

Staff Report

To: Mayor Bazinet and Members of Council
Report From: Deanna Hastie, Director of Corporate Services/Treasurer
Meeting Date: March 17, 2025
Subject: Report Pursuant to Ontario Regulation 284/09 for 2025

Recommendation:

That Goderich Town Council receive this report for information;
And That Council and approve this report to comply with Ontario Regulation 284/09, passed under the Municipal Act, 2001.

Report Summary:

Municipalities are required to prepare annual financial statements in accordance with the Public Sector Accounting Board (PSAB) standards using the full accrual method of accounting. Municipalities are not required to use the accrual method for the annual budget preparation and may use a modified accrual basis by excluding certain non-cash items in their budget.

Ontario Regulation 284/09 allows municipalities to exclude all or a portion of the following items in preparing their annual budget:

- (a) Amortization of tangible capital assets expense
- (b) Post-employment benefits expense
- (c) Solid waste landfill closure and post-closure expenses

If the municipal budget excludes any of the expenses listed above, the municipality is required to:

- 1) Prepare a report about the excluded expenses
- 2) Adopt the report by resolution

This report must include at a minimum the following:

- (a) An estimate of the change in accumulated surplus of the municipality to the end of the year resulting from the exclusion of any of the above noted expenses
- (b) An analysis of the estimated impact of the exclusion of any of the expenses on the future tangible asset funding requirements of the municipality

Background and Analysis:

The following table summarizes the impact of the excluded expenses for 2025

Item	Comment
Amortization Expense	Estimate for 2025 - \$3,065,328
Post-employment benefits expense	The Town does not have material post-employment benefits expense exposure and on-going costs are included in the annual budgets as required
Solid waste landfill closure and post-closure expenses	The Town's share of the Mid-Huron Landfill Site Board estimated reserve fund shortfall is \$2,041,176

Amortization

The amortization expense in the table above is taken from the Town's 2023 financial statements. This figure does not vary materially year to year and is, therefore, a reasonable estimate to use for the purposes of the disclosure requirement.

Amortization is an expense that allocates the cost of tangible capital assets over the period the assets are used to deliver services and programs to the businesses and residents of the Town. Including amortization expense in the annual operating budget to fund future replacement has several drawbacks. It does not account for fully amortized assets, it relies on historical rather than actual replacement values, and it excludes new assets added through growth and other initiatives.

Instead of including amortization in the budget, transfers from operating to reserves are included to fund future capital asset renovation, improvements, and replacement of the Town's capital assets. In common with the majority of local municipalities, the Town currently has an infrastructure deficit. Past and current Councils have implemented many strategies to provide resources through these annual transfers for future capital needs and continue to work toward reducing this deficit over time as outlined in the Town's Asset Management Plan.

Solid Waste, Landfill Closure and Post Closure Expenses

PS 3270, the accounting standard related to the solid waste landfill closure and post closure expenses, has been withdrawn. These costs are now included in the asset retirement obligation standard PS 3280. Ontario Regulation 284/09 has not been updated to reflect these changes.

Regardless of the accounting requirements, it is important to recognize that the Town has an ongoing post-closure obligation related to the Mid-Huron Landfill Site for a period of 50 years. The Town is one of six (6) participating municipalities with its proportionate share being 33.3%.

The closure of the Mid-Huron Landfill Site occurred on June 30, 2018.

The post-closure obligation is measured based on a report completed in April 2017. Based on this report, the present value of the current estimated liability for the Mid-Huron Landfill Site

Board is \$10,782,411.00. The Landfill Site Board has a Perpetual Care Reserve Fund of \$4,652,752.00 to offset this liability leaving an estimated unfunded shortfall of \$6,129,659.00 at the end of 2024.

The 2025 Mid-Huron Landfill Site Board's Budget includes a contribution of \$50,000.00 to the Perpetual Care Reserve Fund from the participating municipalities to assist in funding this requirement. The 2025 Budget reflects post closure costs of \$447,570.00 funded by a transfer from the Perpetual Care Reserve Fund.

In general terms, each municipality is responsible for its proportionate share of any required post-closure funding. Various funding options, if required, are available for participating municipalities ranging from immediate funding of the shortfall to funding it annually once the reserve fund is depleted.

Based on the current financial information, the Town of Goderich's share would be 33.3% of the current estimated shortfall of \$6,129,659.00.

PSAB Reconciliation	2025 Draft Budget
Revenues	
Operating	\$26,830,259
Capital	\$15,617,922
Less	
Transfers from Reserves/Reserve Funds	\$(11,762,888)
Proceeds from issuance of debt	\$(2,252,113)
Total Revenues	\$28,433,180
Expenses	
Operating	\$27,147,017
Capital	\$17,870,035
Less	
Capital expenses	\$(17,870,035)
Debt principal repayments	\$(453,010)
Transfer to Reserves/Reserve Funds	\$(5,281,237)
Total Expenses	\$21,412,770
Annual Surplus before exclusions	\$ 7,020,410
Exclusions	
Amortization expense	\$(3,065,328)
Post Closure expense to fully fund the unfunded balance	\$(2,041,176)

Annual Surplus/(Deficit) with exclusions	\$ 1,913,906

This report must be provided prior to final consideration of the 2025 Budget.

Linkage:

No direct link to the Strategic Plan.

Financial Impacts and/or Source of Funding:

No financial impact is associated with this report.

Approved By:

Janice Hallahan, Chief Administrative Officer

Andrea Fisher, Director of Legislative Services/Clerk