

<b>To:</b>	Warden Matrosovs and Members of Grey County Council
<b>Committee Date:</b>	February 26, 2026
<b>Subject / Report No:</b>	FR-CW-04-26
<b>Title:</b>	Ontario Regulation 284/09 – 2026 Budget
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<b>Reviewed by:</b>	Mary Lou Spicer, Director of Finance
<b>Lower Tier(s) Affected:</b>	

## Recommendation

1. That report regarding Ontario Regulation 284/09 – 2026 Budget be received for information.

## Executive Summary

Ontario Regulation 284/09 requires that Council receive a report with respect to non-cash items such as expenses related to capital asset amortization, post-employment benefits, and solid waste landfill closure and post-closure costs being excluded from the annual budget.

## Background and Discussion

When public sector accounting board standards changed with the introduction of tangible capital asset accounting and reporting, there was no requirement that budgets be prepared on the same basis. The County of Grey like many municipalities, continues to prepare budgets on the traditional cash-basis.

Ontario Regulation 284/09 allows municipalities to exclude from the annual budget expenses related to capital asset amortization, post-employment benefits, and solid waste landfill closure and post-closure costs. If municipalities do not budget for these expenses, a report is to be submitted to council with respect to the exclusions.

The County of Grey's 2026 budget for revenue and expenditures was presented on November 26, 2025, to the Budget and Finance Committee and December 5<sup>th</sup> and 12<sup>th</sup>, 2025 to the Committee of the Whole, and this budget presentation excluded the following expenses:

- 1) Amortization of tangible capital assets (a non-cash expense). The budget does include transfers of tax levy funding for capital projects and transfers to reserve for capital asset renewal. The amount of these transfers is greater than the annual estimated amortization of capital assets.

- 2) Future post-employment benefit and WSIB expenses. The budget includes the estimated current year's expense for eligible retired employees and WSIB costs.
- 3) Solid waste landfill closure and post-closure expenses. Landfill sites are not held at the County level.
- 4) Asset retirement obligations for future costs associated with the legal obligations to retire certain tangible capital assets at the end of their lives. These accounting standards came into effect in 2023 and were not included in Ontario Regulation 284/09 For the County, these costs are associated with asbestos in buildings. The total liability to the County at the end of 2024 was \$5,276,792.

The actual amortization costs for 2024 as per the audited financial statements was \$13,774,820 and in comparison, the estimated amortization for 2025 totals \$13,396,652. The 2026 budget includes \$111,740,100 in total gross capital expenditures; this amount includes funding allocated to reserves for future capital spending that assists in providing funding for the lifecycle replacement of the County's capital assets as well as \$38,636,500 for the redevelopment of Rockwood Terrace. Notwithstanding the financial statement requirements, the County will continue to:

- Assess the condition and cost of lifecycle replacement and rehabilitation projects to manage capital investments and tax levy requirements to try to provide sufficient funding,
- Budget for the current year cost of post-employment benefits and WSIB costs in each year's operating budget,
- Budget for the cost of asbestos remediation as it is required in County buildings.

The regulation also requires an assessment of the impact of the excluded expenses on the change in the County's accumulated surplus. This analysis would show if the County's financial position is deteriorating due to increasing liabilities and underfunded asset renewal requirements.

The term "accumulated surplus" is used in the audited financial statements. The financial statements show the assets of the municipality, net of all liabilities, that will be available to provide services to future generations. The accumulated surplus changes on an annual basis based on accounting surplus or deficit for each year. The accounting surplus represents the amount of revenue recorded during the year which is in excess of operating expenses, amortization, accretion, and interest expense. Any surplus is available for capital including the repayment of debt principal, the purchases of new assets and the rehabilitation of existing assets.

At the end of 2024, the County's consolidated surplus was reported at \$316,022,147, an increase of \$23,830,338 over 2023 with the net value of tangible capital assets increasing by \$28,437,550. The increase in tangible capital assets is primarily due to an increase of \$12,933,547 in transportation assets and \$10,482,522 of work in progress capital additions for the Rockwood Redevelopment Project. The \$316,022,147 was comprised of the following:

- \$265,369,840 invested in tangible capital assets (net of debt) and available to service future generations,
- \$65,221,294 in funds set aside in reserves,

- less \$14,568,987 in unfunded liabilities and other items.

The \$65,221,294 in reserves is set aside for the following purposes: \$1,930,799 in working funds, \$3,477,483 for insurance, sick leave and WSIB, \$15,862,165 for current purposes and \$43,950,847 for future capital requirements.

The Transportation Services Department held 57.67% or \$25,345,594 of the \$43,950,847 in reserves for capital purposes; these reserves are held for activities such as unscheduled maintenance and construction, future construction projects, structure and culvert rehabilitation, depots repair/replacements, and equipment/vehicle replacement. This includes \$4,058,519 of reserve funding for the new Patrol D construction in 2026. This does not include amounts in obligatory reserve funds specific to Transportation Services (\$20,752,188 in development charges and \$8,933,016 Canada Community-Building Fund previously known as Gas Tax funding). Reserve and reserve fund balances as well as updates to asset information for 2025 will be finalized by the end of March in preparation for the 2025 audit.

In comparison, the net book value of assets held by Transportation Services total \$172,283,276 or 63.68% of total County assets.

Staff utilize tools such as building condition assessments, bridge and culvert studies, pavement condition evaluation and equipment/vehicle replacement schedules. These tools assist in prioritizing projects, developing the annual ten-year capital forecast and determining the funds that need to be set aside for the future.

## Legislated Requirements

As noted in the report, Ontario Regulation 284/09 requires that Council receive a report with respect to non-cash items such as expenses related to capital asset amortization, post-employment benefits and solid waste landfill closure and post-closure costs that are not being included in the annual budget.

## Financial and Resource Implications

There are no direct financial implications associated with this report. Non-financial asset information will be reported in the 2025 annual audited financial statements. Other financial implications are discussed in the body of this report.

## Relevant Consultation

- Internal – This report is administrative in nature and no consultation was required.
- External

## Appendices and Attachments

None.