

Finance Department Policies			
SECTION: Tangible Capital Assets			POLICY FIN-06
POLICY: Asset Amortization			
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PURPOSE:

The objective of this policy is to give guidance to selecting the appropriate method of amortization to be used, as well as the criteria used to determine the useful life of tangible capital assets.

AMORTIZATION:

1. All tangible capital assets shall be amortized on a straight-line basis (based on original life), except in conditions where it would be deemed more appropriate to use a different method. The Treasurer shall approve any alternative methods considered.
2. Amortization will be calculated and posted to appropriate departments on a regular monthly basis. The first amortization posting will occur the month of the “in service” date. For example, if an asset is purchased July 4th and put in service on August 8th, the first full month of amortization will be recorded in August.
3. Land and land components of tangible capital assets (e.g. land on which a building is situated) shall be recorded at cost and not amortized.
4. Tangible capital assets shall be deemed to have no residual value for purposes of calculating amortization except in situations where the residual value is determined to be significant relevant to the asset in question. For items that have been fully amortized, any eventual sale proceeds received shall be recorded as a “gain on sale of asset”. Any costs relating to the disposal of a fully amortized item shall be recorded as a “loss” or an increase to a “loss on disposal of asset”.
5. Annual amortization expense shall be estimated and included in the annual budget of each respective operating unit. The actual amortization expense shall be charged against the operating unit.
6. Where applicable (see “Whole Asset / Component Approach” in General Definitions), capital assets may be segmented to identify the appropriate components of the system or network. With the components recorded as individual units, it will be possible to capitalize the new component and dispose of the old component, thus continually updating the capital cost. If the asset were not segmented, the appropriate accounting treatment of a partial replacement would be to expense in the year incurred (as it ultimately would not qualify as a betterment).
7. Estimates of useful life (for purposes of the monthly amortization calculation) will be determined by the County of Renfrew based on reasonable assumptions. The following common asset categories will be assigned useful lives as follows:

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Vehicle

Ambulance	4
Backhoe / Loader	10
Grader	15
Heavy Duty Trucks	10
Light Duty Trucks	5
Loader	15
Medium Duty Trucks	7
Tractor	15
Trailer / Float	20
Special	Variable

Linear Asset

Asphalt Surface	15
Bridge	50
Bridge – Temporary	15
Culvert – Concrete	50
Culvert – Other	25
Other Hard Surface	8
Storm Sewer - Concrete	99
Storm Sewer – Other	25
Road Substructure	45
Traffic Control	30
Special	Variable

Land has an infinite life and thus, is not included in the above listing. Capital work in progress is not amortized, and thus is also not included in the above listing.

The County will consider various other sources when making useful life estimates, including, but not limited to:

- Manufacturer estimates
 - Previous experience
 - Ontario Municipal Benchmarking Initiative documentation
8. The useful life estimate for leasehold improvements will be restricted by the terms of the lease agreement. The useful life will be the lesser of the actual estimate, and the sum of the number of years remaining in the current and ensuing lease terms.
 9. For all other categories of assets not shown, or in the event of disagreement on the interpretation or implementation of these policies and procedures, the Treasurer shall make the final decision, guided by the Municipal Act, Public Sector Accounting Handbook Section 3150, and Ontario Municipal Benchmarking Initiative’s “Municipal Guide for Accounting for Tangible Capital Assets”.