

# SCHEDULE 50 • Capital Fund Operations

## General Information

Schedule 50, Capital Fund Operations, and Schedule 52, Sources of Capital Fund Financing and Expenditures, are complementary schedules.

It is suggested that Schedule 52 be completed first because data from that schedule is carried forward to Schedule 50. Schedule 52 analyses sources of capital fund financing and capital expenditures by function.

Schedule 50 summarizes the sources of capital fund financing listed in Schedule 52 but also includes long term liabilities incurred as a source of capital fund financing.

A separate section is provided for applications of capital fund financing. This includes capital expenditures, transfers of proceeds from long term liabilities to other municipalities, unconsolidated local boards and individuals, and transfers from the capital fund to own funds.

Schedule 50 also contains a continuity section which compares the capital fund balance at the beginning of the year to the capital fund balance at the end of the year.

The capital fund balance at the end of the year is further analysed in terms of unexpended capital financing and unfinanced capital outlay. The municipality is then asked to examine how any unfinanced outlay will be recovered, e.g. from taxation or user charges, proceeds from long term liabilities or transfers from reserves and reserve funds.

Finally, short term interest costs included in capital expenditures are isolated.

Please note that both sources and applications of capital fund financing are reported on a gross basis.

## SOURCES OF CAPITAL FUND FINANCING

The section, Sources of Capital Fund Financing, consists of two parts: Capital Fund Revenues and Transfers from Own Funds to Capital Fund.

### Capital Fund Revenues

Capital fund revenues are grouped into the following sections:

- Long term liabilities incurred
- Grants and loan forgiveness
- Other municipalities - grants and fees
- Other financing

## LONG TERM LIABILITIES INCURRED

Please note that long term liabilities include those incurred on behalf of fully and proportionally consolidated local boards, unconsolidated local boards, individuals, and other municipalities.

In this section, liabilities are analysed by source or by type. On lines 0205 through 0230, liabilities are identified by program. All other long term liabilities are identified by type on lines 0235 to 0298.

**General rules of thumb for reporting long term liabilities:**

Include only new long term liabilities.

Do not include refinancing of existing long term debt.

Do not include school board debt.

Include debt issued on behalf of other municipalities, fully and proportionally consolidated local boards, unconsolidated local boards and individuals (such as tile drainage/shoreline assistance).

For a discussion of lease purchase agreements (capital tangible leases) please see in the section entitled, Capital Leases, in the Introduction to the FIR instructions.

Include an amount as a long term liability only when the cash has actually been received.

Include receipts from long term liabilities which are subsequently transferred to lower-tier municipalities or local boards, whether consolidated or not.

Debt incurred by the upper-tier municipality and transferred to the lower-tier municipality is reported by both municipalities on lines 0205 through 0298. The upper-tier would also report the transfer of proceeds of the long-term liabilities on line 3210 (Transfers of proceeds from long term liabilities to: Other municipalities) in the section, Applications of Capital Fund Financing.

On the following lines report long term liabilities issued under the following programs:

- Line 0205**            **Canada Mortgage and Housing Corporation (CMHC)**
- Line 0210**            **Ontario Financing Authority**
- Line 0215**            **Commercial Area Improvement Program**
- Line 0220**            **Other Ontario housing programs**
- Line 0225**            **Ontario Clean Water Agency (OCWA)**
- Line 0230**            **Tile drainage and shoreline property assistance programs**

On the following lines, report debt by type where it has not been listed under any of the programs listed on lines 0205 through 0230.

- Line 0235**            **Serial debentures**
- Line 0240**            **Sinking fund debentures**
- Line 0245**            **Long term bank loans**
- Line 0250**            **Long term reserve fund loans**
- Line 0255**            **Lease purchase agreements (Tangible capital leases)**
- Line 0260**            **Construction financing debentures**
- Line 0265**            **Ontario Strategic Infrastructure Financing Authority (OSIFA)**

**Line 0298**            **Other**

**Line 0299**            **Subtotal**

The subtotal of long term liabilities incurred is the sum of lines 0205 through 0298.

## **GRANTS AND LOAN FORGIVENESS**

In this section record total capital grants and loans which are forgivable if certain conditions are met.

**Line 0410**            **Ontario**

Total Ontario capital grants are automatically carried forward to this line from Schedule 52, Sources of Capital Fund Financing and Expenditures, SLC 52 9910 03.

