



## TANGIBLE CAPITAL ASSETS POLICY

Policy Type:	Administration	Initially Approved:	12/15/2009
Policy Sponsor:	Administration	Last Revised:	01/28/2025
Primary Contact:	Finance Director	Review Scheduled:	01/2026
Approver:	Chief and Council BCM WFN 24/25-01-250		

### 1. POLICY

The Wahnapitae First Nation (WFN) will follow a prescribed policy to record and manage the tangible capital assets owned by WFN. The treatment of tangible assets for accounting purposes is intended to be in accordance with the 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. PURPOSE

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

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

### 3. SCOPE

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

### 4. 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.
- Are not intended for sale in the ordinary course of operations (P.S.A.B 3150-05).

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

- Maintain appropriate accountability for WFN owned tangible capital assets.
- Ensure accounting consistency throughout the organization.
- Ensure efficient and effective use of assets.
- Provide information that will support measuring the cost of the program and services.

## 5. ELEMENT OF COST

The cost of a tangible asset (P.S.A.B 3150.10) is the gross amount of consideration given up acquiring, constructing, developing or bettering 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 (labour, equipment, rentals, materials, supplies).
- Engineering architectural and other outside services for designs, plans, specifications and surveys.
- Acquisition and preparation costs of building 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.

## 6. DEFINITIONS

### Amortization

Means 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	<p>Means a material cost incurred to enhance the service potential of an asset and will:</p> <ul style="list-style-type: none"> <li>• Increase the previously assessed physical output or service capacity.</li> <li>• Significantly lower associated operating costs.</li> <li>• Extend the life of the property.</li> <li>• Improve the quality of output.</li> </ul>
Capital Assets	Tangible capital assets (physical assets) such as buildings, land and major equipment.
Capital Plan	A consolidated plan or outline of expected funds and spending of all capital projects to be undertaken in a fiscal year.
Capital Project	The construction, rehabilitation or replacement of the First Nation's capital assets and any other major capital projects in which the First Nation or its related entities are investors.
Capital Project Plan	A project management plan to carry out a capital project that includes the budget.
Carrying Costs	<p>Means costs directly attributable to an asset's acquisition, construction or development activity where, due to nature of the asset takes a longer period of time to get it ready for its intended use. Typically carrying costs include:</p> <ul style="list-style-type: none"> <li>• Technical and administrative work prior to commencement of, and during construction.</li> <li>• Overhead charges directly attributable to construction or development.</li> </ul>
Component	Means 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	means 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	Means 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	Means the removal of a capital asset from services as a result of a sale, destruction, loss or abandonment.
Fair Value	Means 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	Means the service area in which the asset is used (i.e. Health, education etc.).
Gains	Means the possible arise from transactions and events including the disposition of assets purchased for use and not resale.
Group Assets	Means 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	Means an asset is the amount of consideration given up to acquire, construct, develop or better an asset and include all costs directly attributable to acquisition, construction, development or betterment of the asset including the asset at the location and in the condition necessary for its intended use.
Impairment	Means 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	Means 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	Means 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	Means non-financial assets leased by WFN for use in the delivery of goods and provision of services. Substantially all of the benefits and risks of ownership are transferred to WFN without requiring the transfer of legal ownership.
Life Cycle Management Plan	Plan of the First Nation's assets in terms of costs to buy, operate, upkeep and get rid of over a specified period.



Losses	Means the possible arise from transactions and events affecting WFN. Such transactions and events include the disposition of assets purchased for use and not for resale.
Market Value	Means the estimated amount for which a property would be exchanged on the sale of variation between a willing buyer and a willing seller in an arm's length transaction wherein the parties has each acted knowledgeably.
Net Book Value	Means a tangible capital asset is its cost, less accumulated amortization and the amount of any write-downs.
Non-Financial Assets	Means 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 WFN 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	Means assets of value below the materiality threshold when considered on an individual basis but collectively make up the significant group of assets that exceeds the threshold level (i.e. computers on network, office furniture).
Repairs and Maintenance	Means recurring expenditures, periodically or regularly required as part of the anticipated schedule of work 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	Means the estimated net realizable value of a capital asset at the end of its estimated useful life. A related term, salvage, refers to the realizable value at the end of an asset's life. If WFN expects to use a capital asset for its full life, residual and salvage value are the same.
Straight-line Method	Means amortization that allocates the costs less estimated residual value of a capital asset over each year of its estimated useful life.
Threshold	Means 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	Mean 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 asset, other than land, is limited.
Work-in-Progress	Means the accumulation of capital costs for partially constructed or developed projects.
Works of Art/Historical Treasure	Means 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	Means 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.

