

The Corporation of the Village of Burk's Falls
Municipal Act, 2001 Ontario Regulation 284/09
2026 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 2026 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	(146,552)	Prior year surplus is included as revenue in current year budget. This is not revenue under PSAB rules.
Surplus and unfinanced capital carried forward from prior year - Shared Services	117,680	Village's share of prior-year shared service surpluses and unfinanced included as revenue and expense in current year budget. This is not revenue/expense under PSAB rules.
Net transfers to reserves	112,703	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	2,786,270	Capital asset purchases are expenses under modified accrual accounting but not under PSAB accounting.
Amortization expense	(815,446)	2026 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	(61,381)	Anticipated increase in unfunded liability due to anticipated remediation in the year, transfer of ARO on fire building to the Village and accretion of remaining obligations. This represents a change in surplus under PSAB accounting rules not reflected in the budget.
Post-employment benefits	13,239	Estimated as inflated prior-year balance, adjusted for the elimination of future liabilities for the Village and arena. This is a revenue under PSAB accounting rules that is omitted from the budget.
Unfunded municipal debt	(459,070)	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	1,547,443	

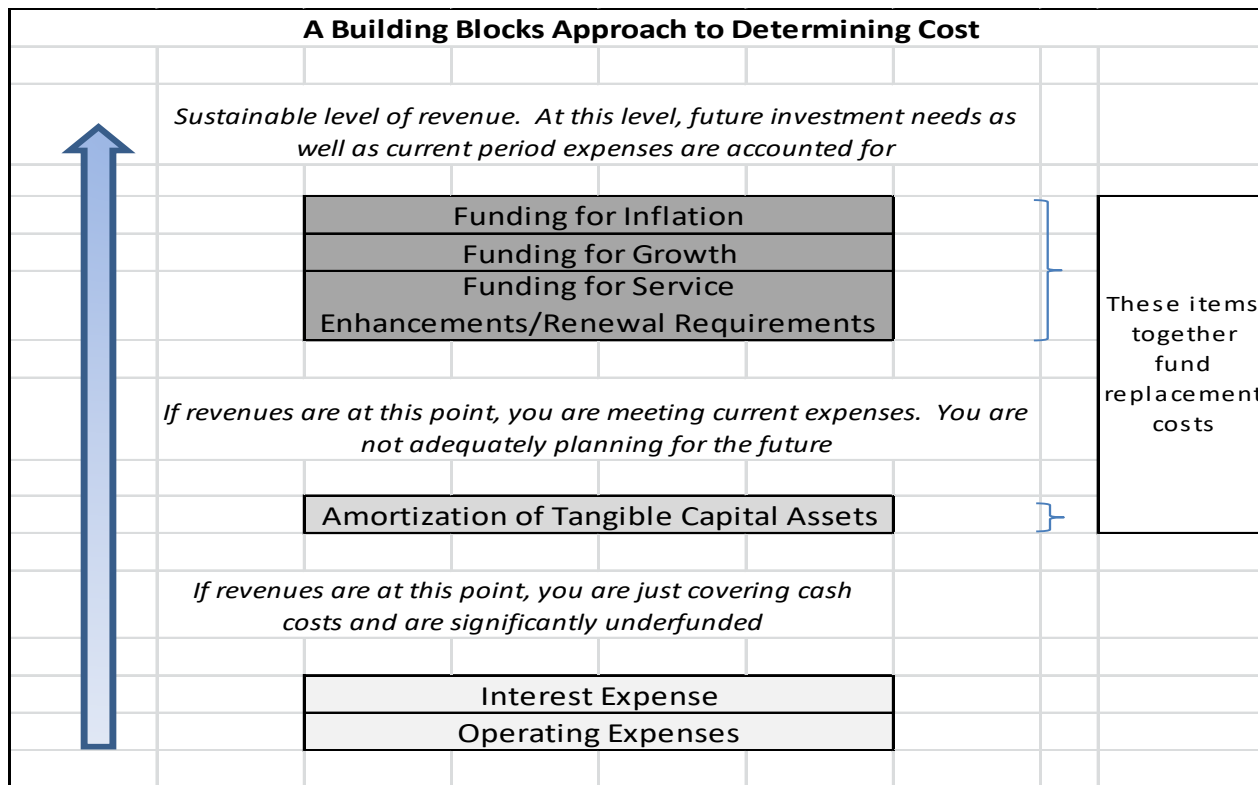
On a modified accrual basis, the Village's budget has been set to eliminate its opening operating surplus. On a PSAB rule basis, the Village's surplus is expected to increase by approximately \$1.5 million, due largely to the prior-year deferred grants being applied to capital projects in 2026.

