



2008 Financial Information Return Instructions

**Prepared by:
Ministry of Municipal Affairs & Housing
Municipal Finance Policy Branch
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TABLE OF CONTENTS

| | <u>Page</u> |
|--|-------------|
| 1. Introduction..... | 3 |
| 2. Municipal Services Offices..... | 4 |
| 3. Preparation and Submission of the FIR..... | 4 |
| 4. Declaration of the Municipal Treasurer..... | 5 |
| 5. Recommended Order for Completion of Schedules..... | 5-6 |
| 6. Consolidation..... | 6-8 |
| 7. Social Housing Consolidation Issues..... | 8-9 |
| 8. Municipal Electric Utilities..... | 9-10 |
| 9. Capital Expenditures..... | 10 |
| 10. Treatment of Solid Waste Landfill Closure and Post-Closure..... | 11 |
| 11. Capital Leases..... | 12 |
| 12. Accounting and Reporting Requirements..... | 12-15 |
| 13. Interfunctional Adjustments..... | 15 |
| 14. Allocation of General Government Expenditures (Program Support Expenditures)..... | 15-22 |
| 15. Debt Burden of the Municipality..... | 23 |
| 16. Coding of Data points (SLC Number)..... | 23 |
| Appendix A: Reporting of Loans from Reserve Funds in the Financial Information Return (FIR)..... | 24 |

FIR Schedules:

| | |
|-------------|---|
| Schedule 02 | Declaration of Municipal Treasurer |
| Schedule 10 | Revenue Fund Receipts |
| Schedule 12 | Current Revenue for Specific Functions |
| Schedule 20 | Taxation Information |
| Schedule 22 | Municipal and School Board Taxation |
| Schedule 24 | Payments-in-Lieu of Taxation |
| Schedule 26 | Taxation and Payments-in-Lieu Summary |
| Schedule 28 | Upper-Tier Entitlements (Upper-Tier Only) |
| Schedule 40 | Revenue Fund Expenditures |
| Schedule 42 | Additional Revenue Fund Information |
| Schedule 50 | Capital Fund Operations |
| Schedule 52 | Sources of Capital Fund Financing and Expenditures |
| Schedule 60 | Continuity of Reserves and Reserve Funds (includes statutory reserve funds) |
| Schedule 70 | Consolidated Financial Position |
| Schedule 72 | Continuity of Taxes Receivable |
| Schedule 74 | Long Term Liabilities and Commitments |
| Schedule 80 | Statistical Information |

1. Introduction

Role of the Ministry of Municipal Affairs and Housing

The Ministry of Municipal Affairs and Housing is responsible for establishing requirements for municipal accounting, financial reporting, municipal auditing and other matters related to the financial health of municipalities as set out in Section 3 of the Municipal Affairs Act.

Section 294 (1) of the Municipal Act specifically states that each municipality will annually report on its financial affairs, accounts and transactions. This takes the form of the annual Financial Information Return (FIR).

Purpose of the Financial Information Return

Information reported in the Financial Information Return is extracted and stored in the Municipal Analysis and Retrieval System (MARS) database. The data is available to ministries, municipalities, other local government agencies and municipal associations for the following purposes:

- Developing provincial fiscal policy
- Developing municipal finance policy
- Monitoring local sector performance
- Examining the financial status of municipalities
- Municipal debt limit reports
- Forecasting and budgeting
- Local economic profiles and information on local services and service levels for use by industry
- Financial and statistical data requests
- Municipal management tool/comparative tool

Users

The Ministry of Municipal Affairs and Housing and other ministries are major users of the information collected in the Financial Information Return and use the information for policy development, evaluation and monitoring. Other users include the Ontario Municipal Board, municipalities, municipal associations, Statistics Canada, other provinces, the investment and banking communities, debenture holders, the academic community, consultants, and others interested in the municipal sector.

Because of the wide range of users and the provincial programs that make use of the data in the FIR, it is imperative that the Return be prepared accurately and completed promptly.

Whom to Contact for Assistance

If your municipality does not have access to the internet or if you require advice or assistance regarding these Instructions or the return, please call the FIR Co-ordinator at (416) 585-7618 in the Municipal Finance Policy Branch, email Fir.mah@ontario.ca or contact a Municipal Services Office of the Ministry of Municipal Affairs and Housing, listed below.

2. Municipal Services Offices - Ministry of Municipal Affairs and Housing

| Municipal Service Office | Municipalities Served |
|--|--|
| Central Municipal Services Office 777 Bay St, 2nd Floor Toronto, ON M5G 2E5 (416) 585-6226 1-800-668-0230 Fax: (416) 585-6882 | City of Toronto, City of Hamilton, Regional Municipalities of Durham, Halton, Niagara, Peel, York, District Municipality of Muskoka, Counties of Dufferin, Simcoe |
| Eastern Municipal Services Office Rockwood House 8 Estate Lane Kingston, ON K7M 9A8 (613) 545-2100 1-800-267-9438 Fax: (613) 548-6822 | City of Ottawa, City of Kawartha Lakes, Counties of Frontenac, Haliburton, Hastings, Lanark, Leeds and Grenville, Lennox and Addington, Northumberland, Peterborough, Prescott and Russell, Prince Edward, Renfrew, Stormont, Dundas and Glengarry |
| Northeastern Municipal Services Office 159 Cedar Street, Suite 401 Sudbury, ON P3E 6A5 (705) 564-0120 1-800-461-1193 Fax: (705) 564-6863 | City of Greater Sudbury, Districts of Algoma, Cochrane, Manitoulin, Nipissing, Parry Sound, Sudbury, Timiskaming |
| Northwestern Municipal Services Office 435 James Street South, Suite 223 Thunder Bay, ON P7E 6S7 (807) 475 1651 1-800-465-5027 Fax: (807) 475-1196 | Districts of Kenora, Rainy River, Thunder Bay |
| Western Municipal Services Office 659 Exeter Road, 2nd Floor London, ON N6E 1L3 (519) 873-4020 1-800-265-4736 Fax: (519) 873-4018 | Municipality of Chatham-Kent, Region of Waterloo, Counties of Brant, Bruce, Elgin, Essex, Grey, Haldimand, Huron, Lambton, Middlesex, Norfolk, Oxford, Perth, Wellington |

3. Preparation and Submission of the FIR

Deadline for Completion: **June 1, 2009**

Completion Requirements

Data is entered in an Excel file which contains worksheets for each FIR and performance measurement schedules. The Excel file can be downloaded from the FIR website at:

<http://cskonramp.mah.gov.on.ca/fir/Welcome.htm>

A Start-Up Guide and Instructions for completing the FIR schedules and performance measurement schedules are available in PDF format on the website.

