

 Claresholm	Asset Retirement Obligation Policy		Policy #3.2.20
Department Owner:	Finance		
Policy Applies To:	Town of Claresholm Assets		
Date Created:	April 28, 2025	Date Approved By Council:	
Version #:	1.0	Resolution #:	#
Last Review Date:		Policy(ies) Replaced/Rescinded:	

Intent:

To establish a policy whereby the Town of Claresholm will review and report any Asset Retirement Obligations (ARO), at the financial reporting date for those assets that meet all criteria established by Public Sector Accounting Standard (PSAS) 3280.

Policy:

The purpose of this policy is to establish a governance framework for the administration, financial accounting and reporting of assets, liabilities, and expenses associated with Asset Retirement Obligations (ARO's) in accordance with PSAS 3280: Asset Retirement Obligations.

Definitions:

- **Asset Retirement Obligation (ARO)** - a legal obligation associated with the retirement of a tangible capital asset.
- **ARO Asset** -an asset retirement obligation associated with the economic resources controlled by the MUNICIPALITY as a result of past transactions or events and from which future economic benefits are expected to be obtained.
- **Council** -the duly elected Council of the Town of Claresholm.
- **Legal Obligations** - a clear duty or responsibility to another party that justifies recognition of a liability. A legal obligation can result from:
 - Agreements or contracts;
 - Legislation of another government;
 - A government's own legislation; or
 - A promise conveyed to a third party that imposes a reasonable expectation of performance upon the promisor under the doctrine of promissory estoppel.
- **Promissory estoppel** - the principle that a promise made without consideration may nonetheless be enforced to prevent injustice if the promisor should have reasonably expected the promisee to rely on the promise and promisee did rely on the promise to his or her detriment.
- **Retirement of a tangible capital asset** - 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.
- **Tangible Capital Asset (TCA)** - non-financial assets having physical substance that:
 - Are held for use in the production or supply of goods and services, for rental to

- others, for administrative purposes or for the development, construction, maintenance or repair of other tangible capital assets;
- Have useful economic lives extending beyond an accounting period;
- Are to be used on a continuing basis; and
- Are not for sale in the ordinary course of operations.

Guidelines:

1. A liability for an asset retirement obligation cannot be recognized unless all the following criteria are satisfied under PSAS 3280:
 - a. There is a legal obligation to incur retirement costs in relation to a tangible capital asset.
 - b. The past transaction or event giving rise to the liability has occurred.
 - c. It is expected that future economic benefits will be given up.
 - d. A reasonable estimate of the amount can be made.
2. Recoveries should be recognized when:
 - a. The recovery can be appropriately measured.
 - b. A reasonable estimate of the amount can be made.
 - c. It is expected that future economic benefits will be obtained.
3. A recovery should not be netted against the liability.
4. Tangible capital assets that are impacted are controlled by the Town of Claresholm. The standard applies to all assets, including leased tangible capital assets, whether they are in productive use or not, as well as fully amortized and unrecognized tangible capital assets.
5. Costs that would be considered to be outside the scope of the standard include routine replacement or maintenance, improper use of a tangible capital asset, remediation of contaminated sites related to unexpected events, waste and by-products produced by tangible capital assets, and preparing a tangible capital asset for an alternative use.
6. On an annual basis, the existing asset retirement obligations will be assessed for any changes in expected cost, term to retirement, or any other changes that may impact the estimated obligation. In addition, any new obligations identified will be assessed.