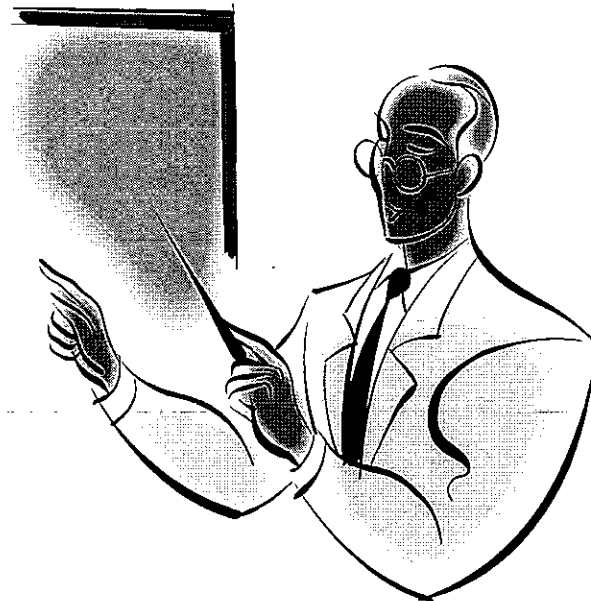


COUNTY OF DUFFERIN

Reporting + Budgeting the PSAB Way



FEB 18 2010



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PSAB = Public Sector Accounting Board

New PSAB era begins with 2009

Annual reports for 2009 based on PSAB 3150 rules

An accounting change, NOT budgeting change

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Training received:

- MFOA: workshops 4 sessions 2007 to 2009
- MFOA issued 50 Newsletters
- Audit firm(s) seminars
- Self-study: CICA Guide, OMBI, municipal contacts

TWO major impacts

- Annual Budget ought to be done using Full Accrual basis (but after-the-fact is OK)
- Annual Audited Reports introduce new financial statements, gives same data in a different way, but some data has dropped-out
- F.I.R. (how we are accountable to the Province)



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Annual Audited Report

- Stmt of Financial Position (Balance Sheet)
- Stmt of Operations (with Full Accrual Budget for analysis)
- Stmt of Change in Net Debt (with Full Accrual Budget)
- Stmt of Cash Flow



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Annual Audited Report

- Concept of a Capital Fund is gone, no more separation of expenses into Operating and Capital
- Concept of Reserves is gone, all Reserves are considered a part of the overall Net Surplus position
- Stmt of Financial Position will have Fin. Assets, Capital Assets and (all) Liabilities
- $\text{Fin. Assets} - \text{Liab.} = \text{Net Debt}$




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- BUDGETS for 2010 and beyond must follow Ontario Reg. 284/09 (July/09) which says:
- may continue cash-basis budgets, AS LONG AS:
- For 2010 Budget, must adopt a Report within 60 days of receiving 2009 Annual Report from Auditors
- For 2011 & beyond, the same Report must be adopted, by resolution, BEFORE Annual Budget may be adopted
- Report reconciles cash-basis to Full Accrual basis

**Annual Budget Adoption process for
2010 & thereafter**

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- Cash-basis Budget must be re-stated, to a Full Accrual basis, although it may be done, in 2010 only, AFTER-THE-FACT
- Take out Capital expenses
- Take out debt principal paid-off
- Take out capital projects tax-levy
- Insert Asset Amortization expense 
- Remove any Reserves activity, either their build-up or any withdrawals from Reserves

**Annual Budget Adoption process
for 2010 & thereafter**



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Amortiz. Exp.
comes from
TCA values

- Inherently flawed because TCA are recorded at Historical Cost
- Levying taxes = Amortiz will NOT adequately replace our assets

Capital Project
tax-levy support
under criticism

- Considered too arbitrary by the Min-of-Finance; could be any amount
- Amortiz represents the Minimum spending level the Ministry expects to maintain capital assets

Expectation that
all municipalities
will go further

- Develop an Asset Mgmt program using Replacement Costs, not Historical
- Work towards a commitment aligned with Asset Mgmt results

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ULTIMATE GOAL

- Spending enough on Capital Projects + Reserves to replace them at current prices

FAIR

- Spending roughly EQUAL to hist-cost
- amortiz on existing Capital Assets
- + Reserves

POOR

- Spending LESS THAN hist-cost amortiz on existing Capital Assets + Reserves



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- The Report required by Reg. 284/09 has a 2nd element to it
- 1st Element was reconciling from cash-basis to accrual-basis budget
- 2nd Element is showing the “estimated impact that using the cash-basis has on future capital asset funding requirements”
- To accomplish the 2nd Element properly, there would need to be a fully-developed Asset Mgmt Plan (not realistic for the 2010 Report’s timing)

**Annual Budget Adoption process
for 2011 & thereafter**



Reporting + Budgeting the PSAB Way

- Municipalities such as Dufferin County may find their annual taxation dedicated to Capital Projects plus Reserves **ALREADY** is greater than the annual Amortization Expense based on historical asset values
- However, for those municipalities raising **LESS THAN** their annual Amortization Expense, there exists a serious problem which the new Budget Report rules are attempting to measure in concrete terms (*no consequences/enforcement*)
- Members should watch for this situation whenever their local Reg. 284/09 Report, related to their 2010 local Budget adoption, comes out. PSAB is creating an awareness.
- In 2011 and beyond, this knowledge will be made known to Councillors **BEFORE** they may adopt their local Budget



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- The new, legislated budget Report, under Reg. 284/09, is not required for 2009
- However, a budget re-statement has to be done for 2009 anyways, for purposes of the Audited Statements which will be done on a PSAB, accrual-basis
- Enclosed in the Jan. Council package is a schedule that re-states the approved 2009 County Budget
- The schedule shows each of the steps involved to perform the Budget re-statement