
COULD DO BETTER: GRADING THE FISCAL ACCOUNTABILITY OF CANADA'S MUNICIPALITIES, 2024

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ONLINE APPENDIX 1: PSAS AND MUNICIPAL FINANCES

Cash versus Accrual and Public Sector Accounting Standards

Cash accounting records revenue when money is received and expenses when outlays occur, rather than when the related activity occurs, such as when a tax becomes payable or as a capital asset delivers its services. Accrual accounting shows revenues and expenses during the period when the relevant activity occurs, rather than when cash changes hands. It records the expenses associated with long-lived items such as buildings, bridges, roads and sewers as they deliver their services – ideally, writing them down (amortizing them) until they wear out. This approach means that the difference between consolidated revenue and expense, the surplus or deficit, represents the change in the government's accumulated operating surplus or deficit – a key indicator of its capacity to deliver services – over the course of the year.

Public sector accounting standards (PSAS) evolved in the 1980s, when accrual accounting had become widespread in the private sector and cash accounting's drawbacks in the public sector were increasingly apparent. PSAS took a more comprehensive approach to governments' capacity to deliver services than cash accounting provided, showing non-financial assets such as buildings and infrastructure alongside financial assets such as bank deposits, for example, and liabilities such as obligations for pensions and environmental cleanup alongside market debt. Canada's senior governments, with their greater legislative autonomy, gradually – and not without setbacks – adopted PSAS, first in their audited financial statements and later in their budgets. Canada's municipalities have adopted PSAS in their financial statements but have not yet generally adopted PSAS in their budgets.

How Municipal Budgets Depart from PSAS

Although municipalities use accrual accounting in their budgets in some areas, such as receivables and payables, they typically do not use it for capital projects. Instead, they apply cash accounting to capital outlays as they occur – a big cost up front and nothing thereafter. They also typically present separate operating and capital budgets, rather than showing PSAS-consistent consolidated revenues and expenses, as they do in their financial statements. Many municipal budgets also separate tax-supported from fee-supported services and sometimes show only net numbers – inflows minus outflows – for the latter. All these discrepancies frustrate attempts to compare budgets and results, before and after the fiscal year ends.

The differences between cash and accrual accounting also matter for understanding municipalities' statements of financial position and service capacity. Under accrual accounting, cash collected in taxes or received from senior governments in transfers to finance capital items need not be recorded as revenue until the item in question is delivering its services. Until it is recorded in revenue, the cash on the asset side of the municipality's statement of financial position has a counterpart liability, usually labelled "deferred

revenue.” That label signifies that the money is not the city’s to do with as it pleases; its obligation is to use the money to build the item.¹

In most municipal budgets, the focus on cash and the separation of operating and capital budgets means funds received during the year but not used for capital outlays during the year flow into “reserves,” and funds received in prior years used for capital outlays during the year flow out of “reserves.” A city’s operating budget adds flows of funds out of reserves to operating revenue and adds flows of funds into reserves to operating spending. That treatment makes no sense: it mixes items that do not affect the annual surplus or deficit – and the city’s accumulated operating surplus or deficit and capacity to deliver services – with items that do.

The focus on cash and the separation of operating and capital budgets also means that most municipal budgets omit the amortization of capital assets as they deliver their services – a large category of expense for municipalities that are capital-intensive operations.

1 Cash received for capital projects, including transfers from other levels of government, should not come into income until the related expenses – including amortization of the project – are recorded. We stress this point because some critics of this report card have objected that PSAS do not allow this treatment and that municipalities therefore should not use accrual accounting in budgets. In fact, PSAS do allow this treatment, which makes sense in budgeting and in reporting.

