



## Town of Rimbey Policy Manual

Title: TCA – Amortization Methods

Policy No: 1010

Date Approved: February 10, 2009

Resolution No: 52/09

Date Effective: February 10, 2009

Purpose:

To establish the Amortization Methods to be used.

Policy Statement:

1. DEFINITIONS:

**Useful Life:** is the estimate of the period over which a tangible capital asset is expected to be used by the Town. 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.

**Amortization:** Systematic and rational basis for allocating the cost of a tangible capital asset, less any residual value, over its useful life.

**Residual Value:** is the estimated net realizable value of a tangible capital asset at the end of its useful life to the Town.

2. **Land** has an unlimited life and is not a depreciable asset: therefore land will have no Amortization method.

3. One amortization method will be used:

**3.1 Straight-Line:** The straight-line method assumes that the asset's economic usefulness is the same each year and the repair and maintenance expense is essentially the same each period. It is determined by dividing the asset's original cost by its estimated life in years.

The Town will determine the assets useful life using Policy # 1006 as a guideline. A longer than maximum useful life cannot be used without documentation and proof backing up the new useful life.

4. When amortizing the assets, no residual value will be used.

- 5. In the year of acquiring an asset or putting an asset into service no amortization amount will be recorded. In the year of disposal of an asset, 100% of the annual amortization amount will be recorded.
- 6. Cultural and Historical assets are only recognized in the notes, not on the financial statement and are not amortized.

Initial Policy Date:	October 14, 2008	Resolution No:	346/08
Revision Date:	February 10, 2009	Resolution No.	52/09
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