When all Schedules are completed, email the FIR file to: FIR.mah@ontario.ca

The Ministry then extracts the data and stores the data in the Ministry's Municipal Database.

In addition, the municipality must submit a signed printout of Schedule 02, Declaration of the Municipal Treasurer. **A list of submission requirements is shown on the FIR website for each reporting year.**

4. Declaration of the Municipal Treasurer

The Declaration affirms that all schedules agree with the books and records of the municipality and its consolidated entities and that the schedules have been completed in accordance with the instructions.

The Declaration of the Municipal Treasurer is labelled Schedule 02 in the FIR. The municipality must complete the Declaration of the Municipal Treasurer in the FIR and submit a signed printout of the Declaration when the FIR is completed. The Declaration should be sent by mail or fax to:

Mr. Jim Simos,
Co-ordinator, Financial Analysis
Ministry of Municipal Affairs and Housing
Municipal Finance Policy Branch
777 Bay Street, 13th Floor
Toronto, ON M5G 2E5

Fax (416) 585-6315 or (416) 585-6161

NOTE: Please do not send a print-out of the entire FIR with the Declaration.

Every municipality is also responsible for submitting their Financial Statements to the Ministry. Financial Statements, including a signed Auditors Report can now be submitted electronically to: FIR.mah@ontario.ca

It is preferred that Municipalities submit a PDF (Portable Document Format) version of the Financial Statements, although other formats such as WordPerfect, Word or Excel would also be acceptable.

Municipalities that choose to submit their Financial Statements electronically are no longer required to send hard copies to their local Municipal Services Office. Those Municipalities unable to submit electronically should continue to mail a hard-copy of their Financial Statements to their local Municipal Support Office. The addresses of the Municipal Support Offices are shown in section 2 of this Introduction.

Please note that the Ministry no longer requires a report from the Municipal Auditor on the FIR since the FIR is not audited. Also, it is no longer necessary for the auditor to report on cross-adds since automatic calculations have been built into the FIR.

Municipalities retain the option to involve their auditor in the preparation of the FIR if they so desire.

Space is provided for the Municipal Treasurer's signature, email and the date signed.

On the Declaration, Schedule 02, Municipalities should enter the name and details of a contact person for the information contained in the FIR. Also, the date the schedules are completed should be entered (Note that the date is automatically displayed, but can be overwritten).

5. Recommended Order for Completion of Schedules

It is recommended that municipalities complete the FIR schedules in the order given below. Within each schedule, the sections should be completed sequentially, unless otherwise noted.

Tax schedules should be completed first. Please note that while all municipalities complete Schedules 20, 22, 24, 26, only upper-tiers complete Schedule 28. Only lower-tiers and single-tiers complete Schedule 72, Continuity of Taxes Receivable.

Certain schedules (10, 50, 70) are completed after others because they contain data points which are automatically updated from other schedules.

Schedules pertaining to revenue fund operations precede schedules relating to the capital fund, reserves and reserve funds. Municipalities should then complete schedules dealing with long term liabilities and commitments, consolidated financial position, statistical information and municipal user charges.

| Suggested Order | Schedule |
|-----------------|---|
| 1 | Schedule 20: Taxation Information |
| 2 | Schedule 22: Municipal and School Board Taxation |
| 3 | Schedule 24: Payments-in-Lieu of Taxation |
| 4 | Schedule 26: Taxation and Payments-in-Lieu Summary |
| 5 | Schedule 28: Upper-Tier Entitlements (Upper-Tiers only) |
| 6 | Schedule 72: Continuity of Taxes Receivable |
| 7 | Schedule 12: Current Revenue For Specific Functions |
| 8 | Schedule 10: Revenue Fund Receipts Schedule 10 cannot be completed until the above schedules are completed since many data points are automatically carried-forward from other schedules. The continuity section of schedule 10 should be completed after Schedule 40 is completed since data is carried-forward from Schedule 40. |
| 9 | Schedule 40: Revenue Fund Expenditures Columns in Schedule 40 can be completed sequentially. However, it may be easier to complete the columns in the following order: 1, 2, 8, 5, 9, 6, 4, 3, 12, 13, and 14 |
| 10 | Schedule 42: Additional Revenue Fund Information |
| 11 | Schedule 52: Sources of Capital Fund Financing and Expenditures |
| 12 | Schedule 50: Capital Fund Operations |
| 13 | Schedule 60: Continuity of Reserves and Reserve Funds |
| 14 | Schedule 74: Long Term Liabilities and Commitments |
| 15 | Schedule 70: Consolidated Financial Position |
| 16 | Schedule 80: Statistical Information |

6. Consolidation

Subject to the exceptions noted below, all local boards of the municipality and all entities established by the municipality are to be consolidated. All joint local boards are to be proportionally consolidated. (Please refer to the section on proportional consolidation)

Please note that PSAB section 1300.07 indicates that an organization is to be consolidated if it is controlled by the municipality. **For the fiscal year 2006 and beyond, the FIR will follow section 1300.7: “The government reporting entity should comprise the organizations that are controlled by the government.”**

Municipalities have the authority under Ontario Regulation 599/06 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.

Notwithstanding the instructions above, the following types of local boards **are not** to be consolidated in the FIR:

- Children's Aid Societies
- Conservation Authorities
- Harbour Commissions
- Humane Societies
- Municipal Hospitals
- Provincial Area Library Boards
- School Boards

Gas and Telephone Utilities *

If gas and telephone utilities are deemed to be government business enterprises then they are to be consolidated in the same manner as a municipal electric utility. They are to be consolidated using the modified equity method. If deemed to be a local board or a department of a municipality then they are fully consolidated. Please contact the FIR Co-ordinator by e-mail at Fir.mah@ontario.ca for further information.

Further, the following funds are not consolidated because they are not deemed to be assets or revenues of the municipality.

- Ontario Home Renewal Plan (OHRP) funds
- Pension funds
- Trust funds, including perpetual care funds for cemeteries

Please note that in past years sinking funds were not reported in schedule 70 of municipality's FIR because they were deemed to be a method of retiring debt and were not considered a source of revenue or an asset of the municipality. Municipalities will report **sinking funds** in schedule 70 of the FIR. Please do not report the annual revenue of sinking funds on schedule 10 and the payment of principal and interest on schedule 40.

