



Committee of the Whole

Meeting Date: October 12, 2021

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

Subject: 2021 PSAB BUDGET

BACKGROUND:

The Public Sector Account Board (PSAB) Handbook requires that budget numbers in the financial statements 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. It is up to each municipality to determine how this is done.

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

Municipalities must still 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 used to determine the amount of tax 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 2021 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 (RSAB) requirements. The information contained within this report will be reflected in the 2021 annual audited financial statements

ALIGNMENT WITH STRATEGIC FOCUS:

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

Strategic Focus	Goals	Objectives
Promoting Service Excellence	Innovate and transform municipal service delivery	<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 2021 PSAB/Full Accrual budget required for the 2021 Financial Statement purposes in the amount of \$40,582,222 be approved.

Attachment

County of Middlesex
2021 PSAB/FULL ACCRUAL OPERATING BUDGET

			Step 1	Step 2	Step 3	Step 4	Step 5	Step 6	Step 7	Step 8	
COMMITTEE / BOARD	2020 NET BUDGET	2021 NET BUDGET	Remove Transfer To Capital	Remove Computers/Library Books	Add Back Non Assets In Capital	Add Amortization Expense	Add Back The Transfer From Reserves/RF & Capital & Def.Rev.	Remove Transfer To Reserves/RF	Post Employment Benefits, Accrued Interest On Debt	Remove Debt Principal	2021 Revised PSAB Budget
COMMITTEE OF THE WHOLE											
Administration	\$ 3,246,748	\$ 3,339,989	(1,027,800)			613,036	125,000	(125,000)	3,896		2,929,121
Planning and Woodlots	1,232,381	1,270,396		(20,700)		-			2,687		1,252,383
Economic Development	552,876	687,876				2,789			537		691,202
Information Technology	1,267,815	1,225,282	(150,000)			187,269			3,493		1,266,044
Family & Social Services	6,514,694	6,887,351	(15,100)						4,299		6,876,550
Transportation	19,542,546	22,392,912	(16,508,665)	(40,000)	375,000	8,102,292	2,889,567		11,688		17,222,794
Strathmere Lodge	2,661,606	2,688,368	(303,160)	(2,000)		739,314	133,160		54,000		3,309,682
Strathmere Lodge - Debenture	757,000	757,000						(275,143)	(20,591)	(890,000)	(428,734)
MLEMS AUTHORITY											
Land Ambulance	3,683,927	4,184,659	(2,383,191)			1,727,590			577,400		4,106,458
LIBRARY BOARD											
Library	4,553,773	4,331,633	(709,650)	(401,000)		483,713			21,100		3,725,796
HEALTH UNIT	1,277,057	1,282,910									1,282,910
RESERVES											
Transfer from Res. - Tax Rate	(151,452)	(1,420,450)					1,420,450				-
Transfer to Res. - Working Capital	-	-									-
ONT. MUN. PARTNERSHIP FUND	(508,600)	(432,400)									(432,400)
SURPLUS - Winter Maintenance	-	(494,532)									(494,532)
COVID - 19	-	(60,052)									(60,052)
SURPLUS - Library	-	(665,000)									(665,000)
SURPLUS (from prior year)											-
Total	\$ 44,630,371	\$ 45,975,942	\$ (21,097,566)	\$ (463,700)	375,000	11,856,003	4,568,177	\$ (400,143)	658,509	\$ (890,000)	\$ 40,582,222