

ASSET RETIREMENT OBLIGATIONS

PS 3280 IMPLEMENTATION, ASSESSMENT, AND AUDIT ASSURANCE



WHY WORK WITH US

360 was purposefully built to support our clients with Asset Retirement Obligations (ARO).

Evolving regulations, resource constraints, and increased financial scrutiny pose unique challenges to municipalities and other public sector entities when addressing ARO. Out of this balancing act emerged a need for municipalities to manage asset retirement with precision and compliance. Our dedicated team offers honed expertise in helping municipalities achieve PS 3280 compliance, minimize financial risk, and maintain operational efficiency.

We provide a proven, scalable approach, combining legal, regulatory, and financial frameworks to ensure our clients stay ahead of ARO requirements. Our customized services, bolstered by our experience with municipal governments, offer a reliable, tailored solution for managing asset retirement liabilities, allowing public entities to focus on their core mission—serving the community.

OUR SERVICES - PUBLIC SECTOR

- **Asset Identification & Management:** Leverage advanced asset identification techniques, including GIS and historical data analysis, to comprehensively assess tangible capital assets.
- **Hazardous Materials Liability Assessment:** Provide asset-specific review of potential hazardous materials, such as asbestos, ensuring reliable cost estimates and planning.
- **Audit Assurance & Reporting Guidance:** Support clean audit outcomes with detailed ARO reporting, financial integrity, and long-term compliance strategies.
- **Long-Term Compliance Support:** Develop and implement dynamic compliance frameworks that allow for ongoing ARO updates and ensure future readiness.
- **Acquisition Analysis & ARO Updates:** Assist in the financial and operational analysis of asset acquisitions, ensuring accurate ARO updates and future planning.
- **Asset Retirement Forecasting & Planning:** Use proprietary costing models to forecast and plan for future asset retirement needs, aligning with municipal budgets and long-term capital plans.
- **Transition & Implementation Support:** Provide hands-on support to guide municipalities through the transition process and successfully implement ARO strategies and systems.

CASE STUDY

The Township of Armstrong's ARO Compliance



Client Overview

Location: Northeastern Ontario

Population: 1,200

Key Industry: Agriculture

Challenge: Compliance with PS 3280 Asset Retirement Obligations (ARO)

Introduction

In 2022, the Public Sector Accounting Board (PSAB) introduced the PS 3280 standard, requiring Canadian municipalities to identify and report liabilities related to the retirement of tangible capital assets. The Township of Armstrong, like many small municipalities, faced significant challenges in meeting this new standard due to a limited budget, lack of asbestos testing resources, and a wide variety of assets including buildings, landfills, and infrastructure.

Problem

Armstrong's asset portfolio contained over 550 assets, from asbestos-cement pipes to fuel tanks. Without comprehensive asbestos testing, the township feared potential financial misstatements, leaving them vulnerable to scope limitations in their audits. Additionally, Armstrong needed to quantify future retirement liabilities while managing its operational and budgetary constraints.

Solution

360 developed a six-stage methodology to ensure compliance with PS 3280 while minimizing resource strain:

- 1. Legislative & Contractual Review:** A comprehensive review of federal, provincial, and municipal regulations, internal records, and public documents to identify all legal obligations and potential retirement liabilities.
- 2. Asset Identification:** Using GIS technology and data reconciliation, 360 ensured every asset was accurately documented, including unrecorded and fully amortized assets.
- 3. Hazardous Building Materials Assessment:** 360 used available asbestos data to estimate abatement costs for each building, negating the need for full asbestos testing.
- 4. Recognition:** Applied the PS 3280 criteria to determine which assets had recognizable retirement obligations.
- 5. ARO Estimation:** Site-specific closure and retirement costs were calculated using proprietary costing models, tailored to the unique environment of Northern Ontario.
- 6. Reporting & Audit Assurance:** A detailed report was provided to Armstrong for future audits and strategic planning, minimizing financial risks and securing funding opportunities.

Results

- **Estimated ARO Liability:** \$1,581,324 across 10 major assets, including asbestos abatement and landfill post-closure monitoring.
- **Assets Recognized with Liabilities:** Buildings such as the Fire Hall, Municipal Complex, and Recreation Centre were highlighted for asbestos abatement. The Earlton landfill was identified for post-closure care.
- **Compliance Achieved in 45 Days:** 360's team conducted assessments, gathered historical data, and performed legal reviews, ensuring minimal disruption to Armstrong's operations while delivering precise estimates.

Key Outcome: Armstrong successfully mitigated financial risks by ensuring full compliance with PS 3280. The township is now equipped with a sustainable, long-term framework for managing asset retirement obligations, setting an example for other municipalities in Ontario.