Consolidated Municipal Service Managers (CMSMs) and District Social Services Administration Boards (DSSABs)

If the municipality designated as a Consolidated Municipal Service Manager is an upper-tier which provides CMSM services to its lower-tiers only, the upper-tier consolidates the operations of the CMSM in its FIR.

If the cost of CMSM services is included in the upper-tier tax rate, the lower-tiers do not report expenditures for CMSM services in Schedule 40. Note that Upper-Tier tax rates are reported in Schedules 22 and 24. If the upper-tier recovers some or all of its costs through an invoice, the payment to the upper-tier is reported in Schedule 40 as contracted services (column 4).

Where the CMSM consists of a county and a single-tier or two upper-tiers, reporting will reflect the nature of the consolidation agreement between the parties.

If the municipality designated as a CMSM has a purchase of service agreement with the other party, the CMSM reports CMSM operations in its FIR. The municipality (i.e. county or single-tier) which purchases services will report expenditures for CMSM services as contracted services in Schedule 40.

If the Consolidated Municipal Service Manager is organized as a joint local board, the operations of the CMSM are proportionally consolidated among the municipalities which are a party to the consolidation agreement.

District Social Services Administration Boards (DSSABs) are always proportionally consolidated.

Proportional Consolidation

Joint local boards are proportionally consolidated.

Proportional consolidation is a method of accounting and reporting whereby a municipality's pro rata share of each of the assets, liabilities, revenues and expenditures that are subject to joint control is combined on a line-by-line basis with similar items in the municipality's Financial Information Return. This method of accounting differs from full consolidation in that only the municipality's share of assets, liabilities, revenues and expenditures is reported.

District Social Services Administration Boards (DSSABs), health units and homes for the aged are proportionally consolidated.

Please note that although the Province contributes to the cost of services delivered by public health units, proportional consolidation is based on the total revenues, expenditures, assets and liabilities of the health unit.

Schedule 42

Please note that Schedule 42, Additional Revenue Fund Information, collects information about contributions to unconsolidated joint local boards on lines 5840 to 5898.

Transactions

Material transactions between the municipality and its consolidated local entities must be eliminated on consolidation.

Where proportional consolidation of a local board is applicable, the municipality is to reflect its proportional share of the gross revenues and the gross expenditures of the local board.

In addition, exclude all programs which receive one hundred per cent financing from the Province. In these cases, the municipality acts simply as a conduit for flowing provincial funds.

7. Social Housing Consolidation Issues

(Please refer to the MAH Social Housing Treatment Document posted on the FIR website for further information)

Local Housing Corporations

Local Housing Corporations (LHC) should be fully consolidated in the FIR of the municipal service manager. The Ministry of Municipal Affairs and Housing commissioned KPMG to report on the transfer of social housing to Local Housing Corporations in November 2000. The KPMG report, entitled, Financial Reporting Guidance: Social Housing Transfer to Local Housing Corporations concluded:

LHCs are Government Not-For-Profit Organizations for financial reporting purposes. Accordingly, they should apply the Canadian Institute of Chartered Accountants (CICA) accounting recommendations for not-for-profit organizations in maintaining their accounts and preparing their financial statements. The service manager in preparing their own financial statements, should consolidate the LHC line by line on a uniform basis of accounting after eliminating inter-governmental unit transactions and balances.

Mortgages transferred to Local Housing Corporations (LHCs) should be reported in the financial statements of the LHCs. The municipal service manager will, therefore, reflect LHC debt obligations through the consolidation of the LHC in the FIR.

Ontario Housing Corporation debentures which were not transferred to Local Housing Corporations, should not be reflected as debt of municipalities in the FIR. As the debentures are not assignable, the Ontario Housing Corporation will continue to hold the debentures.

Municipal Non-Profit Housing Corporations

Municipal Non-Profit Housing Corporations should be fully consolidated in the FIR if the municipality acts as the service manager, effectively controlling the strategic financial and operating policies, and the municipality controls a majority of the appointments to the Board of Directors of the Municipal Non-Profit Corporation.

The November 2000 report by KPMG indicated that municipal financial statement preparers will need to examine the structure of any existing municipal non-profit housing corporations that are part of the municipal reporting entity to determine whether they are accountable to the service manager and are owned or controlled by it. It is expected, given that the service manager will have authority over the municipal non-profit's strategic financial and operating policies, either directly or through its control of the members appointed to serve as directors, that many of these organizations would be part of the reporting entity of their respective service manager and as such be consolidated with it.

Private Non-Profits and Co-operative Housing Corporations

The financial activities of Private Non-Profits and Co-operative Housing Corporations should not be consolidated in the Financial Information Return.

The November 2000 KPMG report also did not make a recommendation regarding Private Non-Profits. In most cases, these bodies are not deemed to be local boards, i.e. part of the Municipal Service Manager, and municipalities do not control or hold ownership in the organizations. It should be pointed out; however, that municipalities do provide funding to these organizations.

DSSABs

Social housing costs reported by DSSABs are to be proportionally consolidated in the FIRs of the local municipalities.

8. Municipal Electric Utilities

The Energy Competition Act, 1998, requires municipalities choosing to continue providing hydro-electric services beyond November 7, 2000, to do so through an entity incorporated under the Ontario Business Corporations Act.

In the Financial Information Return, municipalities are to account for their ownership interests in municipal electric utilities as government business enterprises, regardless of the method used to report municipal electric utilities in the annual Financial Statements. To provide for consistent financial reporting in the FIR, municipalities are to account for ownership using the modified equity method. (Please see the CICA PSA Handbook, Financial Reporting Entity, paragraph PSAB 1300.35). The modified equity method reports the net assets of the municipal electric utility as a one line investment in the Financial Information Return.

At the time of acquisition of a municipal electric utility, a municipality debits investment account and credits revenue. Income from the municipal electric utility results in an increase the investment account and a deficit results in a decrease in the investment account.

Reporting Municipal Electric Utilities in the FIR

The annual net income (deficit) for the municipal electric utility is reported in Schedule 10 on SLC 10 6020 01 (Net Income for Business Government Equity for year).

Please note, Government Business Enterprise Equity at the end of the year in SLC 10 6090 01 will equal Government Business Enterprise Equity at the beginning of the year, plus Net Income for Government Business Enterprise for the year, plus any adjustments. This can be expressed as:

$$\text{SLC 10 6090 01} = \text{10 6010 01} + \text{10 6020 01} + \text{10 6060 01}$$

Government Business Enterprise Equity from SLC 10 6090 01 is carried forward to SLC 70 5080 01 in the "Municipal Position" section. Government Business Enterprise Equity or net assets are also reported by the municipality in the "Other financial assets" section on SLC 70 0820 01.