ONLINE APPENDIX 2: REFERENCE TABLES

Table A2.1: Budget Documents Referenced		
Government	Budget Document Used for Rating	Accessible at
Brampton	2024 Budget	https://www.brampton.ca/EN/City-Hall/Budget/Documents/2024%20Budget_final.pdf
Burnaby	2024-2028 Financial Plan	https://www.burnaby.ca/sites/default/files/acquiadam/2024-01/2024-2028-Financial-Plan.pdf
Calgary	2023 November Adjustments Summary Report	https://www.calgary.ca/content/dam/www/cfod/finance/documents/plans-budgets-and-financial-reports/2023-2026-service-plans-budgets/november-adjustments-summary-report.pdf
Durham Region	The 2024 Regional Business Plans and Budget for Property Tax Purposes, including General Purpose, Solid Waste Management and Durham Region Transit	https://www.durham.ca/en/resources/2024-F-3-2024-Regional-Business-Plans-and-Budgets-for-Property-Tax-Purposes.pdf
Edmonton	Budget Highlights 2024	https://www.edmonton.ca/sites/default/files/public-files/2024-BudgetHighlights.pdf?cb=1727187781
Gatineau	Budget 2024	https://www.gatineau.ca/docs/guichet_municipal/administration_municipale/budget/budget_2024/budget.fr-CA.pdf
Halifax	Budget and Business Plan 2024/25	https://cdn.halifax.ca/sites/default/files/documents/city-hall/budget-finance/budgetbook_2024-25_final.pdf
Halton Region	Halton Region Budget and Business Plan 2024	https://www.halton.ca/Repository/2024-Budget-and-Business-Plan-Budget-Report
Hamilton	2024 Budget and Financing Plan	https://www.hamilton.ca/sites/default/files/2024-07/2024Tax%26RateBudget-COH-2024-Budget-and-Financing-Plan.pdf
Kitchener	Approved Budget Summary 2024	https://www.kitchener.ca/en/resourcesGeneral/Documents/FIN_FP_2024_Budget_Summary.pdf
Laval	Budget 2024	https://www.laval.ca/Documents/Pages/Fr/A-propos/finances/budget-2024.pdf
London	2024-2027 Multi-Year Budget	https://london.ca/sites/default/files/2024-05/2024-2027%20Multi-Year%20Budget.pdf
Longueuil	2024 Budget	https://cms.longueuil.quebec/sites/default/files/medias/documents/2023-12/Budget%202024%20Ville%20de%20Longueuil%20Local%20Agglo.pdf

Table A2.1: Continued

Government	Budget Document Used for Rating	Accessible at
Markham	2024 Budget	https://www.markham.ca/wps/wcm/connect/markham/4cf065df-9e81-4833-be9d-b2d6e4070837/budget+book+-2024-Jan-23-AODA.pdf?MOD=AJPERES&CONVERT_TO=url&CACHEID=ROOTWORKSPACE.Z18_2QD4H901OGV160QC8BLCRJ1001-4cf065df-9e81-4833-be9d-b2d6e4070837-oRIDud2_&https://www.markham.ca/sites/default/files/2024-10/City-of-Markham-2024-Budget-web.pdf
Mississauga	2024 Budget	https://www.mississauga.ca/wp-content/uploads/2024/01/budget-2024.pdf
Montreal	Montréal Budget 2024 PDI 2024-2033	https://portail-m4s.s3.montreal.ca/pdf/budget_2024_faits_saillants_web.pdf
Niagara Region	2024 Niagara Region Budget Summary	https://www.niagararegion.ca/government/budget/pdf/budget-summary-2024.pdf
Oakville	Adopted 2024 Budget and Business Plans	https://www.oakville.ca/getmedia/3a6c5625-00f0-4965-8a01-f31ce3693419/budget-adopted-2024-operating-capital-budget.pdf
Ottawa	Budget 2024	https://documents.ottawa.ca/sites/documents/files/2024%20Adopted%20Budget%20Book%20English%20Condensed-AODA.pdf
Peel Region	Budget 2024	https://www.peelregion.ca/budget/2024/ media/2024-budget.pdf
Quebec City	Budget 2024	https://www.ville.quebec.qc.ca/apropos/profil-financier/docs/budget2024-Detaille.pdf
Regina	2024 General and Utility Operating Budget and 2024-2028 General and Utility Capital Plan	https://www.regina.ca/export/sites/Regina.ca/city-government/budget-finance/.galleries/pdfs/Proposed-2024-Budget-Report.pdf
Richmond	Consolidated 5 Year Financial Plan (2024-2028)	https://www.richmond.ca/_shared/assets/highlights5YFP70957.pdf
Saskatoon	2024/25 Approved Operating & Capital Budget	https://www.saskatoon.ca/sites/default/files/documents/asset-financial-management/finance-supply/2024-2025%20Approved%20Detailed%20Operating%20%26%20Capital%20Budget%20-1.23.2024.pdf
Surrey	Financial Plan 2024-2028	https://www.surrey.ca/sites/default/files/media/documents/2024-2028-Surrey-Financial-Plan.pdf
Toronto	2024 City of Toronto Budget Summary	https://www.toronto.ca/wp-content/uploads/2024/05/9569-2024-City-of-Toronto-Budget-Summary.pdf
Vancouver	2024 Budget	https://vancouver.ca/files/cov/2024-budget-city-of-vancouver.pdf
Vaughan	2024 Budget and 2025-2026 Financial Plan	https://www.vaughan.ca/sites/default/files/2023-11/BudgetBook2024%5BDIGITAL%5D.pdf?file-verbatim=1727201391957

