

## Bulletin #2023-14

### MUNICIPAL RELATIONS

#### Important Notice to All Elected Officials and Chief Administrative Officers

### **ASSET RETIREMENT OBLIGATIONS: Accounting Standard Changes**

Please be advised that new accounting standards for asset retirement obligations (AROs) will be in effect for your municipality's 2023 Audited Financial Statements, which will be due to the province next year on June 30, 2024. These standards are established and introduced by the national Public Sector Accounting Board, which establishes consistent accounting standards for all levels of government. This change will ensure that potentially significant future liabilities are being recorded in your municipality's Audited Financial Statements.

An ARO is any legal obligation that comes from retiring a capital asset. For example, an ARO would be the requirement to properly close up a waste disposal site or wastewater lagoon, safely cap abandoned wells, or properly dispose of building materials that contain asbestos, lead paint, or other such materials where there is a legal obligation to dispose of them correctly.

During 2023, your municipality will need to review its capital assets and identify any AROs it may have, and then estimate when the affected asset is expected to be retired and what the estimated cost would be. This may impact multiple areas of your municipalities' finances. Municipalities are encouraged to begin the process by having a discussion with their staff and the auditor about their capital assets, and what level of information will be required to estimate any AROs the municipality may have.

Council members are encouraged to review progress on this matter regularly with their CAOs to ensure that there are no delays to the preparation of 2023 Audited Financial Statements next year.

Additionally, if there are any AROs that municipalities were not previously aware of, councils should ensure that their asset management plans include these end-of-life costs for assets, and plan in regular budgets for how those costs will be funded, if necessary.

For administrators, a slide deck is attached with further details regarding AROs (as well as other accounting standard changes that are not expected to significantly affect Manitoba municipalities).

For any questions about accounting standards, please consult your auditor or an accounting professional. Provincial staff are also available to provide basic information on the subject at [mrmaas@gov.mb.ca](mailto:mrmaas@gov.mb.ca), or by phone at 204-945-2572.