Include costs recovered from the Province. Example: costs recovered from the Ministry of Transportation for construction of a traffic signal at the request of the Province.

**Line 0420**            **Canada**

Total Canada capital grants are automatically carried forward from SLC 52 9910 04.

**Line 0430**            **Canada Gas Tax Funding**

**Total Canada capital grants are automatically carried forward from SLC 52 9910 10**

**Line 0499**            **Subtotal**

The subtotal for grants and loan forgiveness equals the sum of lines 0410 and **0430**.

**Line 0699**            **OTHER MUNICIPALITIES - GRANTS AND FEES**

Total capital grants and fees from other municipalities are automatically carried forward from SLC 52 9910 05.

## **OTHER FINANCING**

The subtotal for Other financing contained on line 0899 must be equal to the total for Other financing contained in SLC 52 9910 06.

In this schedule, other capital financing is grouped into the following categories:

**Line 0810**            **Prepaid Special Charges**

Include only those special charges paid before debentures have been issued or where the municipality has decided not to issue debentures. An example of prepaid charges are local improvement charges paid by a property owner to the municipality prior to the issue of the debenture.

Do not include collections for the maintenance of facilities such as municipal drains.

Also exclude any special commuted charges. Commuted charges refer to the pre-payment of debt charges by a ratepayer where a municipality has already issued debt. As an example, a ratepayer may opt to prepay a debt related to a local improvement under the Local Improvement Act.

The prepayment is recorded as "Other" deferred revenue in Schedule 70, Consolidated Financial Position, SLC 70 2490 01. As annual debt charges become due, deferred revenue is decreased by the amount due and an equal amount is brought into the capital fund.

Where a lower-tier municipality collects a prepaid special charge and remits the proceeds to the upper-tier municipality, only the upper-tier municipality reports the receipt as a prepaid special charge.

**Line 0820                      Proceeds from sale of land**

Enter proceeds from the sale of land which are used to finance capital operations. Proceeds from the sale of land used to fund current operations are to be reported in Schedule 10, Revenue Fund Receipts, as "Other" on lines 1896 to 1898.

**Line 0830                      Proceeds from sale of hydro utilities**

Proceeds from the sale of the municipality's shares in a hydro utility are entered here.

**Line 0840                      Proceeds from sale of other capital assets**

Enter proceeds from the sale of capital assets not listed above.

**Line 0850                      Investment income - From own funds**

This line refers to interest earned from short term internal loans from the Capital Fund to the Revenue Fund and Reserve Funds.

**Line 0860                      Investment income - From other**

This line refers to interest earned on capital fund balances from sources such as bank deposits, promissory notes, etc..

**Line 0870                      Donations**

Include cash donations and donations of capital assets such as land and buildings. Please see the section in the Introduction entitled, Capital Expenditures.

Donations to be used for Revenue Fund purposes should be reported in Schedule 10 in SLC 10 1830 01.

**Line 0897                      Other**

This other line should be used to report other sources of capital fund financing not identified in the lines above. This line is not part of Donations.

**Line 0898                      Other**

This other line should be used to report other sources of capital fund financing not identified in the lines above. This line is not part of Donations.

**Line 0899                      Subtotal**

The subtotal for Other financing is equal to the sum of lines 0810 through 0898.

The subtotal for other financing in SLC 50 0899 01 must be equal to the column total for other financing in SLC 52 9910 06.

**Line 9910                      TOTAL Capital Fund Revenues**

Total capital fund revenues are equal to the sum of the subtotals for:

- Long term liabilities incurred - Line 0299
- Grants and loan forgiveness - Line 0499
- Other municipalities - grants and fees - Line 0699
- Other financing - Line 0899

**Transfers From Own Funds To Capital Fund**

Transfers from own funds to the capital fund are reported separately from other capital fund revenues.

**Line 2010                      Contributions from revenue fund**

Contributions from the revenue fund to the capital fund are automatically carried forward from SLC 52 9910 01.

**Line 2020                      Contributions from reserves, reserve funds and deferred revenue**

Transfers from reserves, reserve funds and deferred revenue to the capital fund are automatically carried forward from SLC 52 9910 02.

Please note that deferred revenue refers to obligatory reserve funds and that the term "reserve funds" is intended to mean discretionary reserve funds.