Table A2.1: Continued

Government	Budget Document Used for Rating	Accessible at
Waterloo	2024 Program Budgets	https://www.regionofwaterloo.ca/en/regional-government/resources/Budget/2024_Final_Budget_Book_.pdf
Windsor	2024 Operating Budget and 2024 Capital Budget	OPERATING: https://www.citywindsor.ca/documents/city-hall/budget/2024%20Approved%20Operating%20Budget.pdf & CAPITAL: https://www.citywindsor.ca/documents/city-hall/budget/Final%20Approved%202024%20Capital%20Budget%20-%20web.pdf
Winnipeg	2024 Adopted Budget	https://www.winnipeg.ca/media/3737
York Region	Approved 2024 Budget	https://www.york.ca/york-region/finances/budgets

Table A2.2: Financial Statement Documents Referenced

Government	Financial Statements Document Used for Rating	Accessible at
Brampton	2023 Annual Report	https://www1.brampton.ca/EN/City-Hall/Annual-Report/Documents/2023_Annual_Report.pdf
Burnaby	2023 Annual Municipal Report	https://www.burnaby.ca/sites/default/files/acquiadam/2024-04/2023-Annual-Municipal-Report.pdf
Calgary	2023 City of Calgary Annual Financial Report	https://www.calgary.ca/content/dam/www/cfod/finance/documents/Finance-2023-Annual-Report.pdf
Durham Region	Consolidated Financial Statements 2023	https://www.durham.ca/en/resources/2023-Consolidated-Financial-Statements-for-the-Regional-Municipality-of-Durham.pdf
Edmonton	2023 Annual Report	https://www.edmonton.ca/sites/default/files/public-files/2023FinancialAnnualReport.pdf?cb=1727115007
Gatineau	Rapport Financier Consolidé 2023	https://www.gatineau.ca/upload/documents/45a30012-6fcb-433e-a70d-48dbed4ac819.pdf
Halifax	Consolidated Financial Statements	https://cdn.halifax.ca/sites/default/files/documents/city-hall/budget-finances/march-31-2024-audited-financial-statements-cao-approved.pdf
Halton Region	2023 Annual Financial Report	https://www.halton.ca/Repository/2023-Annual-Financial-Report
Hamilton	Financial Report	
Kitchener	2023 Financial Report	https://www.kitchener.ca/en/resourcesGeneral/Documents/FIN_FP_2023_Financial_Report.pdf
Laval	Rapport financier annuel 2023	https://www.laval.ca/Documents/Pages/Fr/A-propos/finances/rapport-financier-consolide-2023.pdf
London	Financial Report 2023	https://london.ca/sites/default/files/2024-07/2023%20Financial%20Report%20of%20the%20Corporation%20of%20the%20City%20of%20London%20-%20Web.pdf
Longueuil	Rapport Financier	https://cms.longueuil.quebec/sites/default/files/medias/documents/2024-06/Rapport%20financier%202023.pdf
Markham	2023 Annual Report	https://www.markham.ca/wps/portal/home/about/city-hall/property-tax-water-budgets-annual-reports/files/annualreports/annual-report-2023
Mississauga	2023 Financial and Sustainability Report	https://www.mississauga.ca/wp-content/uploads/2024/09/10154353/2023-financial-and-sustainability-report.pdf
Montreal	Annual Financial Report 2023	https://mtl.ged.montreal.ca/constellio/?collection=mtlca&portal=REPDOCVDM#!displayDocument/00000093329

