



Subject: Asset Retirement Obligation Policy

Report Number: FIN 24-031

Department: Finance Department

Submitted by: Renato Pullia, Interim Director of Finance / Treasurer

Meeting Type: Council Meeting

Meeting Date: Monday, September 9, 2024

RECOMMENDATION

- A. THAT report FIN-24-031 titled “Asset Retirement Obligation Policy” be received as information; and
- B. THAT a by-law to adopt Asset Retirement Obligation Policy 5-010 be presented to Council for consideration.

BACKGROUND

In 2022, the Public Sector Accounting Board (PSAB) introduced Standard PS3280 – Asset Retirement Obligation, which requires public sector bodies to recognize a liability on their financial statements for any required retirement costs in relation to tangible capital assets (including capital leases). This standard must be implemented for financial periods beginning after April 1, 2022 which means inclusion of any asset retirement liabilities on the Town’s financial statements for the fiscal year 2023 onwards. This report is a housekeeping item, identifying the intensive work that staff have undertaken to meet this new Standard, its impact to the 2023 financial statements, and the policy items related to the implementation of the Standard.

DISCUSSION

PS3280 defines an Asset Retirement Obligation (ARO) as existing when:

- 1. There is a legal obligation to incur retirement costs in relation to a tangible capital asset (contractual or legislative)
- 2. The past transaction or event giving rise to the liability has occurred (we own or have control of the asset).
- 3. It is expected that future economic benefits will be given up (it will cost money in the future); and
- 4. A reasonable estimate of the amount can be made

Research was undertaken, a policy was drafted (Appendix A), and to determine whether the Town had an ARO, a work plan was devised (Appendix B). All departments were

engaged in the review of potential ARO sources, which became an intensive undertaking. A Dangerous Substance Survey (DSS) was commissioned for each facility, which identified an ARO in relation to asbestos abatement. A further ARO was also identified for fuel tanks.

Annually the assets will need to be reviewed to determine changes in useful life, retirement obligation cost estimate, and discount rate. Each year, an “accretion expense” will be recorded in order to reflect the increase in liability as the retirement is one year closer to becoming necessary.

CONSULTATION

SLT, Finance staff, Facilities staff, County of Oxford, Millards audit firm

FINANCIAL IMPACT/FUNDING SOURCE

An asset retirement obligation recognition on the Town’s financial statements of \$602,516. This will be monitored on an annual basis.

CORPORATE GOALS

How does this report support the corporate goals identified in the Community Strategic Plan?

- Lifestyle and amenities
- Customer service, communication and engagement
- Business attraction, retention and expansion
- Community growth
- Connectivity and transportation
- Not Applicable

Does this report relate to a specific strategic direction or project identified in the Community Strategic Plan? Please indicate section number and/or any priority projects identified in the plan.

Goal – N/A – Legislative item

Strategic Direction – N/A

Priority Project – N/A

ATTACHMENTS

1. Appendix A – Policy 5-010 Asset Retirement Obligation
2. Appendix B – ARO Tillsonburg Work Plan