



## BC ASSOCIATION of SCHOOL BUSINESS OFFICIALS

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Education is our Business

June 10, 2026

Chris Brown  
Assistant Deputy Minister and Executive Financial Officer  
Financial Management Division  
Ministry of Education and Child Care  
PO Box 9151 Stn Prov Govt  
Victoria, BC V8W 9H1

Dear Chris,

As President of the British Columbia Association of School Business Officials, I am writing to communicate our concerns regarding the negative budgetary implications arising from the implementation of the Public Sector Accounting Board standard PS 3280 Asset Retirement Obligations (AROs). We appreciate the conversations we have had with you and your department on this matter, and my hope is that the information contained in this letter will be of assistance when we meet again in the near future.

Effective July 1, 2022, school districts were required to recognize existing AROs as a liability in their capital fund. Each year, school districts must also remeasure their AROs to reflect new information and the passage of time. The recognition and annual remeasurement of AROs results in a reduction to accumulated surplus in the capital fund.

As a result of ARO liability recognition, several school districts are forecasting that their capital fund will be in an accumulated deficit position next year, with many more school districts expected to follow in the years ahead. The current budgetary requirements in the *School Act* and the *Accounting Practices Order* will require school districts to transfer surplus from the operating fund into the capital fund to cover any resulting accumulated deficit. This means operating funding intended for educational programs will instead be diverted to effectively fund ARO recognition to the extent it results in an accumulated deficit.

Historically, the *Accounting Practices Order* has been amended to accommodate comparable non-cash accounting changes, including employee future benefits and capital amortization mismatches. ARO implementation is analogous in that it introduces accounting-driven deficits that do not reflect current-year operating performance or cash flow requirements.

We recommend that the *Accounting Practices Order* be amended to avoid the negative impacts on educational programs that will result if school districts are required to divert operating funding to offset ARO recognition in the capital fund. Attached to this letter is a more comprehensive analysis of the issue prepared by Flavia Coughlan, Secretary Treasurer in Vancouver and BCASBO



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President from 2019–2022. Her briefing note contains a suggested amendment to the *Accounting Practices Order*, and I urge the Ministry to move ahead with the amendment.

We look forward to hearing from you on this matter and are available as needed should you have any questions or concerns.

Sincerely,

Jason Reid  
President  
British Columbia Association of School Business Officials

cc: Kaye Krishna, Deputy Minister, Ministry of Education and Child Care  
Mary Shaw, Assistant Deputy Minister, Workforce, Accountability and Governance Division

# Briefing Note: Amendment to the Accounting Practices Order to Address Deficits Arising from Asset Retirement Obligations

## Issue

The Accounting Practices Order does not expressly permit school districts to incur a deficit where the deficit arises solely from the recognition of Asset Retirement Obligations (AROs) under Public Sector Accounting Standard PS 3280. At the same time, boards are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP) and Ministry reporting instructions.

This disconnect creates legal and operational uncertainty and may result in unintended impacts on district operations.

## Background

The Accounting Practices Order requires school districts to:

- maintain accounting records; and
- prepare financial statements

in accordance with GAAP for senior governments (i.e. Public Sector Accounting Standards), as well as the Ministry's Financial Statement Instructions and Annual Budget Instructions.

Section 3 of the Accounting Practices Order currently permits deficits only in limited circumstances:

- transition impacts from employee future benefits liabilities;
- use of an available surplus balance; and
- the excess of amortization expense over amortization of deferred capital contributions.

The Accounting Practices Order does not include any comparable provision for deficits arising from ARO accounting.

Under Ministry guidance issued in April 2023, school districts are required to implement PS 3280 Asset Retirement Obligations, which mandates recognition where:

- a legal obligation exists to retire a tangible capital asset;
- the obligating event has occurred;
- future economic benefits are expected to be given up; and
- the amount can be reasonably estimated.

On implementation, districts must recognize:

- an ARO liability;
- a corresponding increase to tangible capital assets;
- accumulated amortization; and
- an adjustment to opening accumulated surplus/deficit, as well as ongoing amortization and accretion expenses where applicable.

