

COUNTY OF DUFFERIN

Reporting + Budgeting the PSAB Way



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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
- $\text{Fin. Assets minus Liab.} = \text{Net Debt}$

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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**

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- ▮ 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



DUFFERIN COUNTY

Tangible Capital Assets 2009

Summary of Historical TCA Values

As of Jan. 1, 2009



DUFFERIN COUNTY TCA

- New asset additions in 2009 have yet to be added, part of the 2009 year-end adjustments now underway
- After 2009 additions, the total value of capital assets under the County's management will be = \$145-150 million
- Also, any unfinished projects at the end of 2009 will appear on the 2009 Balance Sheet as Work-in-Progress, for example 40 Lawrence Ave project, Laurel curb & gutter, etc.



DUFFERIN COUNTY TCA

Historical Asset Values combined	\$140,386,625
Accumulated Amortization (to the end of 2008)	- 61,151,400

Net Book Value, at historical cost	\$ 79,235,225

These Capital Asset values will appear on the Statement of Financial Position (Balance Sheet) and will be the largest dollar figures on the Statement.

DUFFERIN COUNTY TCA

<u>Breakdown by Asset Type</u>	<u>Historical Cost</u>
Road Surfaces	\$ 36,683,387
Road Bases	20,898,348
Buildings, all components, but not contents	51,085,474
Bridges and Culverts except 3 "new bridges"	9,086,504
New Bridges (Amaranth, Black, Lockyer)	6,908,560
Equipment & Machinery (excluding IT)	3,646,853
Land under buildings, roads, forests, rail-line	4,470,725
All others (vehicles, sand domes, traffic signals, IT assets, parking lots, etc.)	7,606,774
Work-in-Progress to be added later	approx 4-5 million



DUFFERIN COUNTY TCA

Largest capital asset is the County Road network,
historical cost of \$57.5 million for base + surface.

However the replacement cost is always greater, due to
inflation.

For road Surfaces, 1-km costs about \$125,000 today.

County road network is 324 km total length.

So $324\text{km} \times \$125,000 = \40.50 million replacement cost.

Useful life of a road surface is 18 years, target is 324km
div. by 18 = 18 km/year to be resurfaced, ideally



DUFFERIN COUNTY TCA

Buildings created a valuation problem, because all the Housing stock was downloaded in 2001 from Province, so there are no historical County cost records.

Services of a professional appraiser were used to value the buildings and discount the values back to the year of their construction.

All Buildings were split into components, which have different useful lives:

Main Structure, Roof, HVAC & Elec. Systems, Windows + Doors, and Elevators where applicable.



DUFFERIN COUNTY TCA

Overall, asset Net Book Value is > 50% of Historical Cost.

This is a positive indicator that the capital assets of the County, in general, have been getting replaced or renovated on a timely basis.

Many larger assets were fairly recently acquired:

- DCMA 1994
- Ambulance stations Orang. 2005, Gr.-Valley 2006
- New Dufferin Oaks 2002, upgraded MLC and McK-B. Apts. 2002
- 12-15 km of Roads are being resurfaced annually
- Snow-Plows (11), Ambulances (9), replacing 1 or 2 of each annually