



Corporation of the Township of Brock

Staff Report to the Members of Council

From: John Henry, Deputy Treasurer

Trena DeBruijn, Director of Finance/Treasurer

Title / Subject: Financial Disclosure Requirements – O. Reg 284/09 – 2026

Date of Meeting: November 24, 2025

Report No: 2025-FI-034, Financial Disclosure Requirements – O.Reg 284/09,

1.0 Issue / Origin

Ontario Regulation 284/09 permits a municipality to exclude certain expenses from its annual budget, and for the Township of Brock, these expenses would be: amortization, including asset retirement obligations (“ARO”) and post-employment benefits.

This report meets the requirements of Ontario Regulation 284/09 regarding expenses excluded from the Township of Brock 2026 budget and provides an analysis of the impact to the budget if these expenses were included.

This report is required annually before each year’s budget is adopted by Council.

2.0 Background

The Public Sector Accounting Board (“PSAB”) accounting standards requires municipalities to move to a full accrual basis of financial statement reporting. For example, PSAB 3150 – Tangible Capital Assets, requires municipalities to amortize tangible capital assets over their useful life, as opposed to expensing the entire cost in the year of purchase.

These standards, however, do not require that budgets be prepared on the same full accrual basis. As such, most municipalities, including the Township of Brock, continue to prepare budgets on a traditional basis to determine the annual levy funding requirement and associated tax rate increase.

As such, Ontario Regulation 284/09 permits the following non-cash item exclusions from the budget:

- Amortization expenses, including asset retirement obligations
- Post-employment benefits expenses
- Solid waste landfill closure and post closure (this does not apply to the Township as we do not have any active landfill within our level of authority)

Where a municipality does exclude all or a portion of these expenses from their budget, Ontario Regulation 284/09 requires the municipality to disclose and adopt these items through council resolution. The disclosed information must contain at least:

- An estimate of the change in accumulated surplus to the end of the year resulting from the exclusion of the expenses listed; and
- An analysis of the estimated impact of the exclusion of any of the expenses listed on the future tangible capital asset funding requirements.

3.0 Analysis

Post-Employment Benefits

Post-employment benefit expenses are health care benefits that the Township provides between the time an employee retires and the time that an employee reaches age 65. The regulation does allow for the exclusion of post-employment benefits from the surplus calculations.

The Township reported an accrued benefit liability of \$321,500 as of December 31, 2024. The current actuarial report projects the 2025 liability to be \$331,600.

The Township has engaged the services of an actuary to calculate the post employment liability for the next term. Until completion of the study planned in 2026, staff project based on historical trends the 2026 post retirement liability to be \$343,200, a 3.5% increase. The net change from 2025 to 2026 would result in a post-employment benefit expense of \$11,600.

The Township has a policy to fund (and hold in reserve) a minimum of 50% of the accrued benefit liability. This is intended to minimize future financial impacts. As of December 31, 2025, staff estimate the post-employment benefits reserve balance to be approximately \$246,400 (unaudited). For 2026, this balance could increase to approximately \$247,600 with interest. This represents 72% of the liability. To fully fund the liability would require an additional \$95,600.

Should the annual expense and or the remaining portion of the liability be funded and levied in the 2026 budget, the reported accumulated surplus would be respectively higher.

Tangible Capital Asset (TCA) Amortization

Amortization represents an allocation of the total historical cost of tangible capital assets as an annual expense over the useful life of that asset. Amortization is based upon historical costs and does not take into consideration the current market construction value or new construction standards. Meaning the cost to replace assets is much higher.

Amortization is *NOT* included in the calculation of the total budgeted expenses. Municipalities traditionally have managed asset renewal funding through reserves and budgeting annual transfers. As a result, amortization is not budgeted, which is permitted under the under the Municipal Act and associated O. Reg 284/09.

Based on the 2024 audited financial statements, the Township's tangible capital assets are valued at approximately \$148M (excluding ARO), of which \$91M is cumulatively amortized representing a consumption ratio of 61%. This is an important financial indicator providing a general indication of the age, condition and useful life left in the municipality's capital assets. The higher the ratio typically indicates growing replacement needs. For comparison, the 2024 BMA report illustrates the average municipal consumption rate is 43.7%.

The 2024 audited financial statements reflect an annual amortization expense value of \$5,589,697. Based on historical trending and capital works, staff estimate this value to increase to approximately \$6.7M for 2026. Should this annual expense be fully funded and levied in the 2026 budget the reported accumulated surplus would be respectively higher.

To aid in further assessment the following key financial measures are provided

- Asset reserve contributions vs. amortization expense
2026 budget includes asset replacement reserve contributions of \$2,875,431, approximately 51% of the projected amortization expense.
- Asset reserve balances vs cumulative amortization levels.
2026 closing reserve balances are projected at \$18.7M, of which \$10.7M is allocated towards asset replacement requirements. In comparison, asset reserves reflect only 10% of the projected cumulative amortization value of \$103.5M.

An industry best practice is to ensure reserve balances and reserve contributions keep pace with amortization expense and cumulative amortization levels and ideally higher, as replacement market values will be significantly greater. These measures indicate the Township is likely to experience pressure in this area in the near future.

Asset Retirement Obligation (ARO)

The Township also accounts and reports on Asset Retirement Obligations, where there is a statutory, contractual or legal obligation to incur costs in relation to asset removal, decommissioning, remediation, post closure, etc. Like other capital assets, for accounting purposes, once the ARO is recognized the cost is amortized over the asset's useful life.

The 2024 audited financial statements reflect a total liability of \$1,009,863 with an annual amortization expense of \$52,709. Staff estimate this value to remain relatively consistent for 2026, unless adjustments are required for accretion expenses (present value adjustments). Should this annual expense be fully funded and levied in the 2026 budget, the reported accumulated surplus would be respectively higher.

4.0 Related Policies / Procedures

N/A

5.0 Financial / Budget Assessment

There are no financial impact from this report.

5.1 Asset Management

N/A

6.0 Climate Change Impacts

N/A

7.0 Communications

N/A

8.0 Conclusion

Whether a municipality budgets for post employment benefits and amortization expenses, including ARO, is a decision for council. The purpose of Regulation 284/09 is to ensure council is aware of legislatively permitted items excluded from the budgeted and associated future implications.

A table is provided to summarize these items.

2026 Projected	Liability/ Amortization	Reserve Funding	Variance	Statement Expense	Budget	Variance
Post Retirement Benefits	343,200	246,116	(97,084) 72%	11,600	-	(11,600) -
TCA Cumulative Amortization	103,535,140	10,688,356	(92,846,784) 10%	6,700,000	2,875,431	(3,824,569) 43%
Asset Retirement Obligation (ARO)	1,009,863	-	(1,009,863) 0%	52,709	-	(52,709) -

As illustrated the above items are largely underfunded. This is particularly the case, as it relates to capital asset replacement, which is necessary to sustain the infrastructure foundation supporting community services. It is anticipated without additional funding variances will grow and continue to apply pressure on future budgets.

9.0 Recommendation

That report 2025-FI-034, Financial Disclosure Requirements – O.Reg 284/09, be received by Council for information purposes.