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## **Policy: Capital Asset Amortization Policy**

**Department: Corporate Services**

**Effective Date:** December 17, 2009

**Revision Date:** November 2, 2023

**Review Date:**

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### **1. Coverage**

All County Departments.

### **2. Purpose**

The objective of this policy is to define the amortization periods of tangible capital assets by segment or component. The amortization period is based on the estimated useful life of an asset, as determined by County staff or an external party. The cost of a tangible capital asset will be amortized over the estimated useful life using the straight-line method.

### **3. Amortization Periods**

The amortization period of a tangible capital asset begins the month following acquisition or when the asset is determined to be ready for its intended use. The amortization period ceases when an asset is either fully amortized or disposed. Tangible capital assets are to be classified into segments or components and amortized over the estimated useful life as defined below:

**Table 1****General Categories – Estimated Useful Life**

<b>Category</b>	<b>Segment</b>	<b>Estimated Useful Life</b>
<b>Land</b>	Land	N/A
<b>Equipment</b>	Operational	10
	Medical	10
	Defibrillators/Stretchers/Powerloads	6
	Exhibit Components	5
	Library Books	7
	Mattresses/Beds	10
	Other	10
<b>Technology &amp; Communications</b>	Hardware	5
	Peripherals	5
	Software	4
	Communication Equipment	5
	Other	5
<b>Fleet</b>	Vehicles	5
	Tandems	10
	Machinery	10
<b>Furniture &amp; Fixtures</b>	Office Furniture	5
	Office Equipment	5

**Table 2****Building Segments – Estimated Useful Life**

<b>Segment</b>	<b>Component</b>	<b>Estimated Useful Life</b>
<b>Structure</b>	Structure	50
<b>Site Elements/Land Improvements</b>	Asphalt/Concrete	20
	Fencing/Guards/Handrails – Wood	20
	Fencing/Guards/Handrails – Other	30
	Playground Equipment	15
	Site Drainage	40
	Concrete/Stone Retaining Walls	40
	Irrigation Systems	25
	Miscellaneous (sheds, signs, etc.)	20
	Other	10
<b>Building Exterior</b>	Balconies – Wood	20
	Balconies – Concrete/Steel	50
	Roofing – Asphalt/Wood Shingles, Flat	20
	Roofing – Metal	30

	Fascia/Eaves/Downspout/Soffit	35
	Windows	30
	Doors – Hollow Metal	40
	Doors – Aluminum/Composite	30
	Doors – Industrial	40
	Exterior Finishes – Vinyl/Wood/Composite	35
	Exterior Finishes – Metal/Stucco/EIFS	50
	Masonry/Concrete/Stone	40
	Other Exterior	10
<b>Building Interior</b>	Kitchen/Bathroom/Laundry Upgrades	25
	Flooring – Carpet/Laminate	15
	Flooring – Vinyl/Hardwood	25
	Flooring – Ceramic Tile/Stone	50
	Commercial Doors/Windows	40
	Residential Doors	20
	Guards/Handrails/Millwork	20
	Appliances – Kitchen	15
	Appliances – Laundry Residential	10
	Appliances – Laundry Commercial	20
	Furnishings/Shelving	20
	Other Interior	10
<b>Site Services</b>	Water/Sewer	50
	Electric Power/Fuel Supply	30
<b>Mechanical/Electrical</b>	Plumbing	15
	Exhaust Fans	15
	Interior Lighting	15
	Exterior Lighting	20
	Electrical	35
	Communication & Security Systems	20
	Heating/Ventilation/Cooling Systems	20
	Other	10
<b>Fire &amp; Life Safety</b>	Fire Alarm System	30
	Exit & Emergency Light System	20
	Smoke/Carbon Monoxide Alarm Device	10
	Fire Protection/Sprinkler System	50
	Other	10
<b>Elevator</b>	Mechanical Elevator	35

**Table 3****Infrastructure – Estimated Useful Life**

<b>Category</b>	<b>Segment</b>	<b>Estimated Useful Life</b>
<b>Bridge</b>	Footings	60
	Super Structure	50
	Deck	18
	Guiderails	25
<b>Roads – Base</b>	Urban	50
	Rural	60
<b>Roads – Surface</b>	Hot Mix	15
	Recycle	18
	Surface Treatment	8
	Gravel	N/A
<b>Structural Culvert &gt; 3m</b>	Culverts	45
	Guiderails	25
<b>Small Culvert &lt; 3m</b>	> 1.2m	45
	< 1.2m plastic	50
	< 1.2m steel	30
<b>Stormwater Infrastructure</b>	Manholes	50
	Storm Sewers	50
	Catchbasins	30
<b>Traffic Signals</b>	Traffic Signals	25
<b>Trails</b>	Recreational Bridge	
	• Super Structure	50
	• Deck	15
	Fencing	15
	CN Trail	20

**4. Guidelines**

A periodic review of the remaining estimated useful life of a tangible capital asset will be done to determine whether the estimated life of the asset is appropriate. The remaining estimated useful life of an asset may be revised in accordance with the County's Asset Retirement Obligation Policy due to a change in the estimate of an obligation.

A revision to a tangible capital asset's estimated useful life is considered a change in an accounting estimate and will be applied on a prospective basis with no adjusting entries required for prior periods. Any changes to accounting estimates will be disclosed in the audited financial statements.

The occurrence of a significant event may result in the need to revise the estimate of the remaining useful life of a tangible capital asset. Examples of such events include:

- A material change in the amount an asset is used
- A change in what an asset is used for
- Removal from service for an extended period of time
- Physical damage
- Significant technological improvements
- Obsolescence
- Environmental or legal effects on an asset
- Policy changes

## 5. Definitions

### **Amortization**

The accounting concept of allocating the cost of a tangible capital asset, less any residual value, as an operating expense to each fiscal period over the useful life of the asset. Amortization is to begin in the month following the month of acquisition (invoice date) or the date the capital project is put into service. This becomes the in-service date.

### **Cost**

The amount of consideration given up to acquire, construct, develop, or better a tangible capital asset, and includes all costs directly attributable to acquisition, construction, development or betterment of the tangible capital asset, including installing the asset at the location and in the condition necessary for its intended use. Cost may also include the asset retirement cost accounted for in accordance with *Asset Retirement Obligations*, Section PS 3280.

### **Disposal**

Refers to the removal of a capital asset from service as a result of sale, destruction, loss or abandonment. The asset is removed from the capital inventory.

### **In-Service Date**

A tangible capital asset or project is considered in service when it is in a condition or state of readiness and available for the asset's specific function.

### **Residual Value**

The value expected to be realized on disposal of a tangible capital asset at the end of its useful life.

### **Straight-line Method**

A method of amortization that allocates the cost of a tangible capital asset equally over the number of periods of its estimated useful life.

## **Tangible Capital Assets (TCA)**

Non-financial assets having physical substance that:

- 1) 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;
- 2) Have useful economic lives extending beyond an accounting period;
- 3) Are to be used on a continuing basis; and
- 4) Are not for sale in the ordinary course of operations.

### **Useful Life**

The estimate of either the period over which a tangible capital asset is expected to be used by a government, or the number of production or similar units that can be obtained from the tangible capital asset by a government. The life of a tangible capital asset may extend beyond the useful life of a tangible capital asset to a government. The life of a tangible capital asset, other than land, is finite, and is normally the shortest of the physical, technological, commercial, and legal life. Useful life can be determined using industry standards, past practices and estimates from experience.

## **6. References and Related Documents**

Tangible Capital Asset Policy

Asset Retirement Obligation Policy

Public Sector Accounting Standard PS 3150 – Tangible Capital Assets