Wahnapitae First Nation

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TANGIBLE CAPITAL ASSET POLICY

Applies to: All Departments

Responsibility: Administration

Approved by Council: Date December 15/09 Resolution # BCM 09/10-70

Tangible Capital Asset Policy - For First Nations

The following topics are discussed in this policy:

1.0 POLICY

The First Nation will follow a prescribed policy to record and manage the tangible capital assets owned by the First Nation. The treatment of tangible capital assets for accounting purposes is intended to be in accordance with Generally Accepted Accounting Principles (G.A.A.P.), pronouncements of the Public Sector Accounting Board (P.S.A.B) and Indian and Northern Affairs Canada (INAC).

2.0 PURPOSE

This policy will provide departments with information for assessing their stewardship of physical resources by providing a framework for:

- Establishing guidelines for activities relating to program planning, financing and the administration of resources for the acquisition, development or construction of tangible capital assets.
- Ensuring that tangible capital assets are recorded appropriately and accurately due to their role in the delivery of First Nation programs and services.
- Providing accountability over tangible capital assets; and gathering and maintaining information needed to prepare financial statements.

3.0 SCOPE

This policy applies to all First Nation departments, and other organizations falling within the reporting entity of the First Nation.

4.0 TANGIBLE CAPITAL ASSETS

4.1 Tangible Capital Assets

Tangible capital assets are non-financial assets with physical substance that are acquired, constructed or developed and:

- Held for use in the production or supply of goods and services;
- Have useful lives extending beyond a fiscal year;
- Are intended to be used on a continuing basis; and
- Are not intended for sale in the ordinary course of operations (PSAB 3150-05).

Tangible capital assets are a significant economic resource and a key component in the delivery of First Nation programs and services. The benefits that are expected through the exercise of capitalizing tangible capital assets include:

- Maintain appropriate accountability for First Nation-owned tangible capital assets;
- Ensure accounting consistency across the organization;
- Ensure efficient and effective use of assets; and
- Provide information that will support measuring the cost of the programs and services.

4.2 Elements of Cost

The cost of a tangible capital asset *(PSAB 3150.10)* is the gross amount of consideration given up to acquire, construct, develop or better a tangible capital asset and includes direct construction or development costs (such as materials and labour) and overhead costs directly attributable to the acquisition, construction or development of the asset. These costs may include but are not limited to:

- Amounts paid to vendors
- Transportation/freight charges
- Handling and storage charges
- Direct design/production costs such as labour, equipment rentals, materials and supplies
- Engineering, architectural and other outside services for designs, plans, specifications and surveys
- Acquisition and preparation costs of buildings and other facilities
- Fixed equipment and related installation costs required for activities in a building or facility
- Direct costs of inspection, supervision and administration of construction contracts and work
- Fair values of land, facilities and equipment donated;
- Appraisal costs
- Advertising costs
- Application fees
- Supervisory fees
- Utility costs
- Site preparation costs

5.0 OTHER DEFINITIONS

Amortization – is the accounting process of allocating the costs less the residual value of a tangible capital asset to operating periods as an expense over the useful life in a rational and systematic manner appropriate to its nature and use. Depreciation accounting is another commonly used term used to describe the amortization of tangible capital assets.

Betterment – is a material cost incurred to enhance the service potential of an asset and will:

- increase the previously assessed physical output or service capacity;
- significantly lower associated operating costs;
- extend the life of the property; or
- improve the quality of output.

Carrying Costs – are costs directly attributable to an asset's acquisition, construction or development activity where, due to the nature of the asset, it takes a long period of time to get it ready for its intended use. Typically carrying costs could include:

- technical and administrative work prior to commencement of and during construction; and
- overhead charges directly attributable to construction or development.

Component – is a part of an asset with a cost that is significant in relation to the total cost of that asset. Component accounting recognizes that each part might have a different useful life and requires separate accounting for each component that has different useful life that the whole asset does.

Contributed Assets – are capital assets acquired without cash outlay and will be valued at fair market value when the asset is placed into productive use/service (i.e. upon initial acceptance).