For further information please refer to Accounting for Electric Utilities by Municipalities in Ontario, dated April, 2000.

9. CAPITAL EXPENDITURES

Definition of a Capital Expenditure: A capital expenditure is one that results in the acquisition, construction, development or betterment of a tangible capital asset.

Tangible Capital Asset

A tangible capital asset is a non-financial asset having a physical substance that is acquired, constructed or developed and:

- (i) is held for use in the production or supply of goods and services
- (ii) has a useful life extending beyond one year and is intended to be used on a continuing basis, and
- (iii) is not intended for sale in the ordinary course of operations

Betterments

A betterment is a cost incurred to enhance the service potential of a tangible capital asset.

In general, for tangible capital assets other than complex network systems, service potential may be enhanced when there is an increase in the previously assessed physical output or service capacity, where associated operating costs are lowered, the useful life of the property is extended or the quality of the output is improved.

For complex network systems, the following basic distinctions can be used to identify maintenance and betterments:

- (a) Maintenance and repairs maintain the pre-determined service potential of a tangible capital asset for a given useful life. Such expenditures are charged in the accounting period in which they are made. As an example, expenditures incurred to maintain the original service potential of a road, or its estimated useful life are more in the nature of an operating expenditure.
- (b) Betterments increase service potential (and may or may not increase the remaining useful life of the tangible capital asset). Such expenditures would be included in the cost of the related asset. As an example, expenditures on road systems to widen the road or add to the number of lanes, or expand the capacity of the road to provide services, are clearly betterments.

Cost

Cost is the amount of consideration given up to acquire, construct, develop or better a tangible capital asset. This includes all costs directly attributable to acquisition, construction, development, or betterment of the tangible capital asset, including installing the asset at the location and in the condition necessary for its intended use. The cost of a contributed tangible capital asset is considered to be equal to its fair market value at the date of contribution.

The cost of a tangible capital asset includes the purchase price of the asset and other acquisition costs, design and engineering fees, legal fees, survey costs, site preparation costs, freight charges, transportation insurance costs, and duties. The cost of a constructed asset would normally include direct construction or development costs, such as materials and labour, and overhead costs directly attributable to the construction or development activity.

The cost of a tangible capital asset that is acquired, constructed or developed over time includes the carrying costs directly attributable to the acquisition or development activity. As an example, the cost of a tangible asset would include interest costs when the policy is to capitalize interest costs.

10. Treatment of Solid Waste Landfill Closure and Post-Closure

Account for a solid waste landfill closure and post-closure liability as per PS 3270 in the PSAB Handbook. Expenditures are generally considered revenue fund expenditures and are reported in Schedule 40 on line 0850 (Waste disposal). In column 14 (Amounts for unfunded liabilities), report the unfunded portion of revenue fund expenditures which are accrued in order to recognize the liability. Funded expenditures are reported in the columns for the appropriate object categories of expenditure.

If any of the expenditures for solid waste landfill closure and post-closure are capital in nature and material, report the capital expenditures in Schedule 52, Sources of Capital Fund Financing and Expenditures, on line 0850 (Waste disposal). Report unfunded capital expenditures which are accrued in order to recognize the liability in column 8 (Amounts for unfunded liabilities). Reported funded capital expenditures in column 7 (Capital expenditures).

In Schedule 70, Consolidated Financial Position, report the liability in SLC 70 2799 01 (Solid waste landfill closure and post-closure). In the section on Municipal Position, report the amount to be recovered in future years in SLC 70 5615 01 (Solid waste landfill closure and post-closure liabilities).

11. Capital Leases

Capital leases can be categorized as lease purchase agreements which are deemed tangible capital leases, financing leases which extend within and beyond the term of Council which are not deemed to be tangible capital leases, and sale-leaseback agreements. Each category is discussed below.

For further details, please refer to PSAB guideline PSG-2, Leased Tangible Capital Assets, and to PSG-3, Sale-leaseback transactions, dated April 2000. For information on financing leases beyond the life of Council, please see Ontario Regulation 46/94.

Lease Purchase Agreement (Tangible Capital Lease)

A tangible capital lease is defined as a lease that, from the point of view of the lessee, transfers substantially all the benefits and risks incident to ownership of a tangible capital asset to the lessee. A leased tangible capital asset is a non-financial asset that has physical substance and a useful life extending beyond an accounting period, and is held under lease for use, on a continuing basis, in the production or supply of goods and services. Under the terms and conditions of the lease, substantially all of the benefits and risks incident to ownership are, in substance, transferred to the government without necessarily transferring legal ownership.

Please see the next page for a discussion of the reporting of a tangible capital lease.

A capital tangible lease is reported in the following schedules:

Schedule 50, Capital Fund Operations

Report the tangible capital lease in the section for Capital Fund Revenues as a long term liability in SLC 50 0255 01 (Lease purchase agreements/Tangible capital assets).

Schedule 74, Long Term Liabilities and Commitments

Report the tangible capital asset in the section - Debt burden of the municipality: Analysed by debt instrument, in SLC 74 1240 01 (Lease purchase agreements/Tangible capital assets).

Schedule 52, Sources of Capital Funding and Expenditures

Functionalize expenditures for the capital lease in the expenditure columns in Schedule 52.

Schedule 50, Capital Fund Operations

The column total in SLC 52 9910 09 includes expenditures for the tangible capital lease and is carried forward to SLC 50 3098 01 in the section, Applications of Capital Fund Financing. Note that SLC 50 3098 01 is labelled Capital Expenditures Less Unfunded Liabilities.

Schedule 40, Revenue Fund Expenditures

Annual lease payments for the tangible capital asset are allocated between repayments of the liability, interest expense and any related executory costs.

The annual interest payments are functionalised in Schedule 40 in column 2 (Long Term Debt Charges - Interest). The principal or liability portion is functionalised in column 8 (Long Term Debt Charges - Principal).

Financing leases which extend within and beyond the term of Council (not deemed to be capital tangible leases)

Financing leases are leases which meet the definition contained the Ontario Regulation 46/94, but which do not meet the definition of tangible capital lease.

The annual payments associated with the financing leases reported in Schedule 40, column 5, (Rents and Financial Expenses).

