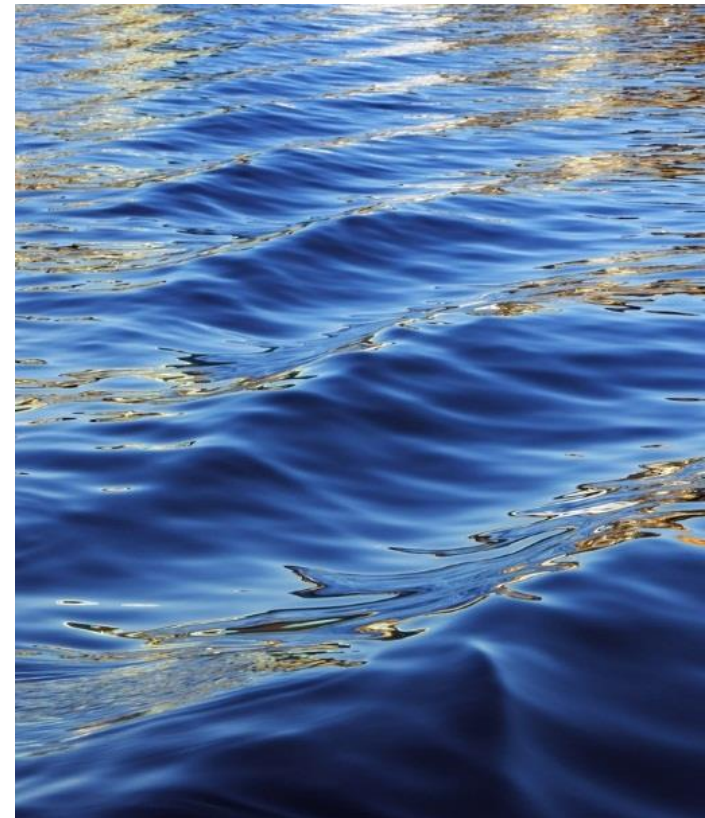




Asset Retirement Obligations (ARO's)

Overview



Presentation Overview

New PSAB
Standard

ARO
Recognition

Examples of
AROs

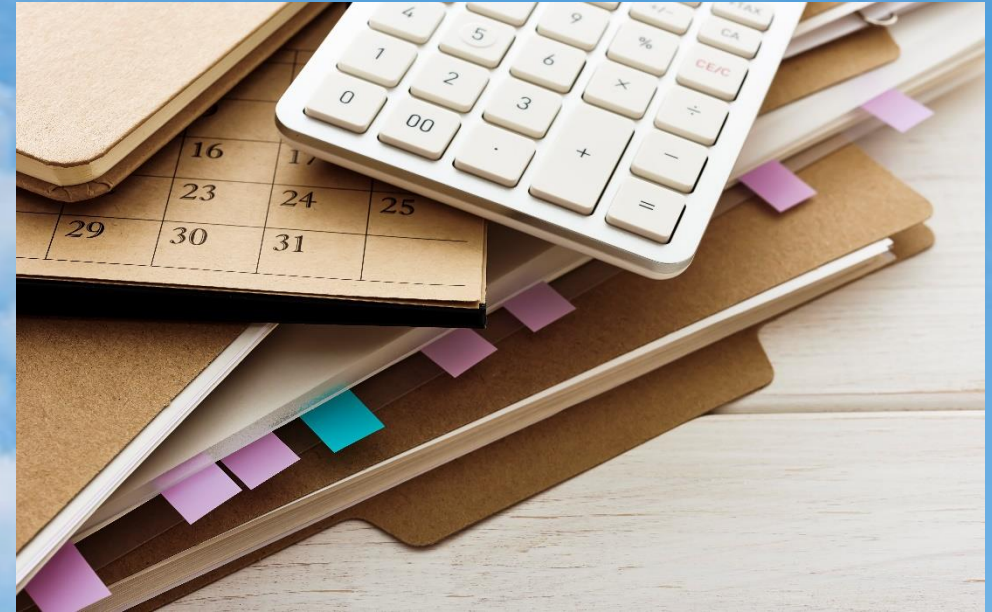
Measurement

Next Steps



PSAB Standard PS 3280

- A legal obligation associated with the retirement of a tangible, long lived asset.
- A legal requirement to return the site to its previous condition. If there is a requirement for a municipality to retire, dismantle or remove an asset, through legislation, by-law, regulation or other binding commitment, then the asset retirement will fall under this new standard (routine replacement, such as road or bridge rehabilitation, is excluded).
- All public sector entities must comply.
- Comes into effect for 2023 year-end.
- Applies to assets that are both in current productive use and those that are no longer in productive use.



ARO Recognition

- An asset retirement obligation is a legal obligation when the following requirements are met:
 - A legal obligation to incur retirement costs in relation to a tangible capital asset;
 - Past transaction or event giving rise to the liability has occurred;
 - Expected that future economic benefits will be given up; and
 - A reasonable estimate of the amount can be made.
- A liability for an asset retirement obligation cannot be recognized unless all of the above criteria are satisfied.



Examples of Asset Retirement Obligations



Asbestos in Buildings



Landfill Sites



Fuel Storage Tanks



Electric Vehicle Charging Stations



Lead Pipes



End of Lease Requirements



Septic Tanks



Inactive Water Wells



ARO Measurement

- The estimate of a liability should include costs directly attributable to asset retirement activities. These include expenses such as:
 - Payroll and benefits
 - Equipment and facilities
 - Materials
 - Legal and other professional fees
 - Post-retirement operations and maintenance expenses
 - Any other costs incurred related to retirement.

- Work required will involve all departments within the Township.



Next Steps

- Develop Asset Retirement Policy
- Draft RFQ for ARO assistance and work with consultant to assist with:
 - Review asset inventory to determine what could have legal obligations
 - Document potential AROs and identify source documentation for scoping evaluation
 - Review documents for scope evaluation
 - Establish ARO costs and retirement timelines
 - Ensure measurement data is based on reliable data
 - Record liability and increase carrying amount of the related tangible capital asset
 - Prepare working papers to fully document each stage for audit review
 - Document existing practices for identification of future AROs
 - Integrate policy and procedure recommendation to ensure compliance with PS 3280 on a go forward basis
- Not a one-time exercise as estimates and assumptions will need to be updated as new information becomes available.

