Tangible Capital Assets Policy

Policy

The Nipissing First Nation will follow a prescribed policy to record and manage the tangible capital assets owned by Nipissing 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).

Purpose

This policy will provide departments with information for assessing Nipissing First Nation's 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 Nipissing First Nation programs and services.
- Providing accountability over tangible capital assets; and gathering and maintaining information needed to prepare financial statements.

Scope

This policy applies to the Council, Finance and Audit Committees, Chief Executive Officer, Chief Financial Officer, and senior management of Nipissing First Nation, as well as any employees directly involved in capital asset management.

A. TANGIBLE CAPITAL ASSETS

A.1. <u>Tangible Capital Assets</u>:

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 Nipissing First Nation programs and services. The benefits that are expected through the exercise of capitalizing tangible capital assets include:

- Maintain appropriate accountability for Nipissing 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.

A.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

OTHER DEFINITIONS

"Asset recognition criteria" means the criteria to be used to set the threshold for determining whether a tangible capital asset must be included in the tangible capital asset register and in the life-cycle management program.

“***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.

“Capital project” means the construction, rehabilitation or replacement of Nipissing First Nation’s tangible capital assets and any other major capital projects in which Nipissing First Nation or its related bodies are investors.

“Capital project plan” means a plan to carry out a capital project and an annual capital plan means all of the capital projects to be budgeted for undertaken in a fiscal year.

“Cost” is the gross amount of consideration given up to acquire, construct, develop or better a tangible capital asset, and includes all costs directly attributable to acquisition, construction, development or betterment of the tangible capital asset, including installing the asset at the location and in the condition necessary for its intended use. The cost of a contributed capital asset, including a tangible capital asset in lieu of a developer charge, is considered to be equal to its fair value at the date of contribution. Capital grants would not be netted against the cost of the related tangible capital asset.

“***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).

"Deferred Maintenance" is maintenance that was not performed when it was scheduled, or that was delayed for a future period and may result in a decrease in service levels and can affect the life expectancy of the asset. It is noted in the asset register.

"*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 Nipissing 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 Nipissing First Nation without requiring the transfer of legal ownership.

"***Life-cycle management program***" means the program of inspection, review and planning for the management of Nipissing First Nation's tangible capital assets as described in Nipissing First Nation's Financial Administration Law and this policy.

"***Life cycle planning***" is a key component of a life-cycle management program as it provides information for understanding the condition and assessing the performance of capital assets, anticipates the needs for replacements in the short and long term, and assesses the cost and sustainability of existing programs.

"*Losses*" can arise from transactions and events affecting the Nipissing 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 Nipissing 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).

"PSAS" refers to Public Sector Accounting Standards of the Canadian Public Sector Accounting Board, as amended or replaced from time to time.

"*Rehabilitation*" includes alteration, extension and renovation but does not include routine maintenance.

"Replacement" includes substitution, in whole or in part, with another of Nipissing First Nation's tangible capital assets.

"*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 Nipissing 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 a tangible capital asset is expected to be used by Nipissing First Nation, or the number of production or similar units that can be obtained from the tangible capital asset by Nipissing First Nation. The life of the tangible asset may extend beyond its useful life of a tangible capital asset to Nipissing First Nation. 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.

"***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.

ACCOUNTABILITY

Council is responsible for:

- Approving capital project plans and tangible capital asset reserve fund transactions.
- Establishing a tangible capital asset reserve fund;
- Establishing asset recognition criteria;
- Approving the tangible capital assets register;
- Ensuring capital project budgeting requirements are implemented.
- Approving policies and procedures for capital projects to address the issues identified in the Financial Administration Law for the proper management of capital projects;
- Approving procedures for the safeguarding of tangible capital assets.

