

# SCHEDULE 40 • Revenue Fund Expenditures

## General Information

Schedule 40 consists of operating expenditures reported by object and function. This is supported by Schedule 42, Additional Revenue Fund Information. Schedule 42 isolates specific expenditures for services which were reported as part of a total in Schedule 40.

Expenditures by object have been grouped to conform with Public Sector Accounting Board (PSAB) reporting requirements. Object expenditures recognized by PSAB (PS1700.104 and .105) are presented in columns 1 through 7:

Column 1	Salaries, wages and employee benefits
Column 2	Long term debt charges (Interest)
Column 3	Materials
Column 4	Contracted services
Column 5	Rents and financial expenses
Column 6	External transfers
Column 7	Subtotal

The following additional columns contain information used for analytical purposes:

Column 8	Long term debt charges (Principal)
Column 9	Transfers to own funds
Column 12	Inter-functional adjustments
Column 13	Allocation of program support
Column 14	Amounts for unfunded liabilities
Column 11	Total expenditures
Column 15	Total expenditures less unfunded liabilities

Please note that column 11, TOTAL expenditures, equals the sum of columns 7, 8, 9, 12, 13 and 14.

Column 15 consists of the total column less column 14, Amounts for unfunded liabilities and is included for analytical purposes.

## Municipal Business Corporations

Please note that municipalities have the authority under Ontario Regulation 168/03 of the Municipal Act, 2001 to establish business corporations. For FIR purposes, these corporations will be fully consolidated and reported in the appropriate functional category if they are not deemed to be government business enterprises. If deemed to be government business enterprises, they will be reported in the same manner as Municipal Electric Utilities.

Suggested order of completion for columns:

Column 1	Salaries, wages and employee benefits
Column 2	Long-term debt charges (Interest)
Column 8	Long-term debt charges (Principal)
Column 5	Rents and financial expenses
Column 9	Transfers to own funds
Column 6	External transfers
Column 4	Contracted services
Column 3	Materials
Column 12	Inter-functional adjustments

Column 13 Allocation of program support  
Column 14 Amount for unfunded liabilities

## Description of Lines

Schedule 40 uses the same functional categories as Schedule 12 with additional lines provided for greater detail on general government expenditures and Provincial Offences Act expenditures.

While revenue fund revenues for general government are reported on a single line in Schedule 12 (line 0299), three lines are provided for reporting general government expenditures in Schedule 40:

0240 Governance  
0250 Corporate management  
0260 Program support

Please see the chapter on Functional classification of Expenditures and Revenues for a detailed description of general government subfunctions.

Please note that the FIR includes a line for reporting expenditures related to the Provincial Offences Act (line 0460) as part of the protection services function.

## Description of Columns

### Column 1 Salaries, wages and employee benefits

Salaries, wages and employee benefits include expenditures incurred for the following purposes: full-time, part-time and temporary salaries and wages including, regular, overtime, shift premiums and other remuneration to employees.

Benefits include employer's contribution payments to Canada Pension Plan (CPP), Ontario Municipal Employee Retirement System (OMERS), Employer's Health Tax, Employment Insurance (EI), Workplace Safety and Insurance Board (WSIB) and any other insurance plans, such as supplementary health and dental.

Include clothing, moving, tuition, housing and other employee benefits and allowances paid. Include funded post-employment benefits in the amount for salaries, wages and employee benefits for each subfunction.

### Column 2 Long term debt charges (Interest)

This column records interest incurred on long term liabilities and for leased tangible capital assets in this column.

Exclude interest payments made by unconsolidated entities.

Exclude interest payments made from reserve funds.

For tile drainage/shoreline assistance, only interest on long-term debt is reported in Schedule 40. Corresponding revenue is reported in SLC 12 1850 04. Principal repayments are not reported in Schedule 40 and the corresponding revenue is not reported in Schedule 12. Note that the long-term receivable and long-term debt are reduced by the principal repayment in the year.

### **Column 3                    Materials (and all other expenditures not reported in other columns)**

This column is used to report materials purchased by a municipality for its own uses and/or disposal or resale. Materials purchased by the municipality which are subsequently provided to a third party are also included in this column.

Please note that the purchase of hydro services and utilities including cell phone service are reported in column 3 as materials.

