

Submitted by: Kim Grogan, Manager of Financial Services /
Treasurer

Report No: 2025-001

Council Meeting Date: Regular Council - 15 Jan 2025

Subject: Excluded Expenses in the 2025 Budget - Ontario
Regulation 284/09

File: Budget-2025

RECOMMENDATION:

WHEREAS Council acknowledges that expenses related to amortization are excluded in the 2025 budget;

AND FURTHER that expenses related to landfill closure and post-closure are excluded from the 2025 budget as this function is not within the Township's jurisdiction;

AND that expenses related to post-employment benefit expenses are not applicable to the Township;

NOW THEREFORE be it resolved that the Council of the Township of Zorra accept the excluded expenses of the 2025 budget as per Ontario Regulation 284/09;

AND RESOLVED that the Council of the Township of Zorra receive report 2025-001 as information.

BACKGROUND & COMMENTS:

The purpose of this report is to demonstrate compliance with Ontario Regulation 284/09. The Province of Ontario requires municipalities to acknowledge awareness of the inclusion or exclusion of the following large expenditures in the annual budget:

1. Amortization expense
2. Post-employment benefit expenses
3. Solid waste landfill closure and post-closure expenses

Since 2009, the Public Sector Accounting Board (PSAB) has required municipalities to report on Tangible Capital Assets (TCA); ie. include roads, bridges, facilities, etc. asset costs in the statement of financial position of our annual financial report and amortize assets over their useful life. Amortization recognizes that an asset's cost is gradually written off over a period of time; this period of time is known as the life expectancy, or useful life, of that asset. This has implications for municipal budgeting, as amortization expenses need to be considered when preparing a budget. In light of the PSAB standards, the Municipal Act, 2001 was amended, and a regulation passed, to address these significant accounting changes. Ontario Regulation 284/09 (Budget Matters-

Expenses) states that a municipality may exclude certain expenses (amortization expenses, post-employment benefit expenses and solid waste landfill closure and post-closure expenses) from the budgeted amounts for which revenue must be raised. If excluded, the regulation requires council to adopt an annual report that shows the impact of fully covering the estimated costs of these expenses.

PSAB implications on the budget do not change the amount needed to be raised through taxation each year. The Township prepares the municipal budget on the cash basis which allows ease of determining the annual amount to be raised through the tax levy. Financial Statements, under PSAB, are prepared on the accrual basis. In accordance with PSAB, the exercise of recognizing the difference between the cash and accrual method is not an accounting exercise, but rather, it is a management exercise as the information is useful for capital investment planning. The purpose of the reconciliation is to ensure that municipalities are compliant with PSAB and are setting aside sufficient funds for future replacement of its assets.

2025 Budget - Tax Rate Basis

The 2025 Budget incorporates a tax levy of \$12,231,845. The budget includes capital expenditures, capital revenues, debt principal, and transfers to and from reserves. Amortization, post-employment benefit expenses and solid waste landfill closure/post closure expenses are not included.

2025 Budget - PSAB Basis

Under a PSAB budget, amortization expenses, post-employment benefits expenses and solid waste landfill closure/post closure expenses are included while capital expenditures, capital revenues, debt principal, and transfers to and from reserves are not included.

Post-Employment benefits expense are not applicable to our municipality.

Landfill site closure and post-closure expense are not applicable to our municipality.

For the 2025 year, the Township included capital revenues and expenditures in the budget while amortization expenses were excluded. Amortization expenses attribute to the capital cost of an asset over its life expectancy. However, amortization expenses do not include replacement values, therefore transfer to reserves include forecasted replacement values.

In 2025, a total of \$4,454,649 was budgeted for new capital expenditures and \$1,707,120 of revenue was allocated to capital projects.

In 2025, an overall net withdrawal of \$310,172 was included from reserves towards the replacement of capital assets.

In 2025, a total of \$883,895 was included for debt principal repayments.

Based on the current estimates for 2024, amortization expenses for 2025 will amount to approximately \$2,123,961.

Schedule 1 represents the 2025 budget adjusted for PSAB under Ontario Regulation 284/09. The report highlights the annual surplus before exclusions and the annual surplus after exclusions, namely amortization. The report does not include capital revenue, capital expenditures, debt principal repayments or transfer to and from reserves.

FINANCIAL IMPLICATIONS:

While there are no direct financial implications associated with this report, information contained in this report will be reflected in the 2025 annual financial statements.

At this time the Township does not budget amortization expense but instead reports amortization separately. The report shows an annual surplus after exclusions which demonstrates that the 2025 municipal budget includes sufficient funds to cover capital asset amortization costs.

STRATEGIC PRIORITIES:

A Fiscally Sustainable Community:

- Renew and reinvest in our infrastructure.
- Adopt policies to promote and support the agricultural sector.
- Attract, retain, and expand business investments to diversify the tax base and increase local employment.
- Attract and retain a municipal workforce driven to provide customer service excellence and innovative service delivery.

ATTACHMENTS:

[Report 2025-001 Schedule 1](#)

Approved By:

Kim Grogan, Manager of Financial Services / Treasurer
Diane Larder, Chief Administrative Officer
Karen Martin, Director of Corporate and Protective Services

Status:

Approved - 07 Jan 2025
Approved - 08 Jan 2025
Pending



Report 2025-001
Schedule 1

Ontario Regulation 284/09 Report
2025 Budget - PSAB Basis

Revenue

Taxation	\$ 12,331,845
User Charges	\$ 1,282,080
Government Grants	\$ 1,038,200
Investment Income	\$ 298,000
Penalty and Interest on Taxes	\$ 190,000
Other Income	\$ 254,133
Total Revenue	\$ 15,394,258

Expenditure

General Government	\$ 1,754,008
Protection Services	\$ 2,897,295
Transportation Services	\$ 4,652,723
Environmental Services	\$ 8,079
Health Services	\$ 275,054
Recreation and Cultural Development	\$ 2,233,275
Planning and Development	\$ 252,572
Total Expenditures	\$ 12,073,006

Annual Surplus before exclusions 1 \$ 3,321,252

Exclusions

Amortization of tangible capital assets	\$ 2,123,961
Post Employment Benefits	\$ -
Solid Waste Landfill	\$ -
Total Exclusions	\$ 2,123,961

Annual Surplus After Exclusions \$ 1,197,291

1. The following items budgeted are not included in the reported figures above

Capital Expenditures	\$ 4,454,649
Capital Revenue	(\$ 1,707,120)
Net transfer to & (from) Reserves	(\$ 310,172)
Debt Principal Repayments	\$ 883,895
	\$ 3,321,252