



## Write-Off and Disposal of Assets

<b>Procedure No.:</b> CS-FIN-3	<b>Council Resolution No.:</b> N/A
<b>Department:</b> Finance	<b>Authority:</b> CAO
<b>Effective Date:</b> January 9, 2012	<b>Revision Date:</b>
<b>Review Date:</b> May 13, 2022	<b>Repealed Date:</b>
<b>Supersedes:</b> N/A	
<b>Related Policy No.:</b> CS-FIN-3	
<b>Related Policy Name:</b> Write-off and Disposal of Assets	

### Purpose

To establish the procedures to implement the Disposal and / or Write - off of machinery, vehicles, equipment, land improvements & inventory when there is a determination that an asset has had a reduction in value due to sale, traded-in, surplus, destruction, loss or abandonment through the course of operations within the Town of Taber.

### Operating Guidelines

- 1) The difference between the net proceeds on disposal of a machinery, vehicles, equipment, land improvements & inventory and the net book value (cost less accumulated amortization) should be accounted for as a revenue or expense in the statement of operations. (in accordance with sec. 3150.40 of Public Sector Accounting Standards ( PSAS))
- 2) Determination of net proceeds upon disposal of an asset through sale must be conducted as follows:
  - a. For assets with a net book value under \$5000:
    - i) The Department manager must notify the Director of their department prior to the disposal of any assets for sale or write-off;
    - ii) The manager is to establish current fair market value (FMV) from an unbiased third party & provide documentation of how the (FMV) is determined;
    - iii) The asset may be disposed of through a competitive tender process, where the highest bid is taken and the bidding process is documented as such; or
    - iv) Use of a 3<sup>rd</sup> party auction service provider; and



- v) All proceeds are to be submitted with documentation (i.e. bill of sale, tender or bid documents, samples of advertising process, estimates of FMV, etc.) as supporting evidence of sale to the Director of Finance.
- b. For assets with a net book value over \$5000, but under \$75000:
    - i. The asset may alternatively be disposed of through a competitive tender process, where the highest bid is taken and the bidding process is documented as such; or
    - ii. Use of a 3<sup>rd</sup> party auction service provider;
    - iii. All proceeds are to be submitted with documentation (i.e. bill of sale, tender or bid documents, samples of advertising process, estimates of FMV, etc.) as supporting evidence of sale to the Director of Finance; and
    - iv. A summary of all tenders received along with recommendations for action will be submitted to the department Director for review and approval.
  - c. For assets with a net book value over \$75000:
    - i. Document a solution for disposal for the Council prior to any negotiated sales process considering the following methods of disposal:
      - 1. Trade the asset in for the replacement;
      - 2. Use of a 3<sup>rd</sup> party auction service provider;
      - 3. The asset may alternatively be disposed of through a competitive tender process, where the highest bid is taken and the bidding process is documented as such; and
      - 4. A summary of all tenders received along with recommendations for action will be submitted at the appropriate council meeting for approval.
    - ii. All proceeds are to be submitted with documentation (i.e. bill of sale, tender or bid documents, samples of advertising process, estimates of FMV, etc.) as supporting evidence of sale to the Director of Finance; and
    - iii. Administration will provide Council with a recommendation on how the asset will be disposed of, and seek their approval to go forward with the solution.
- 3) Determination of a disposal through a trade-in of an asset must be conducted as follows:
- a. The asset to be disposed shall be included in the procurement process documents (RFP, Tender, etc.), with the submission detailing the proposed value of the asset to be disposed; and
  - b. The criteria for evaluating the RFP or tender submissions will include the trade-in value of the asset to be disposed in order to update any inventory or Tangible Capital Asset (TCA) records.



4) Write-off of an asset due to loss, destruction or abandonment must be conducted as follows to maintain continuity with records:

a. For assets with a net book value under \$5000:

- i. The Manager must notify the department Director of the necessity to write-off of an asset due to loss, destruction or abandonment;
- ii. The method of disposal of the asset must be determined and the appropriate costs gathered for approval by the Manager;
- iii. The Manager is to document and provide reasons for the write-off of an asset due to loss, destruction or abandonment;
- iv. Notify the Director of Finance of what assets are being written off due to loss, destruction or abandonment and provide necessary documentation, costs of disposal, and reasons for write-off; and
- v. Donations to third parties are to follow a similar process.

b. For assets with a net book value over \$5000, but under \$75000:

- i. The Manager must obtain approval of the Director for the necessity to write-off of an asset due to loss, destruction or abandonment;
- ii. The method of disposal of the asset must be determined and the appropriate costs gathered for approval by the department Director;
- iii. The Manager is to document and provide reasons for the write-off of an asset due to loss, destruction or abandonment; and
- iv. Notify the Director of Finance of what assets are being written off due to loss, destruction or abandonment and provide necessary documentation, costs for disposal and reasons for write-off.

c. For assets with a net book value over \$75000:

- i. The department Director must notify as soon as possible the Council for the necessity to write-off of an asset due to loss, destruction or abandonment;
- ii. The method of disposal of the asset must be determined and the appropriate costs gathered for approval by the department Director / CAO;
- iii. The Manager is to document and provide reasons for the write-off of an asset due to loss, destruction or abandonment; and
- iv. Notify the Director of Finance of what assets are being written off due to loss, destruction or abandonment and provide necessary documentation, costs for disposal and reasons for write-off.



**Additional References:**

- Canadian Institute of Chartered Accountants (CICA)
- Public Sector Accounting Board (PSAB)

  
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CHIEF ADMINISTRATIVE OFFICER

May 24, 2019.  
DATE

