accrual accounting repayment of debt principal is paying down a liability, an accounts payable, but not an expense.

FINANCIAL IMPLICATIONS:

There is no direct financial impact with this report as it does not affect our operating surplus/deficit. The intent is to describe the conversion of the approved cash-based budget to a PSAB full accrual budget format, which complies with the Public Sector Account Board (PSAB) requirements. The information contained within this report will be reflected in the 2023 annual audited financial statements.

ALIGNMENT WITH STRATEGIC FOCUS:

This report aligns with the following Strategic Focus, Goals, or Objectives:

Strategic Focus	Goals	Objectives
<p>Promoting Service Excellence</p> 	<p>Innovate and transform municipal service delivery</p>	<ul style="list-style-type: none"> • Anticipate and align municipal service delivery to emerging needs and expectations • Engage, educate and inform residents, businesses, and visitors of county services and community activities • Strengthen our advocacy and lobbying efforts with other government bodies • Collaborate with strategic partners to leverage available resources and opportunities • Build organizational capacity and capabilities

RECOMMENDATION:

THAT the net 2023 PSAB/Full Accrual budget required for the 2023 Financial Statement purposes in the amount of \$50,405,582 be approved.

Attachment