## Analysis

The current framework creates a policy inconsistency. Districts are required to comply with GAAP and recognize ARO-related liabilities and expenses, but the Accounting Practices Order does not clearly permit the resulting deficits.

AROs are not discretionary expenditures. They reflect the recognition of existing legal obligations associated with tangible capital assets, such as regulated hazardous material disposal requirements at the time of renovation or demolition.

The Accounting Practices Order has historically been amended to accommodate comparable non-cash accounting changes, including employee future benefits and capital amortization mismatches. ARO implementation is analogous in that it introduces accounting-driven deficits that do not reflect current-year operating performance.

Without amendment, districts face:

- uncertainty regarding compliance with deficit provisions;
- difficulty distinguishing between operating deficits and accounting-driven deficits; and
- potential pressure to adjust operating decisions to address non-cash accounting impacts.

The Minister has clear authority to amend the Accounting Practices Order under the School Act, which permits the Minister to make orders necessary to carry out responsibilities under the Act.

## Unintended Consequences of the Current Framework

The current framework creates significant unintended operational consequences for school districts.

In the absence of an explicit deficit exception for ARO-related impacts, districts may be required to maintain balanced budgets despite recognizing ARO liabilities and associated non-cash expenses.

In practice, this can result in districts being pressured to:

- transfer operating funds to the capital fund to offset accumulated deficits arising from ARO accounting entries; and
- reduce operating expenditures to generate surpluses to eliminate or mitigate these accounting deficits.

This outcome is problematic because ARO-related deficits are non-cash accounting adjustments, not the result of current-year spending decisions.

As a result, districts may be compelled to reduce programs and services to fund a non-cash transaction. This creates a disconnect between financial reporting requirements and operational realities.

The impact is likely to be disproportionate across the province. Districts with older facilities, particularly those with significant hazardous materials will have larger ARO liabilities and therefore greater accounting impacts.

Key risks include:

- reductions to educational programs and student services;

- reduced flexibility in budgeting and financial planning;
- inequitable impacts across districts based on facility age rather than financial management; and
- diminished transparency where program reductions are driven by accounting requirements rather than service priorities.

Overall, the current framework risks requiring district decisions that prioritize accounting compliance over service delivery, thereby redirecting limited operating funding away from classrooms to address non-cash accounting obligations.

## Recommendation

That the Ministry amend section 3 of the Accounting Practices Order to expressly permit school districts to incur a deficit where the deficit arises solely from:

- the initial recognition of an Asset Retirement Obligation and any related adjustment to opening accumulated surplus/deficit under PS 3280; and/or
- the annual recognition of non-cash amortization and accretion expenses associated with Asset Retirement Obligations.

## Proposed Approach

The amendment should:

- follow the existing structure of section 3;
- align with GAAP and Ministry ARO guidance; and
- be narrowly drafted to limit the exception to non-cash accounting impacts.

## Suggested Drafting Concept

A board may incur a deficit as a result of establishing on July 1, 2022, on implementation of Public Sector Accounting Standard PS 3280 – Asset Retirement Obligations, a liability and any related adjustment to opening accumulated surplus or deficit required in accordance with generally accepted accounting principles and Ministry instructions.

A board may incur an annual deficit as a result of:

- (a) amortization expense related to asset retirement costs capitalized in connection with asset retirement obligations; and
- (b) accretion expense related to asset retirement obligations, where those amounts are recognized in accordance with generally accepted accounting principles and Ministry instructions.

## Implications

Amending the Accounting Practices Order would:

- align the deficit framework with PS 3280 and GAAP requirements;
- eliminate ambiguity for districts and auditors;
- prevent inappropriate reductions in operating expenditures driven by non-cash accounting entries;
- ensure equitable treatment across districts; and
- maintain transparency by clearly distinguishing accounting deficits from operating deficits.

## Conclusion

The Accounting Practices Order should be amended to explicitly permit deficits arising from the recognition and ongoing accounting treatment of Asset Retirement Obligations under PS 3280.

Without amendment, the current legislative framework risks creating operational pressures that are inconsistent with both sound financial management and the delivery of educational services. A targeted ministerial amendment would resolve this issue while preserving the integrity of GAAP-based reporting and the Province's existing fiscal oversight framework.