



## TOWNSHIP OF EDWARDSBURGH CARDINAL ACTION ITEM

**Committee:** Committee of the Whole – Administration and Operations

**Date:** May 8, 2023

**Department:** Finance

**Topic:** 2023 PSAB Budget Addendum

**Purpose:** To identify the impact on the Township's accumulated surplus after reconciling the 2023 budget with PSAB (Public Sector Accounting Board) requirements of accounting for non-financial assets and liabilities.

**Background:** Ontario Regulation 284/09 allows municipalities to continue to prepare their annual budgets without including amortization expenses for tangible capital assets. The regulation requires municipalities to prepare a PSAB Budget Addendum report and adopt this report by resolution.

The consolidated accumulated surplus shown on the financial statements of the Township represents net resources available to provide future services. It does not represent cash.

Although the Township's budget excludes amortization expense for tangible capital assets, provisions are made for contributions to capital reserves to fund capital expenses. The Township's 2023 amortization expense is estimated at \$1.723 million, which will reduce the Township's accumulated surplus.

In addition to the excluded amortization expense: the following items that are included in the cash-based budget is to be excluded from the PSAB budget:

- a. Principal paid on debt
- b. Transfers to reserve accounts
- c. Transfers from reserve accounts
- d. Tangible Capital asset acquisitions/costs

Under PSAB reporting, the principal payments on long term debt are not expensed but are treated as a reduction to the long-term liability which increases the accumulated surplus by \$261,412.

Reserve related adjustments- under PSAB method, contributions to reserves are not considered an expense and contributions from reserves are not considered revenue.

The reconciliation estimates the change in the accumulated surplus of the Township portion to be \$6,426,106 when the PSAB amounts are included in the year end audited statements. The attached report outlines the estimated changes made to convert the balanced 2023 consolidated budget which shows an increase in the Township's consolidated (which includes RSL & the Port) accumulated surplus of \$10,152,834.

**Policy Implications:** Ontario regulation 284/09 requires a report of the excluded PSAB amounts be prepared and adopted by Council.

**Financial Considerations:** There is no financial impact with this report as it does not affect the operating surplus/deficit. The intent is to describe the conversion of the approved cash-based budget format to a PSAB budget format, which complies with Public Sector Accounting Board (PSAB) requirements.

**Recommendation:** That Committee recommends that Council adopt the 2023 PSAB Budget Addendum Report which meets the requirements of Regulation 284/09.



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Treasurer



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CAO