Contributions from reserves, reserve funds and deferred revenue to the capital fund are also reported in Schedule 60, Continuity of Reserves and Reserve Funds. Therefore SLC 50 2020 01 equals SLC 60 1010 01 + 02 + 03. Please note that columns 1, 2 and 3 respectively refer to obligatory reserve funds/deferred revenue; discretionary reserve funds; reserves.

**Line 9920                      TOTAL Transfers from own funds to capital fund**

Line 9920 is equal to the sum of lines 2010 and 2020

SLC 50 9920 01 is also equal to column totals in Schedule 52 consisting of SLC 52 9910 01 + 02. Note that column 1 refers to contributions from the revenue fund to the capital fund and column 2 refers to contributions from reserves, reserve funds and deferred revenue to the capital fund.

**Line 9930                      TOTAL SOURCES OF CAPITAL FINANCING**

TOTAL Sources of capital financing are equal to the sum of:

- TOTAL Capital fund revenues - Line 9910
- TOTAL transfers from own funds to capital fund - Line 9920

## APPLICATIONS OF CAPITAL FINANCING

Applications of Capital Financing are grouped into three categories:

Capital expenditures less unfunded liabilities

Transfers of proceeds from long term liabilities (to other municipalities, unconsolidated local boards and individuals)

Transfers from capital fund to own funds

### **Line 3098                    Capital expenditures less unfunded liabilities**

Total capital expenditures less unfunded liabilities on line 3098 are automatically carried forward from SLC 52 9910 09.

Short term interest costs included on line 3098 are shown separately on line 6010 below.

Line 3098 includes the transfer of proceeds from long term liabilities to unconsolidated local boards when debt charges will be recovered from general municipal revenues.

Please note that the transfer of proceeds from long term liabilities to local boards is reported on line 3220 (Unconsolidated local boards) when debt charges will not be recovered from general municipal revenues.

### **Transfers of Proceeds from Long Term Liabilities to:**

#### **Line 3210                    Other municipalities**

Enter proceeds from long term liabilities which are transferred to other municipalities.

#### **Line 3220                    Unconsolidated local boards**

Include the transfer of proceeds from long term liabilities to unconsolidated local boards on line 3220 if debt charges will not be recovered from general municipal revenues.

#### **Line 3230                    Individuals**

On line 3230 include the transfer of proceeds from long term liabilities to landowners for tile drainage projects and shoreline property assistance.

#### **Line 3299                    Subtotal**

The subtotal for transfers of proceeds from long term liabilities is equal to the sum of lines 3210, 3220 and 3230.

### **Transfers from Capital Fund to Own Funds**

#### **Line 3410                    Transfers to revenue fund**

Report transfers from the capital fund to the revenue fund on this line. The amount reported is then

carried forward to SLC 10 3010 01.

**Line 3420 Transfers to reserves and discretionary reserve funds**

This amount is automatically carried forward from Schedule 60, Continuity of Reserves and Reserve Funds and consists of SLC 60 0420 01 + 02 + 03. Note that in Schedule 60, column 1 refers to obligatory reserve funds/deferred revenue, column 2 refers to discretionary reserve funds and column 3 refers to reserves.

**Line 3499 Subtotal**

The subtotal of transfers from capital funds to own funds equals the sum of lines 3410 and 3420.

**Line 9940 TOTAL APPLICATIONS OF CAPITAL FINANCING**

TOTAL Applications of capital financing less unfunded liabilities equals the sum of :

- Capital expenditures LESS Unfunded Liabilities - Line 3098
- Subtotal, Transfers of proceeds from long term Liabilities to: - Line 3299
- Subtotal, Transfer from Capital Fund to Own Funds - Line 3499

**CONTINUITY OF CAPITAL OPERATIONS**

This section has two parts. The first part compares opening and closing balances of the capital fund and consists of lines 5010 to 5090.

The second part is entitled, "Capital fund balance, end of year, reported in line 5090 is analysed as follows" and consists of lines 5200 to 9950. This part analyses the year-end capital fund balance in terms of open projects with unexpended capital financing and open projects with unfinanced capital outlay.

**Line 5010 Capital fund balance, beginning of year**

This amount is equal to the capital fund balance at the end of the previous year in SLC 50 5090 01.

