

**The Corporation of the Village of Burk's Falls
Municipal Act, 2001 Ontario Regulation 284/09
2025 Budget**

In 2009 significant changes were made to Public Sector Accounting Board ("PSAB") rules that govern the preparation of municipal financial statements. Municipalities were required to adopt these rules for financial statement purposes, but they have been allowed to follow their historical modified accrual accounting procedures for budget purposes. To address some of the major differences between these two accounting methods, the Municipal Act, 2001 was amended, and Ontario Regulation 284/09 was passed.

Ontario Regulation 284/09 states that a municipality may currently exclude specific expenses (amortization expenses, post-employment benefit expenses and solid waste landfill closure and post-closure expenses) from the budgeted amounts for which revenue must be raised. However if excluded, the regulation requires councils to adopt annual reports that show the impact of not fully covering these estimated expenses. Additionally, the annual reports must be prepared and adopted by council resolution before approving a municipal budget.

Outside of the expenditures identified in Ontario Regulation 284/09, there are other differences between a budget set on a modified accrual basis and one set on a PSAB accounting rule basis. Section 1 below itemizes all of the differences between these two accounting methods, including the excluded expenses specifically mentioned in Ontario Regulation 284/09, and shows the anticipated effect of the May 2025 version of the draft budget - including the Village's share of its shared services - on the overall surplus of the Village.

Section 2 of this report discusses the impact of this budget on the Village's ability to fund future capital asset requirements.

1. Budget Deviations from PSAB Accounting - Impact on Surplus

Description	Estimated Impact on Surplus	Comments
Village surplus carried forward from prior year	(244,533)	Prior year surplus is included as revenue in current year budget. This is not revenue under PSAB rules.
Surplus carried forward from prior year - Shared Services	(6,083)	Village's share of prior-year shared service surpluses included as revenue in current year budget. This is not revenue under PSAB rules.
Net transfers to reserves	285,885	This reflects the net reserve transfers for operating and capital purposes of the Village and shared services. In the budget, transfers to reserve are considered expenses and transfers from reserves are considered revenue. Under PSAB accounting rules they are not revenue/expense, but simply a transfer from one surplus account to another.
Capital acquisitions	1,783,735	Capital asset purchases are expenses under modified accrual accounting but not under PSAB accounting.
Amortization expense	(802,038)	2025 amortization of existing assets plus 1/2 year amortization of budgeted asset additions. This is an expense under PSAB accounting rules but is omitted from the budget.
Change in asset retirement obligations related to buildings and landfill closure and post-closure expenses	5,016	Anticipated decrease in unfunded liability due to anticipated remediation in the year net of accretion of remaining obligations. This represents a change in surplus under PSAB accounting rules not reflected in the budget.
Post-employment benefits	(840)	Estimated as inflated prior-year change is liability. This is an expense under PSAB accounting rules that is omitted from the budget.
Unfunded municipal debt	(365,030)	Net increase in outstanding debt principal. This is treated as revenue in the budget, but is not under PSAB accounting rules.
Overall anticipated change in surplus	656,112	