Also report the annual payments in Schedule 74, Long Term Liabilities and Commitments, SLC 74 3150 03 (Financial Leases beyond the term of Council).

Sale-Leaseback

If the transaction is a sale-leaseback and involves a leased tangible capital asset, then please follow the procedures above.

If the transaction is a sale-leaseback and involves the sale of a tangible capital asset, but the lease component does not meet the definition or criteria of a capital lease, please use the following procedures. Reflect the sale in Schedule 50, Capital Fund Operations, in SLC 50 0840 01 (Proceeds from sale of other assets) and functionalize the annual expenditures in Schedule 40.

12. Accounting and Reporting Requirements

Enter all amounts to the nearest dollar.

Fund Accounting

Revenue fund and capital fund transactions are reported separately on the appropriate schedules.

Any transaction which falls within the definition of capital expenditure is to be recorded in the capital fund regardless of the method of financing. All transactions financed through debenturing are to be recorded in the capital fund. Capital expenditures may also be financed from capital subsidies, from transfers from the revenue fund, reserves, reserve funds, deferred revenue (i.e., development charges) and prepaid special charges.

Where municipalities earmark part of their taxes as a capital levy, the taxes are first recorded in the revenue fund as tax revenue in Schedule 22, Municipal and School Board Taxation, with an offsetting transfer to the capital fund on Schedule 40, Revenue Fund Expenditures. An equivalent amount is then recorded on Schedule 50, Capital Fund Operations, as a transfer from the revenue fund.

Reporting of Loans from Reserve Funds in the Financial Information Return (FIR)

Section 1800.08 of the PSA Handbook requires that financial transactions in individual funds are to be combined and any inter-fund balances and transactions eliminated. Thus, loans by the revenue (current) and capital funds from reserve funds are eliminated and not reported on a municipality's financial statements.

Loans from reserve funds are to be reported in the annual FIR. This reporting treatment differs from the reporting in financial statements. Loans from reserve funds represent commitments against future revenues of a municipality. A financial instrument such as a promissory note represents these loans and they are to be included in the calculation of a municipality's Annual Repayment Limit.

Please see Appendix A for reporting of loans from reserve funds in the FIR.

Reporting of Capital Grants

Capital grants are reported directly in the capital fund and are not treated as a transfer from the revenue fund to the capital fund.

Reporting of Provincial Gasoline Tax Revenue

Provincial gasoline tax revenues are reported in the **Revenue Fund** or the **Capital Fund** as a **conditional grant for Transit services** if the gasoline tax revenues were utilized during the year.

Expenditures related to capital are to be reported in Schedule 52 under the appropriate subfunction.

Expenditures of an operational nature are to be reported in Schedule 40 under the appropriate subfunction.

Reserve Funds established to retain provincial gasoline tax revenues are reported as deferred revenue on Schedule 60. (Schedule 60 lines 0860 & 5690 column 1)

Reporting of Federal Gasoline Tax Revenue

Federal gasoline tax revenues are reported in the **Capital Fund** on Schedule 52 column 10 as a conditional grant if the gasoline tax revenues were utilized during the year. The Federal grants are to be used for the following services: Roadways, Transit, Water, Wastewater, Solid waste, Community energy systems.

Reserve Funds established to retain Federal gasoline tax revenues are reported as deferred revenue on Schedule 60. (Schedule 60 lines 0862 & 5682 column 1)

Reporting of the Canada Transit Funding (Bill C-48)

The Federal Public Transit Funding is a conditional capital grant for public transit. Only those municipalities that provide transit services are eligible for this conditional capital grant.

The Canada Transit Funding revenue should be reported in the Capital Fund on Schedule 52 line 0630 column 4(Transit Line) if the grant was utilized during the year.

Reserve Funds established to retain the Canada Transit Funding (Bill C-48) are reported as deferred revenue on Schedule 60. (Schedule 60 lines 0863 & 5692 column 1)

Basis of Accounting

Accrual accounting is to be used.

Capital Assets

Capital assets are not reported in Schedule 70, Consolidated Statement of Financial Position.

In Schedule 80, Statistical Information, municipalities are asked to report the insured value of physical assets.

Reserves, Reserve Funds and Deferred Revenue

Generally, all revenues should be recorded in the revenue fund or the capital fund with the exception of deferred revenue (obligatory reserve funds).

Schedule 60, Continuity of Reserves and Reserve Funds, is provided to record revenues and expenditures to reserves and reserve funds.

Deferred revenue is reported as revenue in Schedule 60, column 1 (Obligatory reserve funds/deferred revenue) and as a liability in Schedule 70, SLC 70 2410 01.

Transfers from the revenue fund to obligatory reserve funds/deferred revenue, discretionary reserve funds, and reserves are reported as revenue in Schedule 60, line 0410 (Contributions from revenue fund), columns 1, 2 or 3. The transfer is also reported as an expenditure of the revenue fund on Schedule 40 in column 9 (Transfers to own funds) on a line corresponding to the appropriate subfunction.

Transfers from the capital fund to obligatory reserve funds/deferred revenue reserves, discretionary reserve funds, and reserves are reported as revenue in Schedule 60, line 0420 (Contributions from capital fund), columns 1, 2 or 3, and as an expenditure of the capital fund in SLC 50 3420 01.

Transfers from obligatory reserve funds/deferred revenue reserves, discretionary reserve funds, and reserves to the revenue fund are reported as revenue of the revenue fund in SLC 10 3020 01. The transfer is reported as an expenditure of obligatory reserve funds/deferred revenue reserves, discretionary reserve funds, and reserves in Schedule 60, line 1020 (Transferred to revenue fund), columns 1, 2 or 3.

Transfers from obligatory reserve funds/deferred revenue reserves, discretionary reserve funds, and reserves to the capital fund are reported as transfers to the capital fund in SLC 50 2020 01. The transfer is reported as an expenditure of obligatory reserve funds/deferred revenue reserves, discretionary reserve funds, and reserves in Schedule 60, line 1010 (Transferred to capital fund), columns 1, 2 or 3.

Netting of Revenues and Expenditures

Generally there is no netting of revenue against expenditure with the following exceptions:

- Insurance recoveries
- Retail sales tax refunds

In all other circumstances transactions are to be reported on a gross basis. The issue of debt instruments by upper-tier municipalities on behalf of lower-tier governments and lower-tier agencies, boards and commissions, and for school boards are to be reported on the appropriate receivable line in schedule 70 and as part of the upper-tier debt in schedule 70. Debt charges pertaining to these debt instruments are however not to be reported on the upper-tier municipality's schedule 10 and 40.

