



## Staff Report

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**Report To:** Council Meeting  
**From:** Magda Badura, CAO/Treasurer  
**Date:** 2024-04-25  
**Subject:** Asset Retirement Obligations Policy

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### **Recommendation:**

That West Elgin Council hereby receives the report from M. Badura, CAO/Treasurer re: Asset Retirement Obligations Policy; and That West Elgin Council approves the Asset Retirement Obligations Policy.

### **Purpose:**

The purpose of this Policy is to present the accounting treatment for Asset Retirement Obligations (ARO) in a manner that is easy to understand. Our aim is to ensure that the details regarding these obligations are transparently disclosed in our financials statements, providing clarity on the asset obligations associated with their retirement.

### **Background:**

The primary objective of the ARO Policy is to ensure the accurate identification, accounting, and disclosure of liabilities and costs associated with asset retirement obligations in the Municipality of West Elgin's financial statements. Key areas addressed by this policy include identifying AROs, recognizing liabilities for AROs, and measuring these liabilities appropriately.

All municipal employees involved in asset management fall under the scope of this policy. The policy addresses legal obligations associated with the retirement of tangible capital assets, controlled by the municipality, and adhering to the Public Sector Accounting Board (PSAB) Handbook, Section 3280.

PS 3280 Asset Retirement Obligations is a complex accounting standard which requires us to use our best judgment that may result in significant changes to the financial statements. Asset retirement obligations are an estimate which will need to be derived from available information and will require us to make judgments and assumptions leveraging available data and the insights of the staff and professionals.

Implementation of PS 3280 will generate discussion about funding gaps for asset retirement costs, and more generally, about capital management and infrastructure deficits. Unfortunately, there is no accounting guidance provided in PS 3280 that relates to operational topics, and different public sector entities fund asset retirement costs in different manners. It is recommended that all public sector entities take the implementation of PS 3280 as an opportunity to discuss and plan for asset retirement costs. This includes internal discussions with senior management, Boards and Council.

**Financial Implications:**

To be determined

**Policies/Legislation:**

PSAB Handbook, Section 3280 for accounting and reporting on AROs.

**Alignment with Strategic Priorities:**

<b>Infrastructure Improvement</b>	<b>Recreation</b>	<b>Economic Development</b>	<b>Community Engagement</b>
<input checked="" type="checkbox"/> To improve West Elgin's infrastructure to support long-term growth.	<input type="checkbox"/> To provide recreation and leisure activities to attract and retain residents.	<input checked="" type="checkbox"/> To ensure a strong economy that supports growth and maintains a lower cost of living.	<input checked="" type="checkbox"/> To enhance communication with residents.

Respectfully submitted by,

## Report Approval Details

Document Title:	Asset Retirement Obligations Policy - 2024-09-Administration Finance.docx
Attachments:	- AD 3.6 - Asset Retirement Obligations Policy.pdf
Final Approval Date:	Apr 22, 2024

This report and all of its attachments were approved and signed as outlined below:

Terri Towstiuć