## 7. ACCOUNTABILITY

### 7.1 CHIEF AND COUNCIL

- Accountable to the members for approving acquisitions, control and disposal of tangible capital assets.
- Accountable for approving the capital asset register and capital plan.
- Accountable to the members for approving policies, procedures, and guidelines as they relate to the safeguarding, management and financing of tangible capital assets.
- Accountable for establishing a capital asset reserve fund and approving related transactions.
- Accountable for approving the capital project trigger threshold amount as established by the Executive Director and approving capital project plans for projects above the trigger threshold amount.
- Accountable for informing or involving members about capital asset projects and any borrowings for capital asset projects.

### 7.2 EXECUTIVE DIRECTOR

- Accountable for the development of a tangible capital asset management plan for recommendation to the Finance and Audit Committee for Chief and Council approval that will provide long-term sustainability of services.
- Accountable for maintaining the capital asset register including arranging for an annual inspection of each capital asset (e.g. condition, useful life, etc.).
- Accountable for recommending policies and procedures surrounding the management of tangible capital assets and for the preparation of reports for presentation 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.

### **7.3 FINANCE DIRECTOR**

- Accountable for the accurate and timely recording and reporting of capital assets in the financial statements in accordance with Canadian GAAP.
- Accountable for updating and monitoring the application of this policy on a regular basis.
- Accountable for preparing on or before January 31<sup>st</sup> annually the capital asset register and capital plan.
- Accountable for preparing the quarterly reporting to the Finance and Audit Committee, or more frequently, if necessary, on the status of the capital asset reserve fund.
- Accountable for developing and recommending procedures for the safeguarding of assets and making sure approved procedures are followed.
- Accountable for developing the budget for capital project plans and capital plan.

### **7.4 PROGRAM/DEPARTMENT DIRECTORS**

- 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 Executive Director 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 Executive Director and Chief and 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 WFN priorities, management and financial planning as established by Chief and Council.

### **7.5 FINANCE AND AUDIT COMMITTEE**

- Accountable for reviewing on or before January 31<sup>st</sup> the capital asset register and capital plan.
- Accountable for reviewing any scheduled capital project plans including supplemental information and their budgets and developing recommendations for Council.

## **8. CATEGORIZATION OF ASSETS**

### **8.1 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 and Equipment.
- Furniture and Equipment.
- Housing.
- Computer Equipment.
- Vehicles.
- Roads, Bridges and Culvert.
- Signage.
- Water systems.
- Assets under Construction.
- Streetlights.
- Landfill Site.

## 8.2 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 limited to:

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

## 8.3 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.
- Intangible assets such as patents, copyrights, official plans, studies, trademarks.

## 8.4 LAND

Land normally has an indefinite useful life that exceeds the useful lives of the buildings or structure 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.



## 8.5 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 the capital asset.

## 8.6 CONTRIBUTED ASSETS

A tangible capital asset may be gifted or contributed (P.S.A.B. 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 normal value. When WFN receives funds from a third-party, such as 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.

## 8.7 ACQUIRED CONSTRUCTED OR DEVELOPED ASSETS

Cost includes all costs directly attributed (i.e. construction, architectural and other professional fees) to all 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.

## 8.8 HERITAGE ASSETS

Heritage Assets (P.S.A.B. 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 (P.S.A.B 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.

