



**City of
Lloydminster**

Policy

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| Policy Title: | Amortization and Useful Life Policy | | Policy Number: | 007-2015 | |
| Date of Council Approval: | August 24, 2015 | Motion No.: | 240-2015 | Year of Review: | 2018 |
| Department Sponsored by: | Finance | | | | |

Purpose: To ensure the City of Lloydminster’s Tangible Assets are properly valued, managed and planned for.

Objective: This Policy will establish standard estimated useful life; in years of tangible capital assets owned by the City of Lloydminster. It will drive (long and short term) accurate valuation, depreciation expense, capital planning / budgeting and prioritizing replacement of assets as they approach the end of their useful life.

Definitions:

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| Tangible Capital Assets (TCA)/Fixed Assets: | An asset with physical substance that has a useful life more than one year, will be used on a continuing basis, and is not for sale in the ordinary course of operations. The cost of which is focused on the initial purchase and is depreciated over the useful life of the asset – i.e., a portion is expensed on a monthly basis over the term of the asset. |
| Amortization: | The cost of a TCA with a limited life should be expensed over its useful life in a rational and systematic manner appropriate to its nature and use. Land is not a depreciable asset, as the expected useful life is infinite. |
| Cost: | The total consideration (at fair value) given to acquire, construct, develop or better a TCA. Capital costs include for example: purchase price, installation costs, design and engineering fees, legal fees, survey costs, site preparation costs, freight charges, construction and development costs and directly attributable overheads. |

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| Useful life: | The estimated time over which a TCA is expected to be used or last. For example a truck that will last 10 years. |
| Work in Progress (WIP): | An account utilized to accumulate capital costs for a project. Assets are capitalized from WIP when the TCA is ready for productive use and/or when the acquisition/construction/development is substantially complete. |

Scope: This policy applies to all areas/departments within the City of Lloydminster that acquire or utilize tangible capital assets.

Policy Instructions:

Amortization is not charged in the year of acquisition.

Assets under construction are not amortized until substantially complete and available for productive use.

This policy will be effective January 1, 2016, and retroactively include all tangible capital assets acquired January 1, 2015.

Tangible capital assets will be amortized on a straight-line basis over their useful lives.

Tangible capital assets will be amortized on a straight-line basis over their useful lives as follows:

| Asset Classification | Sub-classification | Useful Life (Years) |
|-----------------------------|-------------------------------|----------------------------|
| Land | | n/a |
| Land Improvements | Landscaping & fences | 25 |
| | Playground structures | 20 |
| | Tennis courts & ball diamonds | 7-15 |
| | Trails & pathways | 15-20 |
| Buildings | Betterments | 10-30 |
| | Permanent structures | 45 |
| | Non-permanent structures | 25 |
| | Leasehold improvements | Term of lease |
| Engineering Structures | Airport runways | 10-15 |
| | Roadway systems | 20-40 |
| | Storm systems | 35-75 |
| | Water systems | 20-75 |
| | Wastewater systems | 35-75 |

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| Machinery & Equipment | Airport | 20-25 |
| | Computer hardware & software | 3-10 |
| | Communication & audiovisual | 7-15 |
| | Fire & Public Safety | 10-30 |
| | Fitness | 5-15 |
| | Fleet & vehicles | 5-15 |
| | Facility & food | 5-25 |
| | Janitorial | 4-10 |
| | Office | 15 |
| | Tools & shop | 3-10 |
| | Water & Wastewater | 15-50 |

Responsibility:

City Council will review and approve all policies.

City Administration will administer the policy through the use of a supporting procedure.

Finance Department is responsible for creating and amending a supporting procedure.