

<b>SECTION:</b> Finance		<b>POLICY #:</b> FIN-003
<b>Date Approved:</b> November 17, 2008		<b>Tangible Capital Asset Amortization</b>
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## 1.0 PURPOSE

The objective of this policy is to define the amortization periods, by subcategory or component, of a Tangible Capital Asset. The amortization period is based on the estimated useful life of the asset. The cost of a Tangible Capital Asset will be amortized over the estimated useful life, on a straight-line basis.

## 2.0 SCOPE

All Town Departments.

## 3.0 DEFINITIONS

**Tangible Capital Assets** - For a definition of Tangible Capital Assets refer to Policy FIN-007 "Tangible Capital Assets".

**Asset Cost** - Tangible Capital Assets are recorded at cost. As a general rule, cost includes the purchase price and other acquisition costs such as installation costs, freight charges, transportation, taxes and duties. For a donated capital asset, cost is considered to be the fair value at the date of donation. Fair value may be estimated using market or appraisal values.

**Amortization** - Amortization or depreciation is an accounting cost allocation concept in which the recorded cost of a capital asset less estimated residual value (if any) is distributed over its estimated useful life in a consistent manner. This is a process of allocation, not valuation. Amortization is to begin in the month following the month of "in service" date (acquisition and/or invoice date).

**Residual Value** - Residual Value is the amount the Town expects to be able to realize on disposal of a capital asset at the end of its useful life.

**Straight-line Basis** - This is a method of amortization in which the periodic charge is computed by dividing the amortization base by the estimated number of periods of service life.

**Useful Life** - A tangible capital assets useful life is the time duration over which benefits are expected to be derived from the asset. It is not to be confused with the assets physical life.

## 4.0 POLICY STATEMENTS

### Amortization Periods

Tangible capital assets will be placed into subcategories or components and amortized monthly over their estimated useful life as defined below:

**TABLE 1 – Sub-Category – Useful Life**

Category / Sub-Category	Component	Est. Useful Life
Land	Land	n/a
	Land Improvements	variable
	Land Under Roads	n/a
Equipment	Attach/Fixtures	10
	Medical	10
	Operational	10
	Other	10
	Landfill Equipment	15
	Trail Bridges	30
	(Existing & Donated)	
	Smaller Pedestrian Foot	
	Bridges Only	15
	Pooled Equipment	10
	Signs	20
	Unlicenced Equipment	15
Technology & Communications	Computers	
	Software	5
	Radio Equipment	7
	Other	5
	Pooled IT	5
	PA Systems	5
Vehicles		20
	Licensed Vehicles	10
	Heavy Licensed Vehicles	15
	Fire Trucks	
	Police Vehicles – cruisers	20
	Non-marked Police	5-4 7
Machinery	Machinery	10
	Pooled Machinery	10
	Pumphouse Machinery	35
Furniture & Fixtures	Office Furniture	20
	Public Tables/Chairs	10
	Office Equipment	10
	Furniture	25
Library Books	Library Books	7
Art Work	Art Work	n/a

\*\* These are guidelines only \*\*

**TABLE 2 – Building Component – Useful Life**

Category/ Sub-Category	Component	Est. Useful Life
Building	Structure (Library/Townhall)	100
	High Maintenance Structure (Arena/Pool)	50
	Medical Clinic, Pumphouses, Lift Stations	80
	Leasehold Improvements	Maximum Length of lease
Site Elements	Asphalt	35
	Concrete	100
	Fencing	25
	Playground Equip	20
	Site Drainage	40
	Misc(Sheds, Signs, etc)	30
Building Ext	Roofing	25
	Siding/Facia/Eaves	40
	Windows/Doors	40
	Masonry/Concrete	100
	Other Exterior	10
Interior	Flooring, Seating,	30
	Interior Carpentry/Glass	30
	Appliances	12
	Blinds, Window Coverings	15
Site Services	Water/Sewer	80
	Electric Power Supply	50
Mechanical / Electrical	Plumbing, Refrigeration,	20
	Exhaust Fans	15
	Interior Lighting	20
	Electrical/Distribution Panels	35
	Access Sys/Ext Lighting	20
	Heating System	30
Fire & Life Safety	Fire Alarm Control Panel	50
	Smoke Alarm Device	10
	Fire Protection / Sprinkler system	50
Elevator	Mechanical Elevator	35

\*\* These are guidelines only \*\*

**TABLE 3 – Infrastructure Component – Useful Life**

Category/ Sub-Category	Component	Est. Useful Life
Bridges	Footings	75
	Super Structures	50
	Deck	25
	Whole	75
Roads – Base	Urban	80
Roads - Surface	Hot mix – HCB	35
	Surface Treatment	20
Sidewalks	Sidewalk-Concrete	35
Water/Sewer/Storm	Watermains	80
	Sewer Lines	
	• Concrete	80
	• Brick	80
	• Metal	80
	• Polyethylene (PVC)	80
	Storm Drains	
	• Plastic	80
	• Metal Corrugated	80
	• Concrete	
Traffic Signals/ Street Lights	Traffic Signals	30
	Streetlights	70
Culverts	Culverts	45
Signs	Signs	20

\*\* These are guidelines only \*\*

## 5.0 GUIDELINES

A regular periodic review of the estimate of the remaining useful life of a Tangible Capital Asset will be done to determine whether estimated life of the asset is appropriate. A revision to a Tangible Capital Assets' estimated useful life is considered a change in estimate and is to be made on a go forward basis (ie., no adjusting entries are made for prior periods) and this change in estimate will be documented in the financial statements.

There are also significant events that may indicate a need to revise the estimate of the remaining useful life of a tangible capital asset. Some examples of those events are below:

- A material change to how much the Asset is used;
- A change in what it is used for;
- Removal from service for an extended period of time;
- Damaged – physically;
- Significant technical improvements;
- Obsolescence;
- Change in the demand of the asset;
- Environmental or legal effects on the item;
- Etc.