**Line 5020 PLUS: Total sources of capital financing**

The amount in Line 5020 is carried-forward from Line 9930 of this Schedule (TOTAL Sources of capital financing). Note that total sources of capital financing consists of total capital fund revenues plus total transfers from own funds to the capital fund.

**Line 5040 LESS: Total applications of capital financing**

The amount in Line 5040 is carried-forward from Line 9940 of this Schedule (TOTAL Applications of capital financing).

**Line 5050 PLUS: Adjustments for PSAB**

Enter any adjustments for PSAB on this line.

**Line 5060 PLUS: Other**

Enter any other adjustments to the capital fund balance at the beginning of the year.

**Line 5090 Capital fund balance, end of year**

Capital fund balance, end of year - Line 5090 equals:

- Capital fund balance, beginning of year - Line 5010
- PLUS: Total sources of capital financing - Line 5020
- LESS: Total applications of capital financing - Line 5040
- PLUS: Adjustments for PSAB - Line 5050
- PLUS: Other - Line 5090

Note that the capital fund balance, end of year, can be found in three places in the FIR:

- SLC 50 5090 01 (Capital fund balance, end of year)
- SLC 50 9950 01 (Capital fund balance, end of year)
- SLC 70 5299 01 (Capital fund balance)

The amount in SLC 50 9950 01 must be equal to the amount in SLC 50 5090 01. The amount in SLC 50 5090 01 is carried forward to Schedule 70, Consolidated balance sheet, SLC 70 5299 01.

**CAPITAL FUND BALANCE, END OF YEAR, REPORTED IN LINE 5090 IS ANALYSED AS FOLLOWS:**

This section analyses the capital fund balance in terms of open projects with unexpended capital financing and open projects with unfinanced capital outlay.

Both unexpended capital financing and unfinanced capital outlay measure the difference between capital expenditures and capital financing.

Unexpended capital financing represents a surplus in capital financing and indicates financing received to date exceeds capital expenditures to date. Unfinanced capital outlay represents a shortfall in capital financing and indicates expenditures exceed financing received to date. Cost overruns can also result in an unfinanced capital outlay.

This information does not appear on the FIR, but must be derived from the capital fund accounts of the municipality.

The capital fund balance at the end of the year (line 9950) is equal to the difference between unexpended capital financing and unfinanced capital outlay.

The capital fund balance at the end of the year in SLC 50 9950 01 must be equal to the capital fund balance at the end of the year reported in SLC 50 5090 01.

**Line 5200 Unexpended capital financing**

For those projects with surplus capital financing, enter the sum of the surpluses on this line.

**LESS: Unfinanced capital outlay to be recovered from:**

To complete this section, determine the total unfinanced capital outlay for all open projects. On lines 5410 to 5498, identify the sources which will be used to recover the total unfinanced capital outlay.

**Line 5410 Taxation or user charges within term of council**

- Line 5420**            **Proceeds from long term liabilities**
- Line 5430**            **Transfers from reserves and reserve funds**
- Line 5498**            **Other**

Please specify any other sources of capital financing which will be used to fund the unfinanced capital outlay.

**Line 5400**            **Unfinanced capital outlay**

Unfinanced capital outlay equals the sum of the shortfalls reported on lines 5410 through 5498.

**Line 9950**            **Capital fund balance, end of year**

This amount is equal to unexpended capital financing on line 5200 less unfinanced capital outlay on line 5400.

Line 9950 must be equal to line 5090, since both lines report the capital fund balance. This should be verified, since a critical flag will be triggered if the amounts are not equal.

**TOTAL OF LINE 3098 INCLUDES:**

**Line 6010**            **Short term interest costs**

On this line report the amount of short term interest included in SLC 50 3098 01 in the section of this schedule entitled, Applications of Capital Fund Financing.

Short term interest represents interest on temporary borrowing used to finance capital expenditures until permanent financing is arranged.

**TOTAL OF LINE 0410 INCLUDES:**

**Line 6020**            **Provincial Gas Tax**

**On this line report the amount of Provincial gas tax funding received for transit capital purposes.**

**TOTAL OF LINE 0420 INCLUDES:**

**Line 6030**            **Canada Transit Funding (Bill C-48)**

**On this line report the amount of Canada Transit Funding (Bill C-48).**