

# Report

Date June 15, 2022  
Subject Asset Retirement Obligations Policy

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## PURPOSE

To consider the draft Asset Retirement Obligations Policy.

## BACKGROUND

The Public Sector Accounting Board has implemented PS 3280 Asset Retirement Obligations (ARO), a new accounting standard effective for fiscal years beginning on or after April 1, 2022. The Municipality will be required to report ARO on its December 31, 2023 financial statements.

According to the Public Sector Accounting Board, the first step in implementing the accounting standard is the development of a Council ARO Policy.

## DISCUSSION

The ARO Policy (Attachment 1) provides a formal process for the accounting treatment of ARO to provide readers of the financial statements a complete understanding of the lifecycle costs of these assets and their end-of-life obligations.

The policy sets the requirements for when a liability will be recognized and how the amount will be estimated and reflected in the financial statements. It also stipulates the role of various departments so that staff have clear direction and understanding. Examples of items that will attract liability include asbestos in buildings, removal of underground storage tanks and lease agreements or rights-of-way that require the property to be returned to its original state at the end of the agreement.

## OPTIONS

1. **(Recommended Option)** THAT Council approve the Asset Retirement Obligation Policy as attached to the June 15, 2022 report by the Manager, Budgets and Infrastructure.
  - By approving this policy, staff are being provided with the direction and expectations regarding ARO and its importance to Council and the Municipality.
2. THAT Council direct staff to amend the Asset Retirement Obligations Policy by *(provide specific aspects to be amended)*
  - Council could suggest amendments to any portion of the policy.

## IMPLICATIONS

### Financial

If the policy is not approved, it could delay the implementation of the required accounting standard PS 3280 by the required date. This may result in a Qualified Auditors' Report, and the Municipality would lose its ability to borrow funds until the accounting standard PS 3280 is implemented.

### Personnel

AROs affect the entire organization. An ARO working group has been established with representation from each department to draw on the internal expertise required to make progress on implementing the policy going forward. The Financial Services department will be required to have a significant time commitment to meet the reporting timeline.

### Environmental

The items under discussion are generally considered environmental hazards and are legally required to be removed. The removal costs can be significant due to the rigorous safety standards that must be followed, which is the basis of accounting recognition under this standard.

### Communications

The policy will be shared with staff throughout the organization. No public communication is anticipated as the policy sets the tone for internal operations.

## RECOMMENDATION

THAT Council approve the Asset Retirement Obligation Policy as attached to the June 15, 2022 report by the Manager, Budgets and Infrastructure.

Report prepared by:

*Jamie Goodman*

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Manager, Budgets and Infrastructure

Report reviewed by:



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Talitha Soldera, CPA, CGA  
Director, Financial Services

### Approved to be forwarded to Council:



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Ted Swabey  
Chief Administrative Officer

Attachment: Draft Asset Retirement Obligations Policy