Costs – is the amount of consideration given up to acquire, construct, develop or better a capital asset and includes all costs directly attributable to its acquisition, construction, development or betterment, including installing the asset at the location and in the condition necessary for its intended use. The cost of a contributed asset is considered to be equal to its fair market at the date of contribution.

Disposal – refers to the removal of a capital asset from service as a result of a sale, destruction, loss or abandonment.

Fair Value – is the amount of the consideration that would be agreed upon in an arm's length transaction between knowledgeable and willing parties (buyer and seller).

Functional Asset Category – is the service area in which the asset is used (i.e. health, education, etc.).

Gains – can arise from transactions and events including the disposition of assets purchased for use and not resale.

Group Assets – are homogenous in terms of their physical characteristics, use and expected useful life. Group assets are amortized using a composite amortization rate based on the average useful life of the different assets in a group.

Historical cost – of an asset is the amount of consideration given up to acquire, construct, develop or better an asset and includes all costs directly attributable to acquisition, construction, development or betterment of the asset including installing the asset at the location and in the condition necessary for its intended use.

Impairment - occurs when conditions indicate that a tangible capital asset no longer contributes to the ability to provide goods and services, or that the value of future economic benefits associated with the tangible capital asset is less than its net book value.

Infrastructure – is composed of linear assets and their associated specific components generally constructed or arranged in a continuous and connected network and may include transportation components like roads, bridges, tunnels, storm sewers, culverts and signage.

Land – is the surface that is used to support structures and purchased or acquired for value, for building sites, infrastructure (roadways, bridges, water mains, etc.) and other program use but not land held for resale.

Leased Capital Assets – are non-financial assets leased by the First Nation for use in the delivery of goods and provision of services. Substantially all of the benefits and risks of ownership are transferred to the First Nation without requiring the transfer of legal ownership.

Losses – can arise from transactions and events affecting the First Nation. Such transactions and events include the disposition of assets purchased for use and not for resale.

Market Value – is defined as the estimated amount for which a property would be exchanged on the sale of valuation between a willing buyer and willing seller in an arm's length transaction wherein the parties had each acted knowledgeably.

Net Book Value – of a tangible capital asset is its cost, less accumulated amortization and the amount of any write-downs.

Non-financial Assets – include tangible capital assets and other assets such as prepaid expenses and inventories of supplies. Non-financial assets are acquired, constructed or developed assets that are normally employed to deliver First Nation programs and services, may be consumed in the normal course of operations and are not for sale in the normal course of operations.

Pooling of assets – refers to assets of value below the materiality threshold when considered on an individual basis but collectively make up a significant group of assets that exceeds the threshold level (i.e. computers on network, office furniture)

Repairs and Maintenance – are recurring expenditures, periodically or regularly required as part of the anticipated schedule of works required to ensure that the asset achieves its useful life. It is an expenditure that keeps an asset in a condition that helps maintain or ensure realization of the future economic benefits that are expected from the asset over its initially assessed useful life.

Residual Value – is the estimated net realizable value of a capital asset at the end of its estimated useful life. A related term, salvage value, refers to the realizable value at the end of an asset's life. If the First Nation expects to use a capital asset for its full life, residual and salvage value are the same.

Straight-line method – is amortization that allocates the costs less estimated residual value of a capital asset over each year of its estimated useful life.

Threshold – is generally the minimum cost that an individual asset (specific to asset class) must have before it is to be treated as a tangible capital asset. The threshold amount is to be used as a guide in addition to the exercise of judgment.

Useful Life – is the estimate of the period over which it is expected to be used as a tangible capital asset. The life of the tangible asset may extend beyond its useful life. The life of a tangible capital asset, other than land, is limited.

Work-in-Progress – is the accumulation of capital costs for partially constructed or developed projects.

Works of Art and Historical Treasures – are property that has cultural, aesthetic, or historical value that is worth preserving perpetually. These assets are not capitalized as their service potential and expected future benefits are difficult to quantify.

Write-down – is a reduction in the cost of a capital asset as a result of a decrease in the quality or quantity of its service potential. A write-down should be recorded and expensed in the period the decrease can be measured and is expected to be permanent.