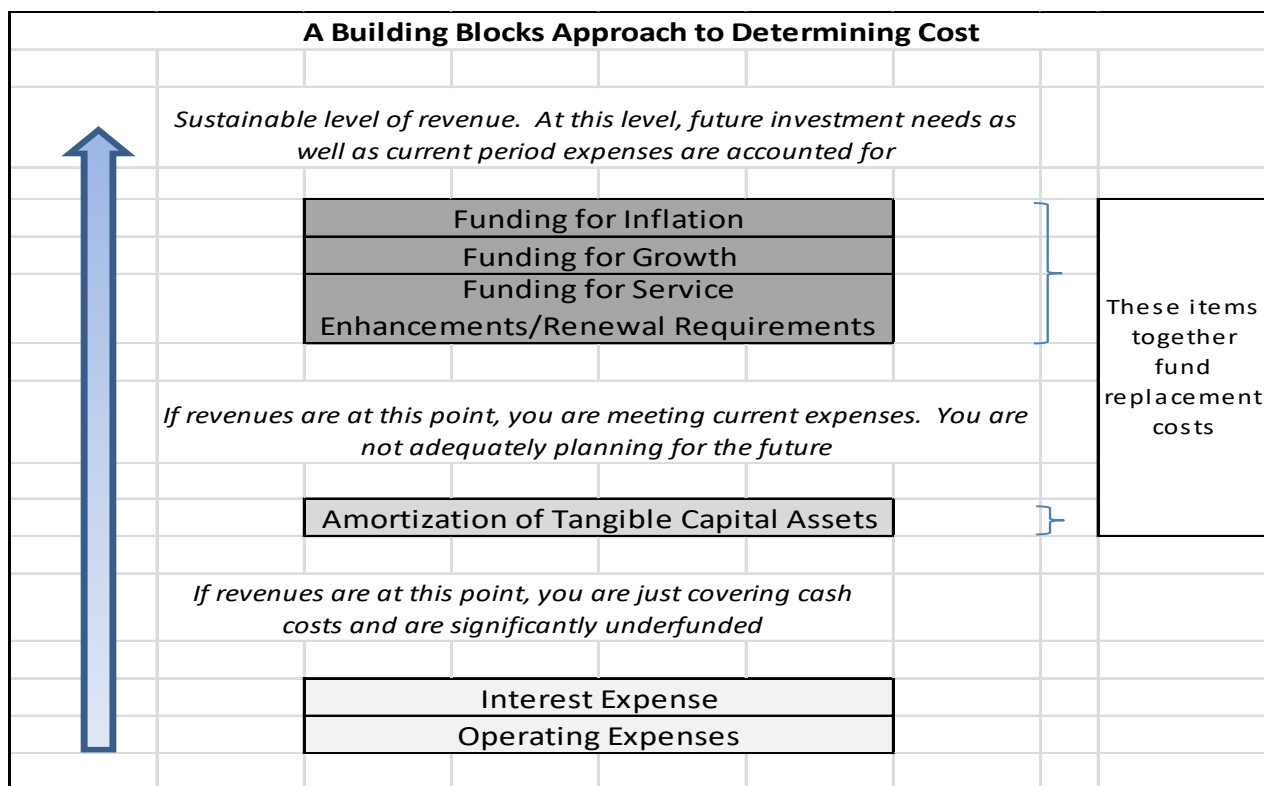
On a modified accrual basis, the Village's budget has been set to eliminate its opening operating surplus. On a PSAB rule basis, the Village's surplus is expected to increase by approximately \$656 thousand.

2. Impact of Budget on Ability to Finance Past, Present and Future Capital Expenditures

The annual amortization of the Village's assets is a conservative estimate of a sustainable level of capital asset funding. The weaknesses of using amortization as an indicator of appropriate capital funding include:

- a) Assets that are fully amortized are excluded from the calculation.
- b) Amortization is based on the historical cost of tangible capital assets and not replacement costs, which in most cases would be significantly higher due to inflation.

This idea is depicted in the following funding level summary, adapted from the Province's Building Together Guide. In a more comprehensive view of sustainability, a municipality's funding levels would be sufficient to cover not only current amortization, but also, would take price increases and service level changes into account.



The Village's estimated 2025 amortization expense is \$802,038. This can be compared to the Village's current level of permanent/predictable annual funding for capital asset purchases of \$642,173 as detailed below:

a) net operating income generated by the 2025 budget (see attached "Calculation of Net Income from Operations")	343,173
b) approximate annual gas tax funding	63,000
c) approximate annual OCIF funding	236,000
	642,173

The Village's current level of capital asset funding increased by approximately \$148,000 over the comparable 2024 level. However, it remains insufficient to cover the existing amortization of the historical cost of its assets. As depicted in the diagram above, this level of investment does not cover current expenses, and is not sustainable in the longer-term. Consequently, if the Village is to move towards sustainable investment in tangible capital assets, through the taxation and user fee policies adopted in the annual budgets, continuing efforts to increase funds available to finance capital expenditures must be made.

