

Ministry of Education

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Ministère de l'Éducation

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2021: SB11

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Memorandum to: Senior Business Officials
Superintendents of Facilities/Planning

From: Med Ahmadoun
Director
Financial Analysis and Accountability Branch

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Director
Capital Policy Branch

Subject: **Asset Retirement Obligations Standard Implementation and Building Assets - School Facilities Inventory System Information Verification**

This memorandum provides details on the implementation of the new asset retirement obligations (ARO) accounting standard, as well as the verification of School Facilities Inventory System (SFIS) information on district school board building assets reported in Schedule 3C and 3D of the Education Financial Information System (EFIS) financial statements forms.

I. Asset Retirement Obligations

A new Public Sector Accounting Board (PSAB) standard, PS 3280 - Asset Retirement Obligations, will be effective for fiscal years beginning on or after April 1, 2022; therefore, school boards are required to implement this standard as follows:

- To meet provincial multi-year planning reporting requirements, school boards are requested to report to the ministry the ARO opening balance as of September 1, 2020 by **November 15, 2021**.
- For presentation in their September 1, 2022 – August 31, 2023 financial statements which are to be presented to the ministry **by November 15, 2023**.

PS 3280 addresses the reporting of legal obligations associated with the retirement of tangible capital assets (TCAs), for example, asbestos removal, the restoration of leased premises returned to the same condition they were in when taking possession of the leased premises, fuel tanks and wells. PS 3280 applies to both owned or leased TCAs (where the lessee is contractually responsible) by a public sector entity that are either in productive use or no longer in productive use.

Please note that the province has elected to adopt the standard on a modified retroactive basis without restatement of prior period financial statements. School boards are requested to also report to the ministry on the same basis; however, school boards should consult with their auditors on requirements to provide comparative figures for the prior period in the school boards' own financial statements.

Implementation Strategy

To facilitate the implementation of the ARO accounting standard, in the fall of 2019, an ARO workgroup was established that consists of the following members:

- finance, capital and internal audit staff from the Ministry of Education,
- finance and capital staff from school boards,
- finance staff from the Ontario Provincial Controller's Division; and,
- representatives from school board external auditors.

The workgroup provides input on the implementation of the standard in the education sector with a focus on minimizing school board effort to fulfill the accounting standard requirements. The implementation of this accounting standard is comprised of the following approach and school boards can choose to take the first two steps consecutively or concurrently:

Step One – ARO Asset Inventory Information Gathering

In this phase, school boards are asked to identify all TCA that potentially have an ARO liability. To ensure the completeness and accuracy of school board asset inventory listings, school board finance and facility management teams, along with their legal departments if necessary, should work together to identify individual assets that may have an ARO. This information will be captured and reported to the ministry in the “*ARO Asset Inventory Listing*”. The workgroup developed this Excel template to facilitate school boards' information gathering. This template contains different tabs for school boards to report assets that have an ARO liability based on an assessment performed by school boards. Detailed instructions on how to complete the template can be found within the Excel document.

Step Two – ARO Measurement Reporting

The workgroup has been working with an external consultant to develop costing models for school boards to estimate their ARO liability. Based on the ARO Asset Inventory Listing information prepared in step one, school boards will apply the costing models to measure the liability, which will be submitted to the ministry by November 15, 2021.

The ministry is providing school boards with two types of costing models to measure the ARO liability:

1. ARO Costing Model 1

This model is to be used to estimate the ARO related to asbestos, or the decommissioning of fuel tanks, drinking water wells, monitoring wells, fire water holding tanks, septic tanks or septic beds. This model is to be used where the school boards have recent asbestos and/or other survey data available for the TCA for input into the costing model.

2. ARO Costing Model 2

The purpose of this model is to provide a cost estimate of the ARO liability related to asbestos. This model is to be used where recent asbestos survey data is not available for the TCA for input into the costing model.

The inputs to this model are from model 1. Once school boards have assessed their TCA using model 1, school boards would use the data from model 1 and apply it to model 2 to extrapolate the ARO for assets where data is not available, using certain common parameters. For purposes of the November 15, 2021 submission, school boards will use their own data from model 1 for the extrapolation process noted above. Once the ministry receives the school board submissions in November 2021, the data will be aggregated at the sector level and it will be shared with the school boards, to bring further refinement to the extrapolation process which school boards will be required to update for the ARO obligation that will be presented in their 2022-23 financial statements.

Lastly, school boards may have ARO related to restoring buildings to their original condition at the end of their lease, lab equipment or any other reason. Costing models are not provided for these scenarios. School boards are to use the information they have available to make an estimate of the related liabilities.

Step Three – ARO Reporting Back to the Ministry (by November 15, 2021)

School boards should submit a completed ARO Asset Inventory Listing by November 15, 2021.

A. Downloading the ARO Asset Inventory Listing and Costing Models

School boards can access the files through the EFIS File Download Portal:

1. Login to EFIS at the following link:
https://efis.fma.csc.gov.on.ca/apex/f?p=EFIS_GOS:HOME
2. Under the tab “EFIS Internet-Enabled Applications”, go to “File Download Portal”.
3. Click on the file folder of your school board, then select the “<Board ID> <Board Name> ARO Asset Inventory Listing” file and the costing model files (“ARO Model 1” and “ARO

Model 2”) and choose “Save”.

B. ARO Asset Inventory Listing Due Date and Submission

The ARO Asset Inventory Listing must be submitted to the ministry by the school board by November 15, 2021. Please send the document, in Excel format, to reporting.entity@ontario.ca, using the following naming convention:

Email subject line: “ARO Asset Inventory Listing_<2-digit DSB number>_<DSB name>”

Example: “ARO Asset Inventory Listing_12_Toronto DSB”

Excel file name: <5-digit DSB number>_<DSB name>_ARO Asset Inventory Listing

Example: “B66052_Toronto DSB_ARO Asset Inventory Listing”

C. Training Materials

The ministry is providing training materials on the ARO implementation. The training materials will provide an overview of the ARO Asset Inventory Listing and the costing models. School boards can review the training materials (in either French or English) by logging into EFIS and following the link to the 2019-20 financial statements:



We ask that school boards share relevant training material with their external auditors.

II. Building Asset SFIS Information Verification

School boards report asset information such as SFIS ID, address and city/town in both schedule 3C of the EFIS financial statements forms and in SFIS. The ministry reconciled the information in the two systems and found some inconsistencies. In the ARO Asset Inventory Listing, building assets, including assets held for sale, reported in the 2019-20 financial statement EFIS forms have been pre-populated by the ministry. School boards are asked to verify the SFIS information shown in the ARO Asset Inventory Listing. If school boards find that SFIS related

information is not accurate, please contact the ministry SFIS contact, who will update the SFIS data in SFIS.

Ministry Contacts

For any questions related to ARO, please contact:

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Elizabeth Sinasac	(437) 216-5796	Elizabeth.Sinasac@ontario.ca
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For any questions related to SFIS information verification, please contact:

Name	Telephone	Email
SFIS Support Team	-	CPPB-SFIS.Support@ontario.ca
Elsa Cailin	(416) 272-4516	Elsa.Cailin@ontario.ca
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For EFIS user ID login and password assistance, please contact EFIS.Support@ontario.ca.

Sincerely,

Original signed by

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Director
Financial Accountability and Analysis Branch

Original signed by

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c. Directors of Education
District School Board External Auditors