6.0 ACCOUNTABILITY

6.1 Chief and Council

- Accountable to the members for approving acquisition, control and disposal of tangible capital assets.
- Accountable to the members for approving policies, procedures and guidelines as they relate to the management and financing of tangible capital assets.

6.2 Band Administrator

- Accountable for the development of a tangible capital asset plan for Chief and Council that will provide long-term sustainability of services.
- Accountable for recommending policies and procedures surrounding the management of tangible capital assets and for the preparation of reports for presentation to both senior management and Chief and Council.
- Accountable for ensuring adherence to statutory and policy requirements governing use of capital funding.
- Accountable for recommendation of capital funding decisions for tangible capital assets to departments and Chief and Council.
- Accountable for the development and recommendation of a financial plan to support the tangible capital asset program and ensure sustainability.
- Accountable for reporting significant budget variances for tangible capital asset projects to Chief and Council.

6.3 Program/Department Heads

- Accountable to ensure tangible capital asset management is developed in such a manner as to reflect departmental business plans and is in compliance with policies and procedures.
- Accountable to the Band Administrator and Chief and Council to ensure that the management of tangible capital assets is carried out within departmental approved budgets.
- Accountable for reporting capital budget variances as it relates to tangible capital assets to the Band Administrator and Chief Council.
- Accountable, as part of the senior management team, for evaluating and prioritizing submissions for capital projects against competing needs of all departments and within First Nation priorities, management and financial planning as established by Chief and Council.

7.0 CATEGORIZATION OF ASSETS

7.1 Primary Category

The primary asset category will be shown in the notes to the financial statements as "Segmented by Asset Class". The list of primary asset categories to be used is as follows:

- Land
- Land Improvements
- Buildings
- Machinery & Equipment
- Furniture & Equipment
- Housing
- Computer Equipment
- Vehicles
- Roads, Bridges and Culverts
- Signage
- Water Systems
- Assets Under Construction
- Street lights
- Landfill site

7.2 Functional Category

The functional asset category will be shown in the notes to the financial statements as "Segmented by Program". The list of functional asset categories will include, but not be limited to:

- Administration
- Education
- Health Services
- Housing
- Social and Family Services
- Recreation and Culture
- Public Works
- Capital Infrastructure
- Business Enterprises
- Sustainable development

7.3 Excluded Assets

The following assets should not be capitalized and amortized:

- Land (or other assets) acquired by right, such as forests, water and mineral resources;
- Works of art and historical treasures; and
- Intangible assets such as patents, copyrights, official plans, studies, trademarks.

7.4 Land

Land normally has an indefinite useful life that exceeds the useful lives of the buildings or structures situated on the land. The cost of acquired land is separated from the other costs of an asset and maintained as a component. The cost of the acquired land is not amortized as land normally maintains its value over time.

7.5 Assets Under Construction

Assets under construction is the development of a capital asset that extends over several years. Work in progress is not capitalized or amortized until the asset is in use. The capital costs for such an asset should be accumulated until the asset is ready for use. A work in progress account should be established to allow capital costs to be tracked separately for easy identification in reporting. Amortization is calculated and begins the first fiscal year that the asset is in use. Examples of work in progress are the construction of a new road or building or the development of an asset which occurs over several years. Work in progress would also include the down payments and deposits which are applied to the cost of a capital asset.

7.6 Contributed Assets

A tangible capital asset may be gifted or contributed *(PSAB 3150.14)* by an external third party with no cash outlay. Where an asset is acquired through a third party contribution, the asset is recorded at the cost provided by the contributor. If the cost cannot be provided, a fair value may be estimated using either market or appraised values or a qualified third party evaluation. When an estimate of fair value cannot be reasonably estimated, the asset will be recognized at a nominal value. When the First Nation receives funds from a third party, such as the provincial or federal government, to assist with the construction or purchase of a capital asset, the full cost of the asset should be recorded. The funds received are to be recognized as revenue.

