

**Ministry of Education**

Financial Analysis and  
Accountability Branch  
900 Bay Street  
20<sup>th</sup> Floor, Mowat Block  
Toronto, ON M7A 1L2  
Tel.: (416) 326-0201  
Fax: (416) 325-2007  
Email: Marie.Li@Ontario.ca

**Ministère de l'Éducation**

Direction de l'analyse et de la  
responsabilité financières  
900, rue Bay  
20<sup>e</sup> étage, édifice Mowat  
Toronto ON M7A 1L2  
Tél.: (416) 326-0201  
Télééc.: (416) 325-2007  
Courriel: Marie.Li@Ontario.ca



**2014: SB13**

**MEMORANDUM TO:** Senior Business Officials

**FROM:** Marie Li  
Director  
Financial Analysis and Accountability Branch

**DATE:** May 2, 2014

**SUBJECT:** Accounting for Contaminated Sites

---

Further to Memorandum 2014:B07, I am writing to inform you of the new PSAB accounting standard on Liability for Contaminated Sites (PS 3260), information on which was previously provided at the March 2012 OASBO Finance Workshop. The standard requires that a liability should be recorded if a government has a contaminated site that meets certain criteria, which are listed below (from paragraph 8 of the standard).

*"A **liability** for remediation of contaminated sites should be recognized when, as at the financial reporting date:*

- a. an environmental standard exists;*
- b. contamination exceeds the environmental standard;*
- c. the government:*
  - i. is directly responsible; or*
  - ii. accepts responsibility;*
- d. it is expected that future economic benefits will be given up; and*
- e. a reasonable estimate of the amount can be made."*

When applying this standard to school boards, "the government" in subparagraph c above would refer to the board.

*Per paragraph 4 of PS 3260, "contamination is the introduction into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. A contaminated site is a site at which substances occur in concentrations that exceed the maximum acceptable amounts under an environmental standard. A contaminated site does not include airborne contamination or contaminants in the earth's atmosphere unless such contaminants have been introduced into soil, water bodies or sediment".*

Based on the examples provided in paragraph 5 of PS 3260, a liability for remediation normally results from **an operation that is no longer in productive use, or from an unexpected event resulting in contamination**. Note that to have a liability for remediation of a contaminated site, the board must meet all of criteria (a) to (e) outlined above. Therefore, it is possible for a board to have a contaminated site (i.e. meet criteria (a) and (b)) without having a liability under PS 3260. Boards should still consider if they have a liability under the PS 3200 liabilities standard. Likely, if a board had a liability under PS 3200, it would have already been accrued (ex. the board was ordered to clean up an environmental contamination).

As an example, a board may have a school that contains asbestos. If this asbestos is contained, there is no requirement to remediate; therefore, a liability would not need to be booked. If this is not the case, the board would need to consider whether PS 3260, PS 3200 or neither apply to their individual fact pattern.

The PS 3260 accounting standard is applicable for fiscal years beginning on or after April 1, 2014. For school boards, this would be applicable for the 2014-15 school year. The initial liability for contaminated sites will be applied retroactively, that is, it will be recorded as an adjustment to the opening accumulated surplus as at September 1, 2014. As such, the opening balance adjustment will not impact the in-year expense for the 2014-15 year, and therefore will not impact budget compliance for that year. Any new liabilities for contaminated sites recognized after August 31, 2014 will result in an impact to the in-year expense and will impact budget compliance. The Ministry implemented regulation changes to O. Reg. 488/10 (Determination of Boards' Surpluses and Deficits) to exclude the opening accumulated surplus adjustment from budget compliance and require a multi-year plan from boards on how it will be addressed within compliance. To minimize future impact on budget compliance, boards are encouraged to early identify any potential liabilities in accordance with PS 3260.

Since the Province consolidates the school boards' financial statements for its March 31<sup>st</sup> year end, the Ministry will require boards to provide information on liabilities for contaminated sites for the March 2015 report. Boards will also record any liabilities for contaminated sites in their 2014-15 financial statements, as required by the standard.

To determine the liability for contaminated sites, boards should begin the following process:

1. Begin discussions with your external auditors to better understand the requirements of the new standard and key risk areas to be address to ensure an effective and efficient audit of the 14-15 financial statements. Consider any possible disclosures that may be required as part of the 2013-14 financial statements.
2. Determine if any site owned by the board meets the recognition criteria listed in a) to d) above. If necessary, specialists may need to be engaged to help in this assessment.
3. Once the board has identified which sites meet the criteria, an estimate of the remediation costs will be required. These costs may be estimated by the specialists referred to above.

The Ministry will be working closely other ministries across the OPS on the implementation of this standard and the implications it may have on the sector, from both an accounting and non-accounting perspective.

For any questions related to this memo, please contact Elizabeth Sinasac at [Elizabeth.Sinasac@ontario.ca](mailto:Elizabeth.Sinasac@ontario.ca) or 416-325-8527.

*Original Signed By*

Marie Li  
Director  
Financial Analysis and Accountability Branch

cc: Superintendents of Business and Finance School Board Auditors