The Finance and Audit Committee is responsible for:

- Reviewing on or before January 31st the financial information provided on the life-cycle management program by the Chief Executive Officer;
- Reviewing and recommending to Council the annual budget for tangible capital assets;
- Reviewing status reports on the capital asset reserve fund(s) and if necessary, make a recommendation to Council relative to the funding contribution;
- Monitoring at each meeting the status of all capital projects including borrowings, loans and payments for each project, comparison of expenditures to date with the project budget, details of identified problems with the project and how they will be addressed and steps taken for each capital project to comply with Council policies for management of capital projects;

- Reviewing the Chief Executive Officer's recommendations on asset recognition criteria and making recommendations to Council for approval;
- Reviewing any scheduled capital project plans including supplemental information and their budgets and developing recommendations for Council.

Chief Executive Officer is responsible for:

- Development of the life-cycle management program in accordance with the requirements of this policy and the Financial Administration Law and making recommendations to the Finance and Audit Committee and Council on matters concerning the management of Nipissing First Nation's tangible capital assets;
- Maintaining the tangible capital assets register as required in this policy and the Financial Administration Law, including arranging for an annual inspection to obtain updated information of each capital asset (e.g. physical condition, remaining useful life, etc);
- Developing and recommending to the Finance and Audit Committee the asset recognition criteria and reviewing the criteria annually for possible recommended changes;
- Ensuring Nipissing First Nation members are informed and involved in tangible capital asset projects and borrowings for construction as required in Nipissing First Nation's Financial Administration Law;
- Serving as a point of contact to retain capital project consultants to the Finance and Audit Committee and Council

Chief Financial Officer is responsible for:

- The accurate and timely recording and reporting of tangible capital assets in the financial statements in accordance with PSAS;
- Monitoring the application of this policy and updating the policy on a regular basis;
- Preparing on or before December 31st of each the financial information related to routine maintenance, rehabilitation or replacement of tangible capital assets as required in Nipissing First Nation's Financial Administration Law and this policy.
- ;Monitoring the tangible capital asset protection insurance program and making recommendations to the Chief Executive Officer in adequate time before each annual renewal, or sooner if circumstances warrant;
- Preparing the maintenance and quarterly reporting to the Finance and Audit Committee, or more frequently if necessary on the status of the capital assets reserve fund;
- Developing and recommending procedures for the safeguarding of assets and ensuring approved procedures are followed;
- Developing the budget for capital project plans and annual capital plan.

Employees involved in the life-cycle management program are responsible for:

- Maintaining tangible capital asset information and implementing asset security and safeguarding measures as provided through the application of these policies and safeguarding procedures approved by Council;
- Recording and reporting periodic changes in tangible capital assets to the Chief Executive Officer;

- Ensuring tangible capital assets are accurately tracked and inventoried using the pre-numbers asset control tagging system.

Procedures

Tangible Capital Asset Register

(1) A detailed tangible capital asset register is to be established, maintained and kept current by the Chief Executive Officer (or assigned employee). The asset register will facilitate the life-cycle management program with maintenance, rehabilitation, and replacement activities as well as providing an accurate inventory of tangible capital assets.

(a) The register will include the information required in the Financial Administration Law and, at a minimum, the following information:

i. Location and intended purpose of the asset;

ii. Ownership and restrictions over ownership (e.g. pledges or collateral agreements);

iii. Date of acquisition;

iv. Previous inspection date;

v. Original expected life of the asset at the time of acquisition;

vi. Most recent assessment of the condition of the asset and its expected remaining useful life[1];

vii. Original cost to acquire or develop the asset;

viii. Any costs capitalised subsequent to the initial acquisition or development of the asset (e.g. additions, betterments);

ix. Any amounts de-recognised as a result of the sale or disposal of the asset;

x. Any proceeds received as a result of the sale of the asset;

xi. The amount of depreciation expense calculated for the current period;

xii. The total accumulated depreciation expense as at the end of the current period;

xiii. Any increase to accumulated depreciation made during the current period to reflect an impairment in the carrying value of the asset;

xiv. The total cost, accumulated depreciation and carrying value (i.e. net book value) of the asset as at the end of the current period;

[1] The expected remaining useful life of each asset must be re-assessed at a minimum annually. Any changes to this estimate must be accounted for prospectively as a change in estimate.

xv. Estimated residual value of the asset (i.e. the estimated net realizable value of the tangible capital asset at the end of its useful life to Nipissing First Nation);

xvi. Insurance coverage details for the asset;

xvii. Any other information required by the Council.