7.7 Acquired, Constructed or Developed Assets

Cost includes all costs directly attributable (i.e. construction, architectural and other professional fees) to the acquisition, construction or development of the asset (housing, roads, water system). Carrying costs such as internal design, inspection, administrative and other similar costs may be capitalized. Capitalization of carrying costs ceases when no construction or development is taking place or when the tangible capital asset is ready for use.

7.8 Heritage Assets

Heritage assets *(PSAB 3150.08)* are works of art and historical treasures considered irreplaceable and preserved in trust for future generations. Collections or individual items of significance that are owned and not held for financial gain but rather public exhibition, education or research in maintenance of public service may be considered heritage assets. Heritage assets will not be recognized as tangible capital assets in financial statements, but the existence of such property should be disclosed *(PSAB 3150.42 (e))*.

Amortization of heritage assets does not apply as the economic benefit or service potential of heritage assets are used up so slowly and the estimated useful lives are extraordinarily long.

7.9 Capital Leases

Capital leases are a means of financing the acquisition of a capital asset where the lessee carries substantially all of the risks and benefits of ownership. If the arrangement is an operating lease, not all benefits and risks transferred to lessee, then the lease payments should be expensed and no liability is recorded. Capital leases are recorded as if the lessee had acquired the asset and assumed liability. If one or more of the following criteria exists, the lease should be accounted for as a capital lease:

- There is reasonable assurance that the First Nation will obtain ownership at the end of the lease;

- The First Nation will receive substantially all of the economic benefits of the asset, and
- The leaser is assured of recovering the investment in the asset and earning a return.

Where at least one of the conditions in the preceding paragraph is not present, other factors may indicate that a capital lease exists. For example:

- The First Nation owns or retains control of the land on which a leased asset is located and the asset cannot be easily moved;
- The First Nation contributes significant assistance to finance the cost of acquiring or constructing the asset that it will lease; or
- The First Nation bears other potential risks, such as obsolescence, environmental liability, uninsured damage or condemnation of the asset and any of these are significant.

If the thresholds are met, a capital asset and a liability should each be recorded for the present value of the minimum lease payments. The leased asset should be amortized over the lesser of the lease term or estimated useful life for similar capital assets. Maintenance costs should be excluded when calculating minimum lease payments. The discount rate should be the lesser of the First Nation's incremental borrowing rate or the interest rate implicit in the lease, if determinable.

8.0 ACCOUNTING FOR TANGIBLE CAPITAL ASSETS

8.1 Recognition

A tangible capital asset shall be recognized when it is probable that future benefits associated with the asset will be obtained, there is an appropriate basis of measurement and a reasonable estimate of the amount can be made. The recognition and valuation of an asset is based on its service potential. The acquisition date of an asset is the earliest of the date on which the asset being constructed is complete and ready for productive use.

8.2 Establishment of Cost

All tangible capital assets, accumulated amortization and resulting net book value should be based, first and foremost, upon historical cost in accordance with generally accepted accounting principles. The transitional adjustment associated with the adoption of the new tangible capital asset policy will be valued using historical costs adjusted for the proportion of the useful life of the asset that has already been consumed through the determination of accumulated amortization based on useful life.

Where it is not practical and/or cost effective to determine historical invoice cost, departments may utilize an appropriate measure of current value extrapolated back to estimate historical cost using relevant price/cost indices (PSAB 3150.47).

8.3 Capitalization Threshold

Capitalization threshold relates to the minimum dollar threshold that is used to assist in determining which items will be recorded as tangible capital assets and amortized over their useful life, and which items will be treated as current year expenditures (refer to Appendix A). The capitalization threshold has an impact on the size of the asset inventory and the complexity of managing subsequent acquisitions and disposals. The capitalization thresholds established are a balance between the accurate presentation of information for decision making and the cost of acquiring and maintaining such information.

Departments within the First Nation may hold their own views with respect to thresholds. Department heads may recognize that it is important to track and inventory items for management purposes but not necessarily capitalize and amortize those assets (see controlled assets)and there may also be exceptions to the application of a threshold level (see pooled assets).

8.4 Pooled Assets

Departments must be aware of the impact that pooling of assets (i.e. computers or furnishings) might have on the project on an ongoing basis. For example, where the value of an individual item may be less than the established threshold, however in aggregate these assets make up a significant group that exceeds the threshold, capitalization may be appropriate.