Transactions Involving Other Municipalities

Generally, all transactions involving other municipalities are to be reported on a gross basis. For example, where a municipality provides fire fighting services to a neighbouring municipality, the expenditure would be shown gross on Schedule 40, Revenue Fund Expenditures, and the amounts recovered would be reported in Schedule 12, Current Revenue for Specific Functions, column 3 (Other municipalities).

There has been some confusion with respect to the reporting of water/sewer revenues and expenditures between lower and upper-tier municipalities. As a general rule, you should determine which municipality has the statutory responsibility to provide the service in question; the reporting method follows accordingly.

Where a particular function is a statutory responsibility of the upper-tier municipality, then all amounts raised for the function by a lower-tier through upper-tier tax rates, or as amounts added to tax bills, are to be treated as amounts raised for upper-tier purposes and reported on Schedule 22, Municipal and School Board Taxation. In the case where revenues are raised through user fees or service charges, the lower-tier reports the revenue in Schedule 12, Current Revenue for Specific Functions, column 4 (User fees and service charges). The upper-tier reports the revenue in Schedule 12, column 3 (Other municipalities).

13. Interfunctional Adjustments

Beginning with the FIR2002, separate columns are provided in Schedule 40 for the reporting of Interfunctional Adjustments and the Allocation of General Government:

| | |
|-----------|-------------------------------|
| Column 12 | Interfunctional adjustments |
| Column 13 | Allocation of program support |

By providing two separate columns it is possible to identify the amounts reported for each purpose.

Interdepartmental Transfers

The interfunctional adjustments column in Schedule 40, column 12 is used to report the transfer of expenditures between departments (subfunctions).

As an example, an interdepartmental transfer may be made if the waterworks department provides hydrant service for fire protection purposes and initially reports the expenditure. The waterworks department should allocate the expenditure for hydrant services to fire services using column 12 (interfunctional adjustments). On the line for the waterworks system, a negative amount is entered in column 12 or added to the existing balance in the column. An equal positive amount should be added to the balance in column 12 on the line for fire services.

Municipalities should report interfunctional adjustments if all the following conditions are met:

- A service is provided by one subfunction to one or more other subfunctions
- Expenditures incurred in providing the service to another subfunction can be easily identified
- A consistent method is used to determine the amount to be transferred between subfunctions
- The method used to determine the amount to be transferred is easily explainable

Column Total for Interfunctional Adjustments

The column total for interfunctional adjustments in SLC 40 9910 12 will always be zero because each interdepartmental transfer entered as a negative amount in column 12 for one subfunction has a corresponding positive interdepartmental transfer entered for another subfunction.

14. Allocation of General Government Expenditures (Program Support Expenditures)

Municipalities are required to allocate program support to other subfunctions. Starting with the 2004 FIR, municipalities also allocate program support to governance in SLC 40 0240 13 and corporate management in SLC 40 0250 13.

Amount of Program Support Allocated to Other Subfunctions

The amount of program support allocated equals the sum of the following amounts in Schedule 40, line 0260:

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

SLC 40 0260 13 is automatically entered as a negative amount.

Column Total for Column 13

The total for column 13 (Allocation of Program Support) is always zero because the amount of program support reported in SLC 40 0260 13 is a negative value. The municipality enters amounts allocated to individual subfunctions as positive values in column 13 on lines 0240, 0250 and 0410 through 1898. The sum of these positive entries equals SLC 40 0260 13 (-1).

Allocation Methods for Municipalities of Different Sizes

Municipalities are asked to use a standardized method of allocation, based on population. The municipality should indicate the allocation method used in SLC 94 0201 03.

| Population | Method of Allocation | |
|---------------|---|----------|
| 100,000+ | OMBI method | Required |
| Under 100,000 | Percentage of total expenditures | Required |
| | OR Modified percentage of total expenditures | Required |

Allocation Method: Percentage of Total Expenditures

Overview

This method is used by municipalities with populations under 100,000.

1. The amount of program support to be allocated equals (SLC 40 0260 13)(-1).
2. Determine expenditures for each subfunction.
3. Determine total expenditures used in allocation model.
4. For each subfunction, express expenditures as a percentage of total expenditures.
5. Determine the amount of program support allocated to each subfunction. (Multiply program support from step 1 by the percentage of total expenditures in step 4)

NOTE: Only the following object categories of expenditures are used to determine expenditures in steps one to three:

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

Method in Detail

1. **The amount of program support to be allocated equals (SLC 40 0260 13)(-1).**
2. **Determine expenditures for each subfunction.**

For each subfunction, expenditures equal the sum of:

| | |
|----------------|---------------------------------------|
| SLC 40 xxxx 01 | Salaries, wages and employee benefits |
| SLC 40 xxxx 03 | Materials |
| SLC 40 xxxx 04 | Contracted services |
| SLC 40 xxxx 05 | Rents and financial expenses |
| SLC 40 xxxx 12 | Interfunctional adjustments |

3. Determine total expenditures used in allocation model.

Total expenditures consist of the sum of the column totals on line 9910 for salaries, wages and employee benefits; materials; contracted services; rents and financial expenses; and interfunctional adjustments, less program support.

Total expenditures equal:

| | |
|----------------|---------------------------------------|
| SLC 40 9910 01 | Salaries, wages and employee benefits |
| SLC 40 9910 03 | Materials |
| SLC 40 9910 04 | Contracted services |
| SLC 40 9910 05 | Rents and financial expenses |
| SLC 40 9910 12 | Interfunctional adjustments |

Less program support:

(SLC 40 0260 01 + 40 0260 03 + 40 0260 04 + 40 0260 05 + 40 0260 12)

4. For each subfunction, express expenditures as a percentage of total expenditures.

Divide expenditures for a subfunction by total expenditures, then multiply by 100 to express the result as a percentage.

5. Determine amount of program support allocated to each subfunction.

Multiply the amount of program support to be allocated from step 1 by the percentage of total expenditures from step 4.

The amount of program support allocated to a subfunction equals: (SLC 40 0260 13)(-1) times the % of total expenditures for the subfunction.

TIP: Copy Schedule 40 to a new workbook and add columns to calculate the percentage of total expenditures.

To make use of the data in Schedule 40, simply copy Schedule 40 to a blank Excel workbook and save under another name.