Include all other expenditures not reported in other columns as materials. For example, include expenditures for insurance, travel, reimbursement of mileage and photocopying.

#### **Tax write-offs**

As of the 2002 reporting year, all tax write-offs should be reported on Schedule 72. The exception to reporting tax write-offs on Schedule 72, are amounts determined to be property class shortfalls. These amounts are reported as materials in SLC 40 0250 03. Please refer to the instructions for Schedule 72 line 4420: net impact of 5 % capping limit program. Please note that any increase in the allowance for uncollectible taxes is reported as materials in SLC 40 0250 03. If, for any reason, a tax-write cannot be reported on Schedule 72, please report as materials in SLC 40 0250 03 (this should be an exception).

### **Column 4                    Contracted services**

When a municipality is responsible for providing a service and contracts out service delivery, in part or in whole, to an arms length service provider, use column 4 to report payments to the service provider.

The arms length service provider may be a private contractor, another municipality or another level of government.

If services are provided in part by an arms length service provider and in part by municipal staff, column 4 is used to report services provided by the contractor. Services provided by municipal staff are not reported in column 4, but are reported using other object categories of expenditures.

If a municipality is invoiced by a Consolidated Municipal Service Manager (CMSM) for services, the amount invoiced is reported as contracted services.

If a CMSM decides to meet its service responsibilities (e.g. ambulance and child care) through a purchase of service agreement with an arms length service provider, the CMSM reports the purchased service as a contracted service.

If a municipality is legislated to provide a service and the service is provided through a legislated body, such as a conservation authority, the payment is reported as an External transfer in column 6.

For contracts which extend beyond the current fiscal year, report only that portion of the contract that relates to the current fiscal year.

Examples of services that may be provided by way of a contract with an arms length service provider:

Communications planning and research activities

Consulting: Information technology consulting and professional services (services related to electronic data processing, telecommunications or office automation)

Consulting: Management consulting and professional services (services related to planning, organizing, directing and controlling activities to assist managers in analysing management problems and recommending solutions)

Consulting: Technical consulting and professional services (services related to accounting actuarial sciences, architecture, appraisal, community planning, employment/placement, engineering, health science, surveys)

Data processing services

Fence viewing

Legal services

Medical and other professional services provided by the municipality but contracted with providers such as doctors, dentists, veterinarians, nursing services.

Research and development services, e.g. research services provided by a university

Solid waste: collection, disposal

Snow removal services

Weed cutting

MPAC Services

Report assessment services provided by MPAC on line 0250 (corporate management).

## **Column 5                    Rents and financial expenses**

Rents and financial expenses paid to external parties are recorded in column 5. Include the rental of buildings, land, machinery, equipment, and engineering structures.

Where a contracted service reported in column 4 (Contracted services) includes a separate and easily identifiable rental component, report the rental component in this column.

Financial expenses include short-term borrowing costs, bank and credit card service charges, annual payments associated with financing leases not deemed to be capital tangible lease and any other financial costs from external sources.

Do not include interest paid on long term liabilities since interest should be reported in column 2 (Long term debt charges - Interest).

Do not include interdepartmental rents and financial expenses in column 5 since these are captured in column 10 (Inter-functional adjustments).

## **Column 6                    External transfers**

Include transfers to:

Charitable organizations, colleges, cultural or recreation organizations, hospitals, universities

Conservation authorities

GO Transit: Province took back responsibility effective January 1, 2002. There should not be any expenditures reflected in subsequent reporting years.

Individuals, i.e. social assistance

Unconsolidated local boards

Amounts billed by the Province for social housing are reported as external transfers.

**Transfers to organizations should be reported as contracted services instead of external transfers if there is a formal agreement that the organization will provide services to the municipality.**

Where land ambulance has not been devolved and a municipality receives a bill from the province for land ambulance services, the expenditure is reported as an external transfer.

Tax write-offs that do not meet the reporting requirements of Schedule 72, should not be reported in the column for external transfers; they should be reported in the column for materials in SLC 40 0250 03. These expenditures will be backed out of the efficiency measure formula for operating costs.