(2) An electronic 'asset notification' record will be prepared by the Finance Department from the accounting records when an asset is acquired that captures the key information required for the tangible capital asset register as described above.

(3) An asset tracking (i.e. serial) number will be assigned and an activity center code (for the purposes of accounting for depreciation) to each of Nipissing First Nations tangible capital assets which is to be recorded in the tangible capital asset register and communicated to the department manager for which the management of the asset is assigned.

(4) Department managers will be provided with an annual copy of the tangible capital asset register listing the assets assigned to their respective departments. It is the responsibility of the department manager to regularly report any changes (e.g. additions, disposals, indicators of impairment, changes to estimated useful life, etc.) that are to be made to the register to the Finance Department.

(5) The Finance Department will regularly reconcile the general ledger to the tangible capital asset register. Please refer to Appendix "N" for additional guidance on the Tangible Capital Asset Register.

Amortization / Depreciation

(1) A suitable method for amortizing (or depreciating) each category of tangible capital assets should be selected to form part of Nipissing First Nation's accounting policies.

(a) Different methods of amortizing a tangible capital asset result in different patterns of cost recognition. The objective is to provide a systematic and rational basis for allocating the cost of a tangible capital asset, less any residual value, over its useful life. A straight-line method reflects a constant charge for the service as a function of time. A variable charge method reflects service as a function of usage. Other methods may be appropriate in certain situations.

(2) The cost, less any residual value, of a tangible capital asset with a limited life should be amortized over its useful life in a rational and systematic manner appropriate to its nature and use by Nipissing First Nation. Amortization (or depreciation) expense should be calculated and recorded on a monthly basis.

(a) The amortization of the costs of tangible capital assets should be accounted for as expenses in the statement of operations.

(b) Land normally has an unlimited life and would not be amortized.

(c) Where Nipissing First Nation expects the residual value of a tangible capital asset to be significant, it would be factored into the calculation of amortization.

(d) The useful life of a tangible capital asset depends on its expected use by Nipissing First Nation. Factors to be considered in estimating the useful life of a tangible capital asset include:

i. expected future usage;

i. effects of technological obsolescence;

ii. expected wear and tear from use or the passage of time;

iii. the maintenance program;

iv. studies of similar items retired; and

v. the condition of existing comparable items.

(3) The amortization method and estimate of the useful life of the remaining unamortized portion of a tangible capital asset should be reviewed on a regular basis and revised when the appropriateness of a change can be clearly demonstrated.

Annual inspection and review

(1) On or before [November 30], the Chief Executive Officer will initiate an annual inspection of Nipissing First Nation's capital asset inventory. Employees in the Facilities and Infrastructure (property management) department will be assigned by the Chief Executive Officer to complete the inspection under his/her supervision. Where appropriate or necessary the Chief Executive Officer may choose to engage the services of an external specialist to assist in the valuation of certain specialized assets (e.g. land, buildings, etc.).

(2) Any changes necessary to the tangible capital asset register will be documented by the employee noting the changes, and communicated to the Chief Executive Officer for review and approval. Once reviewed and approved by the Chief Executive Officer, the changes will be input in the tangible capital asset register by the employee responsible for the register.

(3) The Chief Executive Officer 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.

(4) In the event that 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 Chief Executive Officer will investigate the matter and initiate the insurance claim process if applicable. The tangible capital asset register will be updated based on this new information.

(5) When conditions indicate that a tangible capital asset no longer contributes to Nipissing First Nation’s 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, the cost of the tangible capital asset should be reduced to reflect the decline in the asset's value.

(a) The net write-downs of tangible capital assets should be accounted for as expenses in the statement of operations.

(b) A write-down should not be reversed.

Safeguarding Assets

(1) The Chief Financial Officer will ensure that there is a tagging or marking identification system in place for all tangible capital assets subject to the risk of theft (e.g. equipment, vehicles, furniture, etc.). Markers should include the date of purchase and an asset identification (reference) number that identifies the asset to be property of Nipissing First Nation.

