

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.