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## **2024 Budget Reconciliation Staff Report to Council**

Report Number: 2024-50

Department(s): Financial Services

Author(s): Anita Gibson, Supervisor, Financial Reporting & Analysis

Meeting Date: September 9, 2024

### **Recommendations**

1. That the report entitled 2024 Budget Reconciliation dated September 9, 2024, be received; and,
2. That the 2024 Budget Reconciliation be approved; and,
3. That staff be authorized and directed to do all things necessary to give effect to this resolution.

### **Purpose**

The purpose of this report is to provide Council with a reconciliation of the Council-approved 2024 budget as it compares to the budget that will be reported in the 2024 Consolidated Financial Statements.

### **Background**

A key outcome of the annual budget is a tax rate, which requires Council approval. This tax rate, and other rates such as water, wastewater, and stormwater, are based on a “cash basis” of accounting for the most part, and therefore do not include all the Public Sector Accounting Standard (PSAS) requirements around accrual accounting and accounting for “non-financial assets and liabilities”.

These accounting standards do not require budgets to be prepared on a PSAS basis. The Town of Newmarket, like most municipalities, continues to prepare budgets on a traditional cash basis.

The Province of Ontario introduced Ontario Regulation 284/09 (O. Reg. 284/09) that allows a municipality to exclude from their estimated expenses, costs related to amortization expenses, post-employment benefit expenses, solid waste landfill closure, and post-closure expenses. However, the regulation does require that the municipality reports on the impact of these excluded costs.

Quarterly capital spending authority adjustments are not reflected in the capital numbers presented in the Budget reconciliation. Public Sector Accounting Standards (PSAS) 1202.202 requires the statement of operations should present a comparison of the actual financial performance of the accounting period with that originally budgeted. Additionally, budgeted results should be presented for the same scope of activities and on a basis consistent with that used for actual results.

## **Discussion**

Council approved the 2024 Budget and associated levy excluded the following:

1. The budget did not include expenses for the amortization of its tangible capital assets in the amount of \$20,789,895, as amortization is a non-cash expense.
2. Based on an actuarial review as of December 31, 2022, the 2024 expense for post-retirement benefits was estimated to be \$597,000. For 2024, the current provision is higher than the estimated expenses by \$511,293.
3. No solid waste landfill closure and post-closure costs have been included, as the Town does not have responsibility for any landfill sites.

The Capital Spending Authority for 2024 was originally approved at \$70,606,000 of this amount, \$67,971,000 has been identified as being tangible capital assets.

The attachment illustrates what the 2024 budget will look like in the Town's consolidated financial statements in the Public Sector Accounting Board (PSAB) 3150 format.

### Post-Employment Benefits

Employee Future benefits are health and dental benefits that are provided to early retirees, future retirees, and employees currently on long-term disability. An actuarial valuation was carried out as of December 31, 2022, using a discount rate of 4.60%. The liability for employee future benefits is determined to be \$8,394,500 – of which \$4,290,807 has been funded in 2023. Although there is no legislative requirement to fund this liability – it may be handled on a “pay-as-you-go” basis – the Town continues to be fiscally prudent. The liability is expected to grow to \$8,686,500 in 2024.

### Amortization Expenses

Amortization, commonly referred to as depreciation, theoretically represents the annual use of the Town's assets. Although amortization expenses should not be used to determine the impairment of an asset, it is a good tool to predict the future annual

financial commitments required for asset rehabilitation. The amounts and calculations for amortization expenses are in accordance with our tangible capital asset (TCA) policy.

## **Conclusion**

The adjustments to the council-approved 2024 budget included projected amortization expense, post-employment benefit expense, and budgeted tangible capital assets, capitalized. These adjustments make the budget PSAS compliant.

## **Business Plan and Strategic Plan Linkages**

This is a compliance report under the Municipal Act, 2001.

## **Consultation**

Not applicable.

## **Human Resource Considerations**

None.

## **Budget Impact**

This report is for information and as such, will have no direct impact on taxes, fees and charges or the use of reserves. There is no impact on the future tangible capital asset funding requirements of the municipality, because of the exclusion of any of the estimated expenses.

The original 2024 budgets approved by Council included a surplus for the year of \$14,750,098. With the inclusion of the PSAS reporting requirements, the budget would result in a surplus of \$64,442,496.

## **Attachments**

2024 Budget Reconciliation (6 pages)

## **Approval**

Andrea Tang, CA, CPA  
Director, Financial Services/Treasurer

Esther Armchuk, LL.B  
Commissioner, Corporate Services

## **Contact**

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