POLICY

Policy:	**Asset Retirement Obligation**			
Department:	Financial Services			
Division:	Corporate Services	By-Law No.:		
Administered By:	Manager of Financial Services	Approval Date:	Aug. 10, 2026	
Replaces:	N/A			
Attachment(s):	Appendix A: Decision Tree – Scope of Applicability			

1. POLICY STATEMENT

The Corporation of the Town of Amherstburg is committed to accounting for and reporting on asset retirement obligations in compliance with the Public Sector Accounting Board (PSAB) Handbook PS 3280.

2. PURPOSE

2.1. This policy provides guidance on the accounting treatment for asset retirement obligations (ARO) so that users of the financial statements can discern information about these assets and their end-of-life obligations.

2.2. This policy ensures compliance with PS 3280 and section 294.1 of the Municipal Act, 2001 which requires municipalities to prepare financial statements in accordance with PSAB standards.

3. SCOPE

3.1. This policy applies to all Town Employees who manage municipal assets.

3.2. This policy applies to all tangible capital assets owned or controlled by the Town that have an obligation in relation to the retirement of the asset, including assets in productive use and assets no longer in productive use.

3.3. Exclusions from asset retirement obligations include costs associated with the following:

3.3.1. Acquisition, construction, or development of a tangible capital asset;

3.3.2. Replacement and maintenance of a tangible capital asset;

3.3.3. Improper use of a tangible capital asset;

3.3.4. Preparing a tangible capital asset for alternative use;

3.3.5. Unexpected events, including remediation of contaminated sites;

3.3.6. Clean-up of waste or by-products; and/or,

3.3.7. Sale or disposal of a tangible capital asset that arise solely from the plan to sell or dispose of the asset.

3.4. This policy shall be reviewed every five (5) years from the date it becomes effective, and/or sooner at the discretion of the CAO or designate.

4. DEFINITIONS

4.1. **Asset Retirement Activities** include all activities related to an asset retirement obligation. These may include, but are not limited to:

4.1.1. Decommissioning or dismantling of a tangible capital asset that was acquired, constructed, or developed;

4.1.2. Remediation of contamination of a tangible capital asset created by its normal use;

4.1.3. Post-retirement activities such as monitoring; and,

4.1.4. Constructing other tangible capital assets to perform post-retirement activities.

4.2. **Asset Retirement Cost** means the estimated amount required to retire a tangible capital asset.

4.3. **Asset Retirement Obligation** means a legal obligation associated with the retirement of a tangible capital asset.

4.4. **Retirement of a Tangible Capital Asset** means the permanent removal of a tangible capital asset from service. This includes sale transactions, abandonment, or disposal in some other manner, but not its temporary idling.

Common definitions, acronyms, and terms are available in the Glossary located on the Town's Policies webpage.

5. INTERPRETATIONS

Any reference in this policy to any statute or any section of a statute shall, unless expressly stated, be deemed to be reference to the statute as amended, restated or re-enacted from time to time. Any references to a by-law or Town policy shall be deemed to be a reference to the most recent passed policy or by-law and any replacements thereto.

6. GENERAL CONDITIONS

6.1. Recognition

6.1.1. A liability for an asset retirement obligation will be recognized as at the financial reporting date when all the following criteria have been satisfied:

6.1.1.1. There is a legal obligation to incur retirement costs in relation to a tangible capital asset;

6.1.1.2. The past transaction or event giving rise to the liability has occurred;

6.1.1.3. It is expected that future economic benefits will be given up; and, 6.1.1.4. A reasonable estimate of the amount can be made.

6.1.2. The estimate of the liability would be based on requirements in existing contracts, agreements, legislation, or legally enforceable obligations, and technology expected to be used in asset retirement activities.

6.1.3. The estimate of a liability should include costs directly attributable to asset retirement activities. Costs include post-retirement operation, maintenance, and monitoring which are an integral part of the retirement of the tangible capital asset.

6.1.4. Directly attributable costs would include, but are not limited to, payroll and benefits, equipment and facilities, materials, legal and other professional fees, and overhead costs directly attributable to the asset retirement activity.

6.1.5. Upon initial recognition of a liability for an asset retirement obligation, the Town will recognize an asset retirement cost by increasing the carrying amount of the related tangible capital asset (or a component thereof) by the same amount as the liability. Where the obligation relates to an asset that is no longer in service, and not providing economic benefit, or to an item not recorded by the Municipality as an asset, the obligation is expensed upon recognition.

6.1.6. The capitalization threshold identified in the Tangible Capital Asset policy will be applied the asset retirement obligations to be recognized.

6.2. **Subsequent Measurement**

6.2.1. The asset retirement costs will be capitalized and amortized allocating the future costs of the retirement in a rational and systematic allocation (straight-line method) over the useful life of the tangible capital asset or a component of the asset.

6.2.2. The existing asset retirement obligations will be assessed for any changes in expected cost, term to retirement, or any other changes that any impact the estimated obligation. In addition, any new obligations identified will also be assessed.

6.2.3. Once an asset is no longer in productive use, any changes to the estimate for an asset retirement obligation will be recognized as an expense in the period in which they are incurred. An asset retirement obligation will remain a liability util such time as the liability is settled or otherwise extinguished.

6.3. **Presentation and Disclosure**

6.3.1. The liability for asset retirement obligations will be disclosed in the annual financial statements.

7. RESPONSIBILITIES

7.1. **Council** has the authority and responsibility to:
7.1.1. Adopt the Asset Retirement Obligation policy

7.2. All **Directors and Managers** have the authority and responsibility to:

7.2.1. Communicate with the Chief Financial Officer or Treasurer and Asset Management Coordinator on any retirement obligations, and any changes in asset condition or retirement timelines.
7.2.2. Provide cost-effective projections to assist in the preparation of cost estimates for asset retirement obligations.
7.2.3. Inform the Chief Financial Officer or Treasurer and Asset Management Coordinator of any legal or contractual obligations at the inception of any such obligation.

7.3. **Financial Services** has the authority and responsibility to:
7.3.1. Monitor the application of the Asset Retirement Obligation policy.
7.3.2. Manage process within the accounting systems and ensure assessment management software reflects accurate asset retirement obligation costs.
7.3.3. Investigate issues and work with asset owners to resolve issues.
7.3.4. Report asset retirement obligations in the financial statements of the Town and other statutory financial documents.

7.4. **Asset Management Coordinator** has the authority and responsibility to:
7.4.1. Maintain asset management software in consultation with Directors and Managers to ensure asset retirement obligation costs are updated.

7.5. **Staff** have the responsibility to:
7.5.1. Ensure their understanding and compliance with the policy and seek clarification where needed to follow the policy expectations.

8. LEGISLATIVE REFERENCES

8.1. PS 3280 Asset Retirement Obligations
8.2. Municipal Act, 2001

APPENDIX A: DECISION TREE – SCOPE OF APPLICABILITY