8.5 Controlled Assets

Controlled assets are assets with values below the capitalization threshold assigned to a particular asset classification, have a useful life in excess of one year, and, at the discretion of management requires specific identification and control. It is expected that each department head will exercise stewardship responsibilities with respect to these assets and will maintain a written listing of controlled assets which will be updated on a regular basis. Such assets must be identified and controlled due to their sensitive, portable or theft-prone nature.

Controlled assets are similar to capitalized assets except that these assets are flagged with a control indicator to ensure that they are not capitalized and amortized in accordance with this tangible capital asset policy.

8.6 Complex Assets

For purposes of capitalization and amortization, the two methods of defining a capital asset are the whole asset approach and the component approach. The whole asset approach treats an asset as an assembly of connected parts. Costs of all parts would be accumulated and capitalized and amortized as a single asset by year of acquisition. For example a computer network, signage or a building may be considered as single assets.

Under the component approach different components are individually capitalized and amortized. Using the example of a computer network; the servers, routers, lines, and software may be listed as individual assets. In the case of buildings; the roof, foundation, HVAC and framing may be treated as separate components.

Either approach is equally acceptable. Department heads shall select the method that best meets departmental needs. In most instances the whole asset approach will suffice, but in certain circumstances, it may be appropriate to allocate the cost of an asset to its component parts and account for each component separately. This will be the case when the component assets have significantly different useful lives or provide economic benefits or service potential to the entity in a different pattern. Additional factors that may influence the selection of an appropriate method include:

- Significance of amounts;
- Quantity of individual asset components (volume);
- Availability of information with respect to specific components; and
- Specific information needs of management for decision-making and asset control purposes.

8.7 Useful Life

Useful life *(PSAB 3150.28)* is the estimate of the period over which tangible capital asset is used The economic or physical life of an asset may be extended beyond the useful life of an asset. Depending on the nature of the asset, useful life may be expressed in terms of time (years) or output (production or service units). Estimating useful lives of assets is a matter of judgment based on experience and should be applied on a consistent basis. Factors considered in estimating the useful life include:

- Expected future usage;
- Technical obsolescence;
- Expected wear and tear through the passage of time;
- Maintenance program; and
- Condition of existing comparable items.

The service potential of an asset is normally consumed through usage. Factors such as obsolescence, excessive wear and tear or other events could significantly diminish the service potential that was originally anticipated from the asset. The estimated useful life of an asset category and remaining useful life of individual assets should be reviewed by the department head, in conjunction with the band administrator, on a regular basis and revised when appropriate. The rationale supporting the decision to revise useful life estimates of an asset should be documented.

Significant events that may indicate a need to revise the estimated useful life of an asset may include:

- Completion of a major betterment;
- Change in extent that the asset is used;
- Change in the manner that the asset is used;
- Removal of asset from service for extended period of time;
- Physical damage or destruction;
- Significant technological developments; and
- Change in law, environment or member preferences that affect usage and time periods over which asset are used.

A number of factors may trigger the need for a review of the expected useful life of an asset or its components such as major investments including upgrades to critical components:

- Significant changes in the market value;
- Pattern of differences in rate of wear and tear compared to that previously expected;
- Pattern of differences in levels of maintenance compared to that previously expected;
- Results from engineering testing indicating higher than expected rates of structural deterioration;
- Major changes in technology increasing the rates of obsolescence for critical components;
- Major changes in government programs impacting the expected use of assets;
- Major changes in government regulations, policies or standards impacting expected use of assets; and
- Major damage to an asset.

9.0 BETTERMENTS

9.1 Betterment

Betterments *(PSAB 3150.19)* are considered to be capital asset additions for the assets to which they relate and should be recorded as part of the main asset but need to have their own identification number and tracked separately. Betterments which meet the threshold of the applicable capital asset category are capitalized; under the threshold they are expensed. Betterments are enhancements to the service potential of a capital asset, such as:

- A reduction in associated operating costs;
- An extension of useful life, by more than 25%
- An improvement in the quality of output by more than 10%

Where betterment enhances the service potential of a capital asset without increasing its estimated useful life, the amortization period should remain the same. If however, the betterment increases the estimated useful life of a capital asset, its useful life for amortization should also change.