(2) Physical security arrangements over capital assets will be reviewed annually[2] by the Chief Financial Officer and the results of this review will be reported to and reviewed by the Finance and Audit Committee with any recommendations to Council.

(3) Insurance coverage for tangible 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 Insurance Policy.

Maintenance of Assets

(1) Employees in the Facilities and Infrastructure (property management) department will provide the Chief Executive Officer with a quarterly update on the condition of tangible capital assets over $[x] and preventative maintenance reports (including machine and vehicle logs) showing maintenance completed compared to scheduled maintenance. Explanations for deficiencies noted will be obtained and, where appropriate, shared with the Finance and Audit committee.

(2) A list of any tangible capital assets identified as no longer in use will be prepared and reported to the Chief Executive Officer. Steps will be taken to decommission and appropriately dispose of the assets in accordance with any applicable laws or regulations.

(3) All warranty and related work including inspections will be undertaken in a timely manner.

[2] This may occur at the same time as the physical inspection of asset condition is performed

(4) The Chief Executive Officer will recommend that any critical tangible capital assets of an unsafe nature, based on the annual review, are given a priority for replacement (or rehabilitation) in future planning.

(5) The Chief Executive Officer, with the assistance of staff in the Facilities and Infrastructure (property management) department, will ensure that appropriate staff training on the use of the particular tangible capital asset will be provided to ensure safety.

(6) For tangible capital assets over $[●], periodic maintenance assessments will be performed. Assessments should include:

  (a) Any deferred maintenance;

  (b) A description of the performance and condition of the asset;

  (c) An overall rating based on the following scale: Excellent, Good, Fair, Poor, or Failing;

  (d) A forecast of the maintenance, repairs, betterment, and replacement costs over the course of the remaining useful life of the asset.

(7) The Department managers will retain a copy of the condition assessment(s) and will provide an electronic copy to the Finance Department.

(8) The Chief Executive Officer will ensure the tangible capital asset register and accounting records are updated, and, in conjunction with the Chief Financial Officer, will make recommendations to the Finance and Audit Committee for changes to the annual capital plan based on the results of the condition assessments performed for the year.

Life Cycle Management Program

(1) Based on the information in the tangible capital asset register and consultations with the Chief Executive Officer and property management employees, the Chief Financial Officer will prepare the annual capital plan by [December 31] of each year.

(2) The annual capital plan will include short and long term forecasts for asset rehabilitation and/or replacement. The plan will include the information that the Chief Financial Officer is required to prepare in the Financial Administration Law and, at a minimum, the following details:

  (a) A description of each asset to be replaced or refurbished;

  (b) The rationale for the replacement or refurbishment;

  (c) Estimated cost, including contingencies, of each proposed acquisition or refurbishment project;

(d) Estimated timeframe and schedule for completion of each asset acquisition or proposed refurbishment project;

(e) Ongoing maintenance requirements and costs and the impact on Nipissing First Nation's budget.

(3) The Finance and Audit Committee will review the annual capita plan, in conjunction with the tangible capital assets register. The objective of this review is to:

(a) Identify any means to reduce costs of each capital project;

(b) Understand the effect that each proposed capital project (rehabilitation, replacement) on the annual operating costs and routine maintenance costs in future years;

(c) Determine whether any significant savings might be affected by coordinating the scheduling of capital projects, deferring any projects, or carrying out rehabilitation projects rather than replacement projects.

(4) The Finance and Audit Committee will review by the annual capital plan by [January 15] 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.

Capital Projects

(1) The Chief Executive Officer, with input from the Chief Financial Officer, will develop an annual capital plan for all capital project that exceed $[●] in cumulative value. The plan will include a business case for the capital project, that will contain, at a minimum, the following:

(a) The financial viability of the project (i.e. how it will be financed, what the expected return on investment will be, etc.);

(b) Project operating requirements (e.g. annual operating and maintenance costs, cash flow considerations, etc.);

(c) Evaluation of all other options considered;

(d) A project risk assessment.