A column can be added to the workbook to record the sum of salaries, wages and employee benefits; materials, contracted services, rents and financial expenses and interfunctional adjustments. (See Table 1, column a)

Do not include an amount for program support in column a. The total in Table 1 differs from the total on line 9910 because it will not include program support.

In Table 1, a second column (column b) has been added to record expenditures for each subfunction as a percentage of total expenditures for each subfunction. In column c, the amount of program support to be allocated to each subfunction equals (SLC 40 0260 13)(-1) times the percentage of total expenditures from column b.

Once the amount of program support allocated to each subfunction has been determined, the municipality must enter the data in Schedule 40.

| Table 1. Allocation Method: % of Total Expenditures | | | |
|--|---|---|--|
| Copying Schedule 40 and adding 3 columns to calculate the amount allocated | | | |
| | Column a | Column b | Column c |
| | Expenditures for each subfunction (Sum of 5 object categories) | % of total expenditures (Expenditures for subfunction in column a / total in column a) | Allocation of program support (Copy of Column 13) (40 0260 13)(-1) times % in column b |
| | \$ | % | \$ |
| 0240 Governance | 1,000,000 | 2.0% | 8,000 |
| 0250 Corporate management | 1,000,000 | 2.0% | 8,000 |
| 0260 Program Support | | | - 400,000 |
| 0299 Subtotal | | | |
| 0410 Fire | 2,000,000 | 4.0% | 16,000 |
| 0420 Police | 3,000,000 | 6.0% | 24,000 |
| | | | |
| 5099 Non-Functionalised Amounts | | | |
| Total | 50,000,000 | 100.0% | 0 |
| <p>Do not include program support in column "a" because the total does not include program support.</p> <p>The amount of program support to be allocated to other subfunctions equals SLC 40 0260 13 (-1).</p> <p>The three vertical dots indicate that the workbook would continue, listing all subfunctions. Governance and corporate management are allocated a portion of program support although they are on lines above program support in Schedule 40.</p> | | | |

TIP: For the modified percentage of total expenditures allocation method, Schedule 40 can also be copied into a blank workbook to calculate the percentage of **modified total expenditures.**

Allocation Method: Modified Percentage of Total Expenditures

This method may be used by municipalities with populations under 100,000.

This method is used when a municipality has already allocated a substantial amount of indirect costs to subfunctions that would otherwise be reported as program support. This method avoids allocating program support to these subfunctions.

In the modified percentage of total expenditures method, program support will be allocated only to subfunctions which do not include a share of indirect costs.

To ensure that all of program support is allocated, it is necessary to adjust the calculation of total expenditures to eliminate expenditures for the subfunctions which receive direct allocation.

Overview

This method uses the same steps as the percentage of total expenditures method:

1. The amount of program support to be allocated equals (SLC 40 0260 13)(-1).
2. Determine expenditures for subfunctions which will be allocated program support.
3. Determine **modified** total expenditures used in allocation model.
4. For each subfunction which will be allocated program support, express expenditures as a percentage of total expenditures.
5. Determine amount of program support allocated to each subfunction. (Multiply program support from step 1 by the percentage of total expenditures in step 4)

Method in Detail

- 1. The amount of program support to be allocated equals (SLC 40 0260 13)(-1).**
- 2. Determine expenditures for subfunctions which will be allocated program support.**

Subfunction expenditures equal the sum of salaries, wages and employee benefits; materials; contracted services; rents and financial expenses; and interfunctional adjustments. FIR references follow.

Subfunction expenditures equal:

Sum of:

| | |
|----------------|---------------------------------------|
| SLC 40 xxxx 01 | Salaries, wages and employee benefits |
| SLC 40 xxxx 03 | Materials |
| SLC 40 xxxx 04 | Contracted services |
| SLC 40 xxxx 05 | Rents and financial expenses |
| SLC 40 xxxx 12 | Interfunctional adjustments |

3. Determine modified total expenditures used in allocation model.

In this method, total expenditures do not include subfunctions which include amounts for indirect costs which would otherwise be reported as program support. Also, total expenditures do not include program support.

Modified total expenditures equal:

Sum of:

SLC 40 xxxx 01 + SLC 40 xxxx 03 + SLC 40 xxxx 04 + SLC 40 xxxx 05 + SLC 40 xxxx 12

Salaries, wages, benefits Materials Contracted services Rents & fin. expenses Interfunctional adjustments

for each subfunction which will be allocated program support.

4. For each subfunction which will be allocated program support, express expenditures as a percentage of total expenditures.

Calculate subfunction expenditures as a percentage of modified total expenditures for each subfunction which will be allocated program support.

Divide expenditures for a subfunction by modified total expenditures, then multiply by 100 to express as a percentage. Do not calculate the percentage of modified total expenditures for any subfunction which includes indirect costs which would otherwise have been reported as program support.

5. Determine amount of program support allocated to each subfunction.

Program support is allocated only to subfunctions which do not include indirect costs. For each subfunction, the amount allocated equals (SLC 40 0260 13)(-1) times the percentage of modified total expenditures. (Program support from step 1 is multiplied by the percentage of total expenditures calculated in step 4.)

Allocation Method: OMBI

This method is used by municipalities with populations of 100,000 or more.

The amount to be allocated equals (SLC 40 0260 13)(-1).

The OMBI method of allocation divides program support into 23 service areas. (See table below.)

Each service area is assigned a type of unit or driver that will be the basis of allocation. Allocation is based on the percentage of units consumed by each subfunction.

Example of OMBI Method

In this example, expenditures are allocated for printing and graphics, one of the 23 service areas of program support.

The driver or type of unit specified for printing and graphics is the number of impressions. In this example, \$350,000 in printing and graphics expenditures are to be allocated, representing salaries, wages and employee benefits; materials; contracted services; rents and financial expenses; and interfunctional adjustments. If the roadways subfunction consumes 10% of impressions, it is allocated 10% of printing and graphics expenditures or \$35,000.

Summary of OMBI Method:

1. Total program support to be allocated equals (SLC 40 0260 13)(-1).
2. Divide program support in (SLC 40 0260 13)(-1) among program support categories.

For each program support service area:

3. Determine number of driver units consumed by each subfunction and narrower service area in Schedule 91.
4. Determine total driver units.
5. For each line, express driver units as a percentage of total units.
6. Determine amount allocated to each subfunction and narrower service area in Schedule 91.
(Amount allocated equals program support in Step 2 times the percentage of total driver units in Step 5.)
7. Determine total program support allocated to each subfunction and narrower service area in Schedule 91.
Sum amounts allocated for each program support service area.
8. Enter program support for each line in Schedule 40 or Schedule 91, using column 13.