**The Treasurer's Group of the Ontario Municipal CAO's Benchmarking Association (OMBI) asks that municipalities review any external transfers reported as program support in SLC 40 0260 06. External transfers related to program areas should not be reported on any line for general government. If external transfers are not related to a specific program, they should be reported on the line for corporate management in SLC 40 0250 06.**

### **GTA Equalization**

GTA municipalities report actual expenditures for social assistance in the appropriate object categories of expenditures in Schedule 40. Municipalities which contribute an additional amount as a result of costs being equalized across the GTA, report the amount as an external transfer. The City of Toronto reports actual expenditures for social assistance in the appropriate object categories of expenditures.

Amounts billed by the province for social housing are reported as external transfers.

Province took back responsibility effective January 1, 2002 for GO Transit. There should not be any expenditures reflected in subsequent reporting years.

### **Column 7                      Subtotal**

The subtotal is equal to the sum of columns one through six.

### **Column 8                      Long term debt charges (Principal)**

Include principal repayments on long-term debt and for leased tangible capital assets in this column.

If a municipality has refinanced an existing long term debt, do not report the lump sum retirement of the old debt on Schedule 40. Likewise, do not report the incurrence of new debt on Schedule 50, Capital Fund Operations.

For tile drainage/shoreline assistance, principal repayments are not reported in Schedule 40. Only interest on long-term debt is reported in Schedule 40 with corresponding revenue reported in SLC 12 1850 04. Note that the long-term receivable and long-term debt are reduced by the principal repayment in the year.

Report losses or gains in respect of financial hedging agreements (swaps) entered into to minimize risks associated with borrowing in prescribed foreign currencies.

Preparers should include: gains and losses on the translation of debt issued in foreign currencies, as well as gains and losses arising from swaps and hedges. Generally, it would be expected that gains and losses arising from hedges and swaps should be nominal if the hedge is effective and meets tests under generally accepted accounting principles. Preparers should refer to guidance in the CICA Handbook (Sections 1650.47 to 1650.54 in respect of hedging of transactions and Sections 3860.38 to 3860.42 in respect of offsetting financial assets and liabilities). Municipalities should consult with their professional advisors where they are undertaking complex transactions to ensure offsetting is appropriate.

## **Column 9                    Transfers to own funds**

This column records transfers from the revenue fund to the capital fund, reserves and reserve funds.

## **Column 12                Interfunctional adjustments**

This column is used only to record transfers between subfunctions. A separate column is provided for the allocation of program support to other functions.

For a complete discussion of the allocation of program support, please see Interfunctional Adjustments in the Introduction. A condensed version follows.

### **Using column 12**

The department or subfunction which provides a service reports a negative value in column 12. The department which receives the service reports a positive value in column 12.

### **Total in column 12**

The total in SLC 40 9910 12 will always be zero because each negative amount entered in column 12 as an interdepartmental transfer has a corresponding positive amount.

## **Column 13                Allocation of program support**

Municipalities report the amount of program support allocated to other functions in this column.

Program support and, in special cases, a portion of corporate management must be allocated to other functions.

Determining the amount to be allocated to other functions

The following object categories of expenditure are automatically summed and entered as a negative value in SLC 40 0260 13:

Column 1	Salaries, wages and employee benefits
Column 3	Materials
Column 4	Contracted services
Column 5	Rents and financial expenses
Column 12	Interfunctional adjustments

Note that these object categories correspond to the categories used in calculating efficiency measures.

In cases where corporate management services are provided to other functions, that portion of corporate management for salaries, wages and employee benefits; materials; contracted services; rents and financial expenses and interfunctional adjustments is entered by the municipality in column 13 as a negative value in SLC 40 0250 13

The subtotal for general government represents the sum of SLC 40 0260 13 and SLC 40 0250 13 and is expressed as a negative value.

The subtotal times negative one is allocated to other functions, excluding general government and utilities. The amounts allocated to other functions are reported as positive amounts in column 13.

The column total for column 13 is always zero since the subtotal for general government in SLC 40 0299 13 is expressed as a negative value and equals the sum of the amounts entered on lines 0410 through 1898.

For the 2004 reporting year, municipalities with populations of 100,000 or more are required to use the Ontario Municipal CAO's Benchmarking Initiative (OMBI) method of allocation. Municipalities with populations under 100,000 are required to allocate program support using the percentage of total expenditures method. These municipalities may also use the modified percentage of total expenditures method.