## 8.9 CAPITAL LEASES

Capital leases are a means of financing the acquisition of a capital asset where the lease carries substantially all of the risks and benefits of ownership. If the arrangement is an operating lease, not all benefits and risks transferred to lease, then the lease payments should be expensed, and no liability is recorded. Capital leases are recorded as if the lease 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 no reasonable assurance that WFN will obtain ownership at the end of the lease.
- WFN will receive substantially all of the economic benefits of the asset.
- 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:

- WFN owns or retains control of the land in which a leased asset is located, and the asset cannot be easily moved.
- WFN contributes significant assistance to finance the cost of acquiring or constructing the asset that it will lease.
- WFN 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 WFN incremental borrowing rate or the interest rate implicit in the lease, if determinable.

## 9. ACCOUNTING FOR TANGIBLE CAPITAL ASSETS

### 9.1 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.

### 9.2 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.



### 9.3 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 WFN may hold their own views with respect to thresholds. Department heads may recognize that this is important to track and inventory items for management purposes but not necessarily capitalize and amortize those assets (see pooled assets).

### 9.4 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.

### 9.5 CONTROLLED ASSETS

Controlled assets are assets with value 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.

### 9.6 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 computer network; the server, 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 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 component.
- Specific information needs of management for decision-making and asset control purposes.

## 9.7 USEFUL LIFE

Useful life (P.S.A.B 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 judgement 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.
- 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 services 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.
- 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 component 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 in dictating 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 and standards impacting expected use of assets.
- Major damage to an asset.

## 10. BETTERMENTS

### 10.1 BETTERMENT

Betterments (P.S.A.B 3150.19) are considered to be capital assets 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 application 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.

### 10.2 REPAIRS AND MAINTENANCE

Repairs and Maintenance (P.S.A.B 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 move 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. 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 code.
- Routine maintenance and expenditures, such as repainting, cleaning and replacing minor parts.

### 10.3 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.

### 10.4 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 cost of additions should be capitalized.

### 10.5 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 cost 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 shingles 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 overall property.
- Replacing a furnace with a high efficiency furnace decreasing future operating costs.

### 10.6 ADJUSTMENTS

#### 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 asset 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.

## **10.7 DISPOSAL**

The disposal of a capital asset results in its removal from the 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 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.

## **10.8 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 increased, 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.
- A change in the law or environment affecting the extent to which the asset can be used.

## **11. 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 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 original cost, less estimated residual value, but 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).

## **12. PROTECTION OF ASSETS**

### **12.1 CAPITAL ASSET REGISTER**

A capital asset register will be established and updated by the Asset Manager and reviewed by the Facilities and Infrastructure Director, who will update the Executive Director. The asset register will reflect the life-cycle management program including maintenance, rehabilitation, and replacement activities as well as provide an accurate inventory of capital assets.

The capital asset register will at a minimum include:

- Location or address.
- Acquisition date.
- Acquisition cost.
- Remaining useful life in years.
- Estimated repairs and maintenance costs.
- Cumulative repairs and maintenance costs to date.
- Insured value.
- Disposal value (current year disposal of asset only).
- Inspection date.
- Any other information required by Council.
- General comments.

The finance department will regularly reconcile the capital asset register to the general ledger.

### **12.2 ANNUAL INSPECTION AND REVIEW**

On or before November 30, the Executive Director will initiate an annual inspection of the First Nation's capital asset inventory. Employees in the Facilities and Infrastructure department will be assigned by the Executive Director to arrange for the inspection to be complete either by an employee or a third party.

Any changes to the capital asset register will be documented and communicated to the Facilities and Infrastructure Director and the Executive Director for review and approval. Once reviewed and approved, the changes will be recorded in the capital asset register.

The Executive Director will report to the Finance and Audit committee on the outcome of the annual inspection and review of assets, noting any significant developments or findings.

If there is evidence of damage to or a loss of an asset identified during the inspection process or at any other time of the year, the Executive Director will investigate the matter and initiate the insurance claim process if applicable. The capital asset register will be updated based on this new information.



When conditions indicate that a capital asset no longer contributes to the First Nation's ability to provide goods and services, or that the value of future economic benefits associated with the capital asset is less than its netbook value, the cost of the capital asset should be reduced to reflect the decline in the asset's value.

The net write-downs of capital assets should be accounted for as expenditures in the statement of operations.

A write-down cannot be reversed.