Village of Burk's Falls				
Calculation of Net Income from Operations				
2025 Budget - May 2025 Draft				
		2025 Budget	2024 Budget	
Total Revenue		6,277,321		4,921,009
Deduct Capital Revenue -				
Grants and Donations:				
OCIF formula-based-sewer and water	538,900		75,000	
Gas Tax - water	130,000		-	
OCIF formula-based-roads	50,000		55,000	
Gas Tax - roads micro sealing	-		60,000	
NORDS funding - Yonge St rehabilitation	347,805		-	
Field of Dreams	-		50,000	
ICIP grant - COVID -19 resilience	67,650		67,650	
		1,134,355		307,650
Long-term debt proceeds - firehall loan		428,544		-
Prior-year Surplus - general		244,533		140,834
From Reserves - tractor		5,000		-
From Reserves - burn building		5,720		-
From Reserves - fire truck		-		163,226
From Reserves - ball diamond		-		26,467
Operating Revenue		4,459,169		4,282,832

	2025 Budget		2024 Budget	
Total Expenses		6,277,321		4,921,009
Deduct Capital Expenditures -				
Capital Asset purchases:				
Gen govt capital items	81,050		67,650	
Burn building	10,079		-	
Fire hall	428,544		-	
Protection asbestos abatement	5,000		-	
Roadways	347,805		60,000	
Sidewalks	50,000		55,000	
Tractor	12,900		-	
Sewer capital	20,000		75,000	
Sewer showers in PW building	3,500		20,000	
Water meter update	25,000		20,000	
Watermain replacement	648,900		-	
Health Centre	59,465		7,500	
Medical Centre	5,000		-	
Parks/Dog Park	7,500		7,500	
Parks - gazebo roof	10,000		10,000	
Ball Diamonds capital	-		76,467	
New Library project	9,765		14,869	
		1,724,508		413,986
Interest on capital loans:				
Streetlight capital lease interest	92		441	
OILC loan interest	12,540		13,950	
		12,632		14,391

	2025 Budget		2024 Budget	
Principal repayments on capital loans:				
Roads principal streetlight capital lease	9,220		13,527	
Water principal Standpipe loan	46,252		44,842	
		55,472		58,369
Transfers to reserves for capital purposes:				
General Government server	5,000		5,000	
Fire	14,000		35,868	
Roads	20,000		35,000	
General infrastructure	94,394		-	
Truck	10,000		-	
Water and Sewer	63,796		73,998	
Landfill	8,500		8,338	
Health Centre	10,000		10,000	
Parks/Dog park	2,875		2,500	
Walking Bridge	50,000		5,000	
Mower	5,000		5,000	
Arena	9,000		5,902	
Library Building	3,113		3,113	
		295,678		189,719
Shared Services capital items included in Burk's Falls portion of cost share:				
Fire capital sale proceeds	-		- 2,860	
Fire capital	9,295		205,748	
Fire loan and construction loan interest repayment	6,066		1,068	
Fire loan principal repayment	8,042		7,809	
Tri-R capital	12,165		2,700	
Arena capital items	35,750		44,750	
Library capital (excluding books)	2,017		-	
Library excess (deficiency) of surplus to future needs reserve	- 300		730	
ACED/JBC capital	-		-	
		73,035		259,945
Operating Expenses		4,115,996		3,984,599
Net Income from Operations		343,173		298,233
Historical Net Income from Operations				
2023 Budget				152,109
2022 Budget				151,035
2021 Budget				125,485
2020 Budget				252,545
2019 Budget				327,456
2018 Budget				362,083