Please see the section on the Allocation of General Government in the Introduction to the FIR instructions.

## **Column 14            Amounts for unfunded liabilities**

This column is required to establish long-term liabilities pertaining to post-employment benefits, closure and post-closure of solid waste landfill sites and accrued interest on long-term liabilities when any portion of the liability is unfunded. The amounts pertaining to unfunded liabilities are reported by function in column 14. Where an expenditure cannot be functionalized, it should be reported on line 5099, non-functionalized amounts.

In the first year that the unfunded portion is recognized, the municipality reports the full value of the liability in Schedule 70, Consolidated Financial Position. The municipality reports the funded portion in Schedule 40 in the appropriate column (salaries, wages and employee benefits; materials; contracted services; or rents and financial expenses). The unfunded portion is reported in column 14.

Note that the amount reported in column 14 will equal 100% of the long-term liability if the newly recognized liability is completely unfunded.

In the next year, the municipality reports only the unfunded portion pertaining to the fiscal year and to charges to prior year liabilities in column 14. The amount entered would be positive if the unfunded liability increases and negative if the unfunded liability decreases.

Funded portions pertain to the amount raised through property taxes and/or when revenue sources.

Unfunded portions pertain to expenses recognized but not raised through property taxes and/or other revenue sources.

**Example:** Expenditures for closure and post-closure of landfill site

**YEAR 1**

As an example, assume that Year 1 is the first year a municipality reports a liability for the closure and post-closure of a landfill site in Schedule 70, Consolidated Financial Position. The municipality has estimated \$6,000,000 in operating expenditures for the closure and post-closure of the landfill site and has funded only \$500,000.

The municipality has reflected the \$6,000,000 in operating expenditures as follows.

**In Schedule 70:**

\$5,500,000 is reported in SLC 70 2799 01

\$5,500,000 is reported in the section for Amounts to be recovered in future years in SLC 70 5615 01 (Solid waste landfill closure and post-closure liabilities).

**In Schedule 40:**

\$5,500,000 is reported in SLC 40 0850 14

\$ 500,000 is reported in SLC 40 0850 xx, where xx represents the appropriate object categories (salaries, wages and employee benefits; materials; contracted services; or rents and financial expenses).

**YEAR 2**

In Year 2, the municipality determines that closure and post-closure operating expenditures of a landfill site should be an additional \$700,000. Of this amount, only \$100,000 is funded. The \$700,000 expense is reflected as follows.

**In Schedule 70:**

The \$5,500,000 liability reported in Year 1 in SLC 70 2799 01 increases by 600,000 to \$6,100,000 in Year 2.

\$6,100,000 is reported in the section for Amounts to be recovered in future years in SLC 70 5615 01 (Solid waste landfill closure and post-closure liabilities).

**In Schedule 40:**

\$600,000 is reported in SLC 40 0850 14

\$100,000 is reported in SLC 40 0850 xx, where xx represents the appropriate object categories  
Non-functionalized amounts

SLC 40 5099 14 is used to report expenditures for unfunded liabilities that cannot be functionalized. This amount is automatically carried forward to column 11, total expenditures. Note that SLC 40 5099 15 equals zero.

## **Column 11            Total expenditures**

Total expenditures are equal to the sum of:

Column 7	Subtotal
Column 8	Long-term debt charges (principal)
Column 9	Transfers to own funds
Column 12	Inter-functional adjustments
Column 13	Allocation of program support
Column 14	Amounts for unfunded liabilities

### **Comparability with 2001**

In 2001, municipalities reported both the funded and unfunded portions of a newly recognized long-term liability in Schedule 40 in the available object categories of expenditure. The total in column 11, therefore, included both the funded expenditure pertaining to post-employment benefits, closure and post-closure of landfill sites and unfunded amounts pertaining to post-employment benefits, closure and post-closure of landfill sites and accrued interest on long-term liabilities. From 2002 on, the total in column 11 also includes the funded and unfunded portions of these liabilities.

## **Column 15            Total expenditures less unfunded liabilities**

This column is included for purposes of analysis and equals column 11 (Total) less column 14 (Amounts for unfunded liabilities).