### **12.3 SAFEGUARDING ASSETS**

Physical security arrangements over capital assets will be reviewed annually by the Finance Director and the results of this review will be reported to and reviewed by the Finance and Audit Committee with any recommendations to Council.

Insurance coverage for capital assets will be obtained and remain in force unless an asset is to be self-insured based on a risk management assessment that balances any potential loss with the cost of insurance, replacement value of items, etc. Insurance will be obtained in accordance with the relevant policy.

### **12.4 MAINTENANCE OF ASSETS**

The Executive Director, on the advisement from the Director of Facilities & Infrastructure & Asset Manager, will prioritize capital assets in the register according to importance and impact on the safety and well-being of the First Nation. The highest ranked assets will be given priority for replacement or rehabilitation in future planning.

A list of any capital assets identified as no longer in use will be prepared and reported to the Facilities and Infrastructure Director and the Executive Director. Steps will be taken to decommission and appropriately dispose of the assets in accordance with any applicable laws or regulations.

All warranty and related work, including inspections, will be undertaken in a timely manner.

The Executive Director will make sure that appropriate staff training on the use of the capital assets will be provided.

The Asset Manager will make sure the capital asset register with the Finance Director and accounting records are updated and make recommendations to the Finance and Audit Committee for changes to the capital plan based on the results of the inspections performed for the year.

### **12.5 LIFE CYCLE MANAGEMENT PROGRAM**

Based on the information in the capital asset register and contributions from relevant employees, the Finance Director will prepare the capital plan by [January 31] of each year.

The capital plan will include short- and long-term projections for asset maintenance, rehabilitation or replacement (including acquisition and/or construction). The plan will include

the information that the Finance Director is required to prepare in Financial Administration Law and, at a minimum, the following details:

- Asset description.
- Rationale.
- Estimated cost.
- Estimated timeframe and schedule of maintenance, rehabilitation or replacement (acquisition and/or construction) of each asset.
- Budget and multi-year financial plan impact.

The Finance and Audit Committee will review the capital plan and capital assets register.

The Finance and Audit Committee will review by the capital plan by [January 31] and report to Council on its findings and recommendations by [February 15] for review and consideration of the annual budget for the upcoming fiscal year.

## 12.6 CAPITAL PROJECTS

The Executive Director and the Director of Facilities & Infrastructure, with input from the Finance Director, will develop a plan for each capital project (project with total cumulative cost greater than the Capital Project Trigger Threshold amount in the Authorization and Delegation Table). The plan will include a business case for the capital project that will contain, at a minimum, the following:

- The financial viability of the project (i.e. how it will be funded/financed, what the expected return on investment will be, etc.).
- Project operating requirements (e.g. annual operating and maintenance costs, cash flow considerations, etc.).
- A project risk assessment.
- Evaluation of all other options considered.

The Executive Director & Facility and Infrastructure Director will coordinate planning, design, engineering, RFP, supplier selection, and environmental requirements for each capital project with each step carried out in accordance with the relevant policy for Purchasing and Risk Management.

Capital project external advisors may be engaged to carry out these obligations.

The Finance Director will coordinate project costing, budgeting, financing and approval for each capital project with each step carried out in accordance with the relevant policy for Purchasing and Risk Management.

The capital plan and recommendations from the working committee will be provided to the Finance and Audit Committee.

The Finance and Audit committee will review the capital plan on or before [January 31] and forward their recommendation to Council for approval by March 31

Council will inform or involve members about capital projects and borrowings (if any) for capital projects in accordance with the First Nation's communication procedures, as noted in the Annual Planning and Budgeting section of this policy. At minimum, Council will post a public notice of each Council meeting when borrowing for a new tangible capital asset



project is presented for approval and allow members of the First Nation to attend that part of the Council meeting, per the Authorization and Delegation Table.

## **12.7 CONSTRUCTION MANAGEMENT**

The Executive Director will obtain an appropriate course of construction insurance for each capital project in accordance with the Insurance Policy and will require guarantees and bonding from the supplier.

The Finance Director will process supplier progress payments, manage construction holdbacks and payments. This process will include appropriate audit procedures of the capital project.