Excel Worksheet for Allocation of Program Support

The Ministry provides an Excel workbook on the FIR website to assist municipalities using the OMBI method of allocation. Scroll down to the section called: "MPMP Information". This workbook is not part of the FIR and should not be submitted to the Ministry.

Tracking Usage of Program Support Services

| Program support service area | Allocation driver (type of units) used to track usage by each subfunction |
|---|--|
| Accounts payable | Number of invoices paid/ Transactions processed |
| Accounts receivable | Number of transactions |
| Budgeting | Estimated time |
| Compensation management | Average head count (full-time, part-time, casual) |
| Facilities and property management | Floor space (on a facility by facility basis) or Average head count (full-time, part-time and casual) in each building |
| Fleet | Time and material |
| Health and Safety | Average headcount (full-time, part-time and casual) |
| HR Counselling | Average headcount (full-time, part-time and casual) |
| IT Application delivery & data management | Estimated time |
| Infrastructure tool access (Data and Voice) | Number of PC's or Phone lines |
| Insurance/risk management administration | Insurance premium or Claims |
| Labour and employee relations | Number of grievances or Average headcount of employees (full-time, part-time and casual) |
| Mailroom | Program cost |
| Payroll | Number of cheques / direct deposits |
| Printing and graphics | Number of impressions, including photocopies |
| Program accounting | Estimated time |
| Program specific communication | Estimated time |
| Program legal support | Estimated time |
| Purchasing | Volume of transactions |
| Records management | Number of records |
| Staffing | Number of job postings (both internal and external) |
| Stores & commodity management | Value of goods processed or Number of stores requisitions processed |
| Training and development | Average headcount (full-time, part-time and casual) |

Please see the chapter on Functional Classifications for definitions of each program support category.

15. Debt Burden of the Municipality

- A) Schedule 70, Consolidated Financial Position, reflects all outstanding debt issued by the municipality, predecessor municipalities and consolidated entities and all debt assumed from others including Ontario Clean Water Agency debt retirement funds and own sinking funds in SLC 70 2610 01, 70 2620 01 and 70 2630 01. If long term debt has been specifically issued on behalf of a Government Business Enterprise, the amount is reported in SLC 70 2660 01. Long term debt issued on behalf of other municipalities, school boards and others (includes tile drain loans) and will be recovered from these organizations and others is reported in the appropriate line: SLC 70 0861 to 0868. Debt retirement funds and sinking fund debt is to be reported in SLC 70 0863 and 0864 respectively.
- B) Schedule 74, Long Term Liabilities and Commitments, reflects the gross and net debt burden of the municipality.

To arrive at the net debt burden of the municipality, debt issued by the municipality, including debt issued on behalf of consolidated entities, is added to debt assumed by the municipality from others. From this amount is subtracted debt assumed by others, Ontario Clean Water Agency debt retirement funds and own sinking funds.

The debt burden includes all types of debentures, mortgages, and leasing agreements where there is an obligation or clear intention to acquire the asset at the end of the lease period. In addition, bank loans are considered as long term liabilities if:

- (a) The loan is made for capital purposes, and
- (b) The bank cannot demand payment before maturity of the loan.

Municipalities may assume debt issued by other municipalities as a result of a municipal reorganization (annexation or amalgamation), debt issued on behalf of a joint project or board, or debt issued on behalf of other bodies, such as a public utilities commission.

Where debt is assumed by another municipality, it is reported by the municipality which assumed the debt and the municipality that issued the debt reflects the debt as debt assumed by others.

16. Coding of Data points (SLC Number)

In the FIR, each datapoint is identified by a unique SLC Number. The SLC Number identifies the Schedule, Line and Column where a datapoint is located. SLC means "Schedule-Line-Column".

For example, SLC 10 9930 01 refers to Schedule 10, Line 9930, Column 1.

Each Schedule is identified with a 2-Digit Number, which is displayed in the top right hand corner of each Schedule.

Each Line is identified with a 4-Digit LineID, which is displayed in the left margin beside every line on every Schedule.

Each Column is identified with a 2-Digit Column Number, which is displayed in every column heading.

In the FIR, there are several cases where amounts are automatically carried-forward from one schedule to another. On these lines, the SLC Number where an amount is carried-forward from will be shown in the Line Description.

For example, Schedule 10, Line 0810 for Ontario conditional grants is automatically carried-forward from Schedule 12, Line 9910, Column 1. Thus SLC 12 9910 01 is displayed on this Line, identifying the source of the carry-forward amount.

Appendix A:

Reporting of Loans from Reserve Funds in the Financial Information Return (FIR):

A. General Comments:

Section 1800.08 of the PSA Handbook requires that financial transactions in individual funds are to be combined and any inter-fund balances and transactions eliminated. Thus, loans by the revenue (current) and capital funds from reserve funds are eliminated and not reported on a municipality's financial statements.

Loans from reserve funds are to be reported in the annual FIR. This reporting treatment differs from financial statements. Loans from reserve funds represent commitments against future revenues of a municipality. A financial instrument such as a promissory note represents these loans and they are included in the calculation of a municipality's Annual Repayment Limit.

B. Reporting in the FIR:

Schedule 50: Capital Fund Operations:

Report the loan in schedule 50, line 0250: Long term reserve fund loans in the year the loan is made.

Schedule 74: Long Term Liabilities and Commitments:

Report the loan in schedule 74, line 0230 in part 1 of schedule 74.

Report the loan in schedule 74, line 1270 in part 2 of schedule 74.

Report the loan in schedule 74, the appropriate function in part 3 of schedule 74.

Report the loan in schedule 74, line 3012 if recovered from general tax rates in part 10, of schedule 74; otherwise, report in the appropriate line of part 10 of schedule 74.

Schedule 60: Continuity of Reserves and Reserve Funds

The balance of the reserve funds is not reduced by the amount of the loan.

Schedule 70: Consolidated Financial Position:

Report the balance of the loan as a receivable in line 0868 in schedule 70.

Report the balance of the loan as a liability in line 2610 in schedule 70.

Report the balance of the loan as part of the reserve funds in line 5499 of schedule 70.

Report the balance of the loan in line 5690 as an amount to be recovered in schedule 70.

Schedule 40: Revenue Fund Expenditures:

Report the annual payment of principal interest in columns 2 and 8 under the appropriate function.