Table A2.2: Continued

Government	Financial Statements Document Used for Rating	Accessible at
Niagara Region	2023 Annual Financial Report	https://niagararegion.ca/government/budget/pdf/2023-annual-report.pdf
Oakville	Consolidated Financial Statements 2023	https://www.oakville.ca/getmedia/ba67dc82-d84b-4370-b059-eaf2e5b4a37c/town-hall-financial-statement-2023.pdf
Ottawa	Consolidated Financial Statements 2023	https://documents.ottawa.ca/sites/documents/files/2023%20Consolidated%20Financial%20Statements%20for%20City%20of%20Ottawa%20-%20AODA.pdf
Peel Region	2023 Audited Financial Statements	https://www.peelregion.ca/finance/_media/2023-Audited-Financial-Statements.pdf
Quebec City	Rapport Financier 2023	https://www.ville.quebec.qc.ca/publications/docs_ville/Rapport_financier_2023.pdf
Regina	2023 Annual Report	https://reginafiles.blob.core.windows.net/media/CityOfRegina/AnnualReports/CoR_2023_Annual_Report.pdf
Richmond	2023 Annual Report	https://www.richmond.ca/shared/assets/2023annualreport72861.pdf
Saskatoon	2023 Annual Report	https://www.saskatoon.ca/sites/default/files/documents/asset-financial-management/finance-supply/COS_2023-AnnualReport-Aug29-FINAL-web.pdf
Surrey	2023 Annual Financial Report	https://www.surrey.ca/sites/default/files/media/documents/2023-Annual-Financial-Report.pdf
Toronto	2023 City of Toronto Financial Report	https://www.toronto.ca/wp-content/uploads/2024/09/95d9-2023-City-of-Toronto-Financial-Report.pdf
Vancouver	2023 Annual Financial Report	https://vancouver.ca/files/cov/2023-annual-financial-report.pdf
Vaughan	Consolidated Financial Statements 2023	https://www.vaughan.ca/sites/default/files/2024-07/2023-12-31%20Corp%20of%20City%20of%20Vaughan%2019837%20AUD%20Cons%20PSAS.pdf?file-verify=1727123828650
Waterloo	Consolidated Financial Statements 2023	https://www.regionofwaterloo.ca/en/regional-government/resources/Budget/Consolidated_Financial_Statements_of_The_Regional_Municipality_of_Waterloo_.PDF
Windsor	2023 Annual Report	https://www.citywindsor.ca/documents/city-hall/financial-documents/City%20of%20Windsor%20Annual%20Financial%20Report%202023.pdf
Winnipeg	2023 Annual Financial Report	https://legacy.winnipeg.ca/finance/files/2023AnnualReport.pdf
York Region	2023 Community Report	https://www.york.ca/media/120021/download?attachment