9.2 Repairs & Maintenance

Repairs & Maintenance *(PSAB 3150.21(a))* expenditures are costs to keep the condition of an asset at its expected operating standard. These expenditures are usually incurred on a more or less continuous basis. For example, regular maintenance activities prescribed by the manufacturer of a new heating, ventilation and air conditioning system (HVAC) would normally be required to ensure that the asset is able to provide service at a level and quality as originally intended by the manufacturer. Performance of regular maintenance may also be required as part of the product warranty provided by the manufacturer. For example, the costs of regular maintenance of traffic signals and line painting will be expensed. Costs that do not increase the original assessed useful life, service capacity or quality of output would be expensed as incurred. They include:

- Repairs to restore assets damaged by fire, flood, accidents or similar events, to the condition just prior to the event. Any money received from insurance is to be used to offset the unexpected cost; and
- Routine maintenance and expenditures, such as repainting, cleaning and replacing minor parts.

9.3 Replacement

Replacements involve the removal of component parts and substitution of a new part or component of essentially the same type and performance capabilities. If the component being replaced had been previously segregated in the accounting records as a distinct asset for amortization over a specific expected useful life and meets the threshold of the applicable asset class, the new component is capitalized and the old component is retired with its residual net book value removed from the accounts. The original cost of the new component and the related accumulated amortization should be removed from the accounting records. If the component being replaced was not significant enough to be previously segregated from the whole property as a distinct asset, then the replacement is normally considered a repair and the costs are expensed as incurred. If the replacement of the component results in an enhancement of the service potential of the property as a whole, the replacement is considered betterment and the costs are capitalized.

9.4 Additions

Additions are made to an existing asset to extend, enlarge or expand the existing asset. Examples include adding an extra wing or room to a building or the addition of a lane to an existing roadway. As additions increase service capacity or physical output of a property, they are betterments. The costs of additions should be capitalized.

9.5 Upgrades

Upgrades involve the removal of a major part or component of an asset and the substitution of a different component having significantly improved performance capabilities beyond the property's original design standard. Refer to "Disposal" section for financial implications. An upgrade increases the overall efficiency (i.e. increasing utilization, lowering operating costs, or increasing output of service) quality (i.e. transforms asset into a higher class property) or extends the expected useful life of an asset. The costs of upgrades are capitalized. The following examples would have characteristics of an upgrade:

- Installing air conditioning in a building that was previously not air-conditioned increasing the service quality of the property;
- Replacing existing lighting with energy saving lighting reducing future operating costs;
- Substituting a tile roof for wooden shingle increasing the expected useful life of the building beyond its current estimated useful life;
- Replacing an elevator with a new high speed elevator improving the building class of the overall property; or
- Replacing a furnace with a high efficiency furnace decreasing future operating costs.

9.6 Adjustments

9.6.1 Trade-in

A trade in occurs when an asset is disposed and replaced with a new asset through the same supplier in the same transaction. This transaction should be accounted for as two separate entries. The trade in value should be treated as proceeds of disposal and is used in calculating the gain or loss on the disposal of the assets being traded in. The new asset acquired is recorded at its full cost; trade in value for the old asset does not affect the cost of the new asset.

9.6.2 Disposal

The disposal of a capital asset results in its removal from service as a result of sale, destruction, loss or abandonment. When a capital asset is disposed of, the cost and the accumulated amortization should be removed from the accounting records and any gain or loss is recorded at that time. Costs that are associated with the disposal and paid by the First Nation should be expensed. A gain or loss on disposal is the difference between the net proceeds received and the net book value of the asset and should be accounted for as a revenue or expense, respectively, in the period the disposal occurs.

