



POLICY AND ADMINISTRATION MANUAL	REFERENCE NUMBER: C50
SECTION: COUNCIL POLICY	POLICY TITLE: ASSET RETIREMENT OBLIGATION POLICY

PURPOSE

The purpose of this Policy is to identify the accounting treatment for Asset Retirement Obligations (ARO) to comply with the Public Sector Accounting Board (PSAB) Section 3280, as well as inform Council and the users of the end-of-life asset obligations.

SCOPE

All full time and part time Municipal employees, who manage Municipal assets shall fall within the scope of this policy and must adhere to the policy statements contained within this document.

DEFINITIONS

- a. "ACCRETION EXPENSES" – The increase in the carrying amount of a liability for asset retirement obligations due to the passage of time.
- b. "ASSET RETIREMENT ACTIVITIES" – All activities related to an asset retirement obligation. These may include, but are not limited to:
 - decommissioning or dismantling a tangible capital asset that was acquired;
 - constructed, developed, or leased;
 - remediation of contamination of a tangible capital asset created by its normal use;
 - post-retirement activities such as monitoring; and
 - constructing other tangible capital assets to perform post-retirement activities.
- c. "ASSET RETIREMENT COST" – The estimated amount required to retire a tangible capital asset.
- d. "ASSET RETIREMENT OBLIGATION" – Legal obligation associated with the retirement of a tangible capital asset.
- e. "RETIREMENT OF ASSET" – retirement of a tangible capital asset is the permanent removal of a tangible capital asset from service. This term encompasses sale, abandonment or disposal in some other manner but not its temporary idling.
- f. "TANGIBLE CAPITAL ASSETS" – Tangible capital assets are non-financial assets having physical substance that:
 - are held for use in the production or supply of goods and services, for rental to other, for administrative purposes or for the development, construction, maintenance, or repair of other Municipal tangible capital assets;
 - have useful economic lives extending beyond an accounting period;
 - are to be used on a continuing basis in municipality's operations; and
 - are not for sale in the ordinary course of operations.

POLICY STATEMENT



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The Municipality shall account for and report on Asset Retirement Obligations (ARO) in compliance with the Public Sector Accounting Board (PSAB) Handbook, section 3280.

1. Recognition

1.1. A liability should be recognized when, as at the financial reporting date:

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

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

1.1.3. It is expected that future economic benefits will be given up; and

1.1.4. A reasonable estimate of the amount can be made.

1.2. A liability for an asset retirement obligation cannot be recognized unless all of the criteria above are satisfied.

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

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

1.5. 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.

1.6. Upon initial recognition of a liability for an asset retirement obligation, the Municipality 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 which is no longer in service, and no longer providing economic benefit, or to an item not recorded by the Municipality as an asset, the obligation is expensed upon recognition.

1.7. The capitalization thresholds applicable to the different asset categories will also be applied to the asset retirement obligations to be recognized within each of those asset categories.

2. Subsequent Measurement

2.1. The asset retirement costs will be allocated to accretion expense in a rational and systemic manner (straight-line method) over the useful life of the tangible capital asset or a component of the asset.

2.2. On an annual basis, the existing asset retirement obligations will be assessed for any changes in expected cost, term to retirement, or any changes that may impact the estimated obligation. In addition, any new obligations identified will also be assessed.

3. Presentation and Disclosure

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



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Chief Administrative Officers' Annotation for Official Policy Record	
Date of Notice to Council Members of Intent to Consider (7-days minimum)	
Date of Passage of Current Policy	
Date of Notice to Council Members of Intent to Consider – Amendment	
Date of Passage of Current Policy - Amended	
I certify that this policy was adopted by Council as indicated above.	
_____	_____
Warden	Date
_____	_____
Chief Administrative Officer	Date