The Finance Director will report to the Finance and Audit Committee on each capital project respecting:

- Year-to-date borrowings, loans and payments.
- The status of the project includes:
  - A comparison of the expenditures to date against the project budget.
  - A detailed description of any identified problems with the project.
  - Problem or issue resolution, if any.

## **12.8 ACQUISITION OF CAPITAL ASSETS**

The acquisitions of capital assets are subject to the Purchasing policy and the Authorization and Delegation Table.

All purchases or leases of capital assets are to be made in accordance with the annual budget, capital plan, and approval limits in the Authorization and Delegation Table.

Any significant variance between budgeted and actual cost of the capital asset will be reported to the Executive Director and the Finance and Audit Committee.

## **12.9 CAPITAL ASSET RESERVE FUND**

The Council will establish a capital asset reserve fund to be applied for the purposes of construction, acquisition, maintenance, rehabilitation and replacement of the First Nation's capital assets.

## **12.10 DISPOSAL OF CAPITAL ASSETS**

The fair market value must be determined for all disposals as a prior condition of approval. The Executive Director will consult with external specialists about establishing fair market value, if necessary.

Members of the First Nation shall have an equal opportunity to purchase surplus assets through a competitive disposal process.

All items to be sold are on an "as is, where is" basis with no warranties or guarantees expressed or implied.

### 13. REVISION HISTORY

Date (mm/dd/yyyy)	Band Council Motion
12/15/2009	BCM WFN 09/10-70
04/20/2021	BCM WFN 21/22-04-07
01/28/2025	BCM WFN 24/25-01-250



## Appendix A

Primary Category	Sub- Category	Examples	Threshold	Pooled	Useful Life in Years
Land	Land	Land purchased on-off reserve	All		Infinite
	Land	Land donated on-off reserve	All		Infinite
	Land Improvements	Fencing and gates, parking lots, paths and trails, landscaping, sports fields, site preparation and playgrounds			10-50
Buildings	Buildings	Community buildings, band office, health centre, CMHC housing, Rental Housing, storage buildings, residential and office trailers, sheds, fencing etc.	\$ 10,000.00		20-50
Machinery and Equipment	Light	Mowers, boats, atv's, snowmobi	\$ 5,000.00		6-10
	Heavy	loaders, backhoes, tractors, graders, pumper truck etc.	\$ 10,000.00		8-15
Furniture and Equipment	Furniture	Desks, chairs, furniture and appliances	\$ 2,000.00		5-20
	Equipment	Photocopiers, telephone systems etc.	\$ 2,000.00		3-10
Computer Equipment	Hardware	Desktops, laptops, server, scanners, printers, hard drive, modems, plotter	\$ 2,000.00	X	3-7
	Software	Off the shelf software and related upgrades, software licences after removing any maintenance or similar charges	\$ 2,000.00	X	1-10
Vehicles	Light	cars, 1/2 tonne, school bus, vans	\$ 5,000.00		3-10
	Heavy	1 tonne, garbage packer, dump truck, plow truck	\$ 5,000.00		8-15
	Trailers	utility trailer	\$ 2,500.00	X	3-10
Roads	Surface	Asphalt, gravel	\$ 5,000.00		10-25
	Subsurface	Subsurface of road	\$ 10,000.00		25-50
Bridges	Superstructure	Bridge	\$ 5,000.00		30-80
	Decks	Bridge	\$ 5,000.00		15-30
Culverts	Culverts	Concrete Culverts	\$ 5,000.00		50-80
Signage	Signs	Road Signs	\$ 2,500.00	X	8-20
Water and Wastewater Systems	Structures	Plant, intake, filtration, reservoir, buildings, dam, bio solids, outfall, septic systems	\$ 10,000.00		20-50
	Infrastructure	Water/wastewater mains, hydrants, valves, meters, service lats, pump stations, manholes, sewer lats, lagoons etc.	\$ 10,000.00		20-50
	Equipment	Electrical, mechanical, instrumentation etc.	\$ 10,000.00		10-20
Street Lights	Street Lights	Outdoor street lights	\$ 2,500.00		15-30
Landfill site	Landfill site	Designated landfill site	\$ 10,000.00		25-40