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 2026 amortization expense is \$815,446. This can be compared to the Village's current level of permanent/predictable annual funding for capital asset purchases of \$652,734 as detailed below:

a) net operating income generated by the 2026 budget (see attached "Calculation of Net Income from Operations")	329,734
b) approximate annual gas tax funding	63,000
c) approximate annual OCIF funding	260,000
	652,734

The Village's current level of capital asset funding increased by approximately \$20,000 over the comparable 2025 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			
2026 Budget - May 2026 Draft			
	2026 Draft Budget	2025 Final Budget	
Total Revenue	6,557,493	5,851,777	
Deduct Capital Revenue -			
Grants and Donations:			
OCIF formula-based-sewer and water	207,538	538,900	
Roads revenue-funeral home sidewalk	15,000	-	
Gas Tax - water	-	130,000	
OCIF formula-based-roads Yonge St rehab	725,839	50,000	
OCIF formula-based-roads Elm St	69,000	-	
Gas Tax - roads Yonge St rehab	387,463	-	
NORDS funding	51,787	347,805	
Emergency preparedness funding-digital sign board	45,000	-	
ICIP grant - COVID -19 resilience	-	67,650	
	1,501,627	1,134,355	
Prior-year Surplus - general	146,552	244,533	
From Reserves - water and sewer	222,045	-	
From Reserves - theatre fan	3,002	-	
From Reserves - tractor	-	5,000	
From Reserves - burn building	-	5,720	
Operating Revenue	4,684,267	4,462,169	
Total Expenses	6,557,493	5,851,777	
Deduct Capital Expenditures -			
Capital Asset purchases:			
Gen govt capital items	-	75,550	
Burn building	-	10,079	
Fire Hall land purchase	19,841	-	
Emergency measures sign board	45,000	-	
Roadways	1,167,302	347,805	
Sidewalks	35,000	50,000	
Public works equipment	5,000	12,900	
Shop furnace	-	4,500	
Sewer capital	30,000	20,000	
Sewer showers in PW building	-	3,500	
Water meter update	25,000	25,000	
Watermain replacement`	346,000	648,900	
Waterline parts Elm St	20,000	-	
Health Centre	40,000	59,465	
Medical Centre	40,000	5,000	
Parks/Dog Park	-	7,500	
Parks - gazebo roof	-	10,000	
Theatre	13,002	-	
New Library project	-	9,765	
	1,786,145	1,289,964	
Interest on capital loans:			
Streetlight capital lease interest	-	92	
OILC loan interest	11,086	12,540	
	11,086	12,632	

	2026 Draft Budget		2025 Final Budget	
Principal repayments on capital loans:				
Roads principal streetlight capital lease	-		9,220	
Roads principal Kubota loan	12,138		-	
Water principal Standpipe loan	47,706		46,252	
		59,844		55,472
Transfers to reserves for capital purposes:				
General Government server	5,000		5,000	
Fire	27,481		14,000	
Roads construction	20,000		20,000	
General infrastructure	-		94,894	
Truck	10,000		10,000	
Bucket Truck	25,000		-	
Tractor	5,000			
Water and Sewer	50,000		63,796	
Landfill	8,500		8,500	
Health Centre	35,000		10,000	
Parks/Dog park	2,500		2,500	
Walking Bridge	50,000		50,000	
Mower	5,000		5,000	
Arena	9,000		9,000	
Library Building	3,113		3,113	
		255,594		295,803
Shared Services capital items included in Burk's Falls portion of cost share:				
Fire capital	943,766		9,295	
Fire loan and construction loan interest repayment	21,784		6,066	
Fire loan proceeds net of repayments/unfinanced capital	- 399,575		8,042	
Fire capital grant	- 529,100		-	
Tri-R capital	4,480		12,165	
Tri-R equipment sale proceeds	- 1,493			
Arena capital items	51,274		35,750	
Library capital (excluding books)	605		2,017	
Library decrease in reserves for capital and opening surplus	- 1,450		- 2,317	
JBC capital	-		-	
		90,291		71,018
Operating Expenses		4,354,533		4,126,888
Net Income from Operations		329,734		335,281
Historical Net Income from Operations				
2024 Budget				298,233
2023 Budget				152,109
2022 Budget				151,035
2021 Budget				125,485
2020 Budget				252,545
2019 Budget				327,456
2018 Budget				362,083