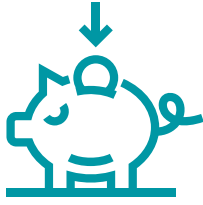


2023 Fiscal Year



Municipalities are required to present their results using two different accounting methods:



Fund accounting (FA), also known as cash accounting, is used to establish budgets and monitor results on the same basis.



Public sector accounting (PSA) is used to present financial statements in accordance with recognized Canadian public sector accounting standards.

The PSA method does not recognize the same revenues or expenses as the FA method does. That is why there are differences between the municipality's budget and its financial statements.

Here is a table comparing revenues, expenses and surpluses using both methods.

Fund accounting (method used to establish budgets)



	General	Water and Sewer	Total
Revenues	\$ 72,837,231	\$ 15,829,255	\$ 88,666,486
Expenses	\$ 72,446,357	\$ 15,535,320	\$ 87,981,677
Surpluses	\$ 390,874	\$ 293,935	\$ 684,809

(These surpluses will end up as revenue in 2025 in their respective funds [general, and water & sewer] and be transferred to reserve funds pursuant to section 5 of the City's policy, FIN-04 "Financial Management.")

Public sector accounting (method used to present audited financial statements)



Revenues	\$ 95,629,731 (including Expansion Dieppe and Gestion 1604)
Expenses	\$ 73,930,019
Surpluses	\$ 21,699,712

Here are the most important differences between the two methods:



The PSA method considers government grants and new developments as revenue.



PSA recognizes asset depreciation as an expense.




PSA does not recognize prior-year surpluses as income.




PSA does not recognize certain expenditures as expenses. For example, a capital expenditure is considered an investment in assets, not an expense. Repayment of debt-equity is considered a reduction in debt, not an expense. Reserve transfers are also not recognized as expenses under the PSA method.


Let's take the example of a family with a take-home pay of \$100,000 in 2023.


They have budgeted for the following expenses for the year:

- 


\$50,000 for basic expenses (food, clothing, restaurant, activities, etc.), but in the end this came to \$47,000.
- 

\$20,000 in mortgage expenses: \$8,000 on principal and \$12,000 in interest.
- 

\$25,000 to purchase a car.
- 

\$5,000 transferred to savings to save up for a boat.
- 

\$25,000 for roof work (they will be getting a \$25,000 grant through a provincial program).
- 

Sadly, a relative dies in 2023 and the family inherits a cottage worth \$150,000.
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The family owns a house they bought in 2009 for \$250,000, with a 25-year mortgage.

Comparison of this family's budget and income statement using the FA and PSA methods of accounting

	Budget - FA	Income Statement - FA	Income Statement - PSA
Income - Salary after tax	\$100,000	\$100,000	\$100,000
Expense - Basic costs	(\$50,000)	(\$47,000)	(\$47,000)
Expense - Mortgage (\$8,000 on principal and \$12,000 in interest)	(\$20,000)	(\$20,000)	(\$12,000)
Expense - Car purchase	(\$25,000)	(\$25,000)	\$0
Expense - Transfer to savings	(\$5,000)	(\$5,000)	\$0
Expense - Roofing (10 year warranty)	(\$25,000)	(\$25,000)	\$0
Revenue - provincial financing	\$25,000	\$25,000	\$25,000
Expense - House depreciation	\$0	\$0	(\$12,500)
Income - Inherited cottage	\$0	\$0	\$150,000
Year-end surplus (deficit):	\$0	\$3 000	\$203,500

So, according to the PSA method, this family has a surplus of \$203,500 for 2023, whereas, according to the FA method, it has a surplus of only \$3,000, which represents the money that they have left at the end of the year.

The same applies to the municipality. Taking the improvements to infrastructure, grants received, equipment purchases, streets received from developers, etc., into consideration, the City has a surplus of \$21,699,712 under the PSA method. Yet, in terms of operating funds, it only has a surplus of \$685,000 for 2023.

It's also important to understand that under the Local Governance Act, New Brunswick municipalities are not allowed to run surpluses. Any surplus must be added to income in the second following year (i.e., 2025 for a surplus in 2023).