9.6.3 Write-Down/Write-Off

A capital asset should be written down when a reduction in the value of the asset's service potential can be measured and the reduction is expected to be permanent. Write downs of capital assets should be accounted for as an expense in the current period. Annual amortization of an asset that has been written down should be calculated using the net book value after the write down and the remaining estimated useful life. Conditions that indicate a write down is necessary may include a change in the manner or extent to which the asset is used:

- Removal of the asset from service;
- Physical damage;
- Significant technological developments
- A decline in, or cessation of the need for the service provided by the asset;
- A decision to halt construction of the asset before it is complete or in a usable or saleable condition; or
- A change in the law or environment affecting the extent to which the asset can be used.

10.0 AMORTIZATION

Assets will be used to provide services or deliver programs to members over the assets' estimated useful lives. Where the residual value of the asset is significant then it should be factored into the calculation of amortization otherwise assume a zero residual value for the components. Amortization should be recognized in a rational and systematic basis appropriate to the nature and use of the asset. Amortization should reflect as closely as possible to the extent to which an asset's service potential is consumed over its useful life. Amortization should start as soon as an asset is completed and ready for use. This would be the case even if the decision were made to delay placing the asset into service. Where construction of an asset is comprised of distinct, multiple and self-contained phases, amortization must begin for the distinct phases that are completed. Amortization will be calculated and begin using the half-year rule. The half-year rule states that assets purchased/put into service are amortized for only half of the year in which it is purchased/put into service. Amortization is calculated using the straight-line method based on the estimated useful life of each asset. The straight-line method is calculated by dividing the asset's original cost, less estimated residual value, by its estimated life in years. This yields a constant annual amortization amount each year. For example, a building that costs $3,000,000 has an estimated useful life of 40 years would yield annual amortization of $75,000 ($3,000,000/ 40 years).

Appendix

Primary Category	Sub-Category	Examples	Threshold	Pooled	Useful Life (Years)
Land	Land	Land purchased –on and off reserve Land donated – on and off reserve	All		Infinite
	Land Improvements	Fencing and gates, parking lots, paths and trails, landscaping, sports fields, site preparation and playgrounds.	$10,000		10 – 50
Buildings	Buildings	Community buildings, Band Office, Health Centre, CMHC housing, Rental Housing, Band Owned Housing, storage buildings, residential and office trailers, sheds, fencing, etc.	$10,000		20 – 50
Machinery and Equipment	Light	Ride on mowers, boats, ATV's, snowmobiles and generators.	$5,000		6 – 10
	Heavy	Loaders/backhoes, tractors, graders, Pumper truck, etc.	$10,000		8 – 15
Furniture and Equipment	Furniture	Desks, chairs, furniture and appliances.	$2,000		5 – 20
	Equipment	Photocopiers, telephone systems, etc.	$2,000		3 – 10
Computer Equipment	Hardware	Desktops, laptops, servers, scanners, printers, hard drives, modems, tape drives and plotters.	$2,000	X	3 – 7
	Software	Off the shelf software and related upgrades, software licenses after removing any maintenance or similar charges	$2,000	X	1 - 10
Vehicles	Light	Cars, ½ tonne trucks, school bus and vans.	$5,000		3 – 10
	Heavy	1 tonne trucks, garbage packer, dump truck, plow truck	$5,000		8 – 15
	Trailers	Utility trailers	$2,500	X	3 – 10
Roads	Surface	Asphalt and gravel	$5,000		10 – 25
	Subsurface	Subsurface of road	$10,000		25 – 50
Bridges	Superstructure	Bridge	$5,000		30 – 80
	Decks	Bridge	$5,000		15 – 30
Culverts	Culverts	Concrete culverts	$5,000		50 – 80
Signage	Signs	Road signs.	$2,500	X	8 – 20
Water and Wastewater Systems	Structures	Plant, intakes, filtration, reservoir, buildings, dam, Bio Solids, Outfall, Septic systems, etc.	$10,000		40 – 50
	Infrastructure	Water/Wastewater mains, hydrants, valves, meters, service lats, pump stations, manholes, sewer lats, lagoons, etc.	$10,000		20 – 50
	Equipment	Electrical, mechanical, instrumentation, etc.	$10,000		10 – 20
Street lights	Street lights	Outdoor street lights.	$2,500		15-30
Landfill site	Landfill site	Designated landfill area	$10,000		25-40