

Subject: 2020 Surplus Allocation

Department: Corporate Services

Division: Finance

Report #: CPS-2021-051

Meeting Date: 2021-08-09

Recommendations

The report CPS-2021-051, dated August 9, 2021, 2020 Surplus Allocation, be received;

And that Council approves the allocation of \$10,000 of the 2020 Surplus for an orange crosswalk to be installed, as per Motion 2021-257;

And that Council approve the transfer of \$1,901,535 to General Capital Reserves.

Background and Analysis

The 2020 Budget approved by Council on February 2, 2020 provided an estimate to allow for the prioritization of projects, programs and service levels based on anticipated revenue and expenses. The operating budget plans for the municipality's day-to-day expenditures while the capital budget plans for the purchase and financing of assets or improvement of existing infrastructure. The budgets are prepared using the modified accrual accounting method which is permitted by [Ontario regulation \(O.Reg.\) 284/09](#) (for more information, readers may wish to refer to the tip sheet on Ontario Regulation 248/09 developed by the [Municipal Finance Officers' Association](#), the regulation, or the Municipal Act).

The 2020 Audited Financial Statements presented to Council at the May 31, 2021 meeting report on the actual resources used and the full cost of the services delivered to the public via the accrual method of accounting. The accumulated surplus or deficit reported in the Financial Statements does not necessarily indicate performance. An accumulated surplus occurs when all the municipality's assets (financial and non-financial) exceed all its liabilities. This excess in assets (financial and non-financials) can be used to provide future services. The Municipal Act requires that municipalities prepare their financial statements using accrual accounting, in accordance with Public

Sector Accounting Board (PSAB) standards. For more information, refer to [section 294.1 of the Municipal Act](#) and other sections in the legislation.

The annual calculation of surplus means that revenues are greater than expenses, while accumulated surplus means that total assets (financial and non-financial) exceed liabilities. For 2020, the Audited Financial Statements present an accrual surplus that includes non-cash expenses including the change in capital and reserves. Whereas, the operating/general surplus, presented here, is cash realized.

For the 2020 fiscal year the Town of Orangeville's Net Cash Surplus position is \$1,911,535. Motion 2021-257 from the June 28, 2021 Council meeting directed staff to allocate \$10,000 of the 2020 Surplus for an orange crosswalk to be installed at Broadway and First Street to commemorate Indigenous children. Therefore, the net surplus amount to be transferred is \$1,901,535.

Staff are recommending allocation of the 2020 general cash surplus to the Town's General Capital Reserves. Council would recall adopting a similar approach for 2018 and 2019.

Strategic Alignment

Orangeville Forward – Strategic Plan

Priority Area: Strong Governance

Objective: This report supports the Town's objectives of financial responsibility

Sustainable Neighbourhood Action Plan

Theme: Corporate and Fiscal

Strategy: Encourage and support inter-departmental collaboration and communication to facilitate the adoption of sustainable practices in the municipality

Notice Provisions

Not Applicable

Financial Impact

The approval of the recommended allocation of the 2020 net cash surplus would result in an increase to General Reserves of \$1,901,535.

Respectfully submitted

Nandini Syed, MPA, CMM III, CPA, CMA
Treasurer, Corporate Services

Prepared by

Mandip Jhajj, CPA, CGA
Asset Management Specialist, Corporate Services

Attachment(s): Not Applicable