(2) The annual capital plan will be integrated with Nipissing First Nation's strategic plan (see [Integrated Planning Policy] for further details).

(3) The Chief Executive Officer will coordinate project planning, design, engineering, tendering, bid selection, and environmental requirements for each capital project in accordance with Council policies and procedures for management of capital projects. Capital project consultants, including engineers, may be engaged to carry out these obligations at the discretion of the Chief Executive Officer.

(4) The Chief Financial Officer will coordinate project costing, budgeting, financing and approval for each capital project in accordance with Council policies and procedures for management of capital projects.

(5) To coordinate project management of each capital project, an ad hoc working committee - project planning and implementation - may be established as necessary with the Chief Executive Officer and Chief Financial Officer as members.

(6) The annual capital plan and recommendations from the working committee will be provided to the Finance and Audit Committee. Scope adjustments, modifications and other significant adjustments made to the projects will be identified and a rationale provided.

(7) The Finance and Audit committee will review the annual capital plan on or before [January 15] and forward their recommendation to Council for approval.

(8) The Council must take reasonable steps to ensure that capital projects for construction of buildings or other improvements are financed, planned and constructed in accordance with procedures and to standards that generally apply to the financing, planning and construction of public builds and other improvements of organized communities in the region in which the majority of Nipissing First Nation's lands are located. The Chief Executive Officer will report to the Finance and Audit Committee on steps taken to ensure these results are met for every capital project.

Construction management

(1) The Chief Executive Officer will procure appropriate course of construction insurance for each capital project in accordance with the Insurance Policy and will require contractors to have project performance guarantees or bonding for each project or as otherwise permitted or required in the Council policies and procedures for management of capital projects.

(2) Depending upon the size of the project, an independent project manager may be retained to provide contract management and control.

(3) The Chief Financial Officer will process contractor progress payments, manage construction holdbacks and payment as required in the Council policy and procedure on management of capital projects and will organize audit procedures in conjunction with the annual audit.

(4) The Chief Financial Officer will report to every meeting of the Finance and Audit Committee on each capital project respecting

(a) Year to date borrowings, loans and payments;

(b) The status of the project including

i. A comparison of the expenditures to date against the project budget,

ii. A detailed description of any identified problems with the project, and

iii. The manner in which a problem identified has been or will be addressed, and

(c) Steps taken to ensure compliance with Council policies and procedures for management of capital projects.

(5) Work approvals, including change orders, will be signed off by the project manager or designate and forwarded to the finance office for retention and clearance against the contractor's invoice.

Life Cycle Policy Directives

(1) All assets that meet the definition of a tangible capital asset, meet the Council approved asset recognition criteria, fall within the categories outlined in Appendix "N" based on their nature, characteristics and useful life, shall be recorded in the accounts of Nipissing First Nation in accordance with this policy.

Acquisition of Tangible Capital Assets

(1) Department managers will identify to the Chief Executive Officer the asset to be acquired as part of the annual budget and annual capital plan. It is recognized however that unforeseen asset acquisitions will occasionally be necessary.

(2) The acquisitions of tangible capital assets are subject to the Delegated and Assigned Responsibilities Policy and the Procurement.

(3) Subject to the Delegated Authorities Policy, all purchases or leases of capital assets are to be made in accordance with the annual budget, annual capital plan, and Council resolution.

(4) Any significant variance between budgeted and actual cost of the tangible capital asset is to be reported to the Chief Executive Officer and the Finance and Audit Committee.

(5) Following acquisition and delivery of a tangible capital asset, the Finance Department will ensure the asset is reflected in the accounting records and the financial statements of Nipissing First Nation. An asset tracking number will be assigned and the asset added to the Tangible Capital Asset Register of Nipissing First Nation.

Tangible Capital Asset Reserve Fund

(1) The Council will establish a Tangible Capital Asset Reserve Fund to be applied for the purposes of construction, acquisition, maintenance, rehabilitation and replacement of Nipissing First Nation's tangible capital assets.

(2) The Chief Financial Officer and the Finance Department will manage the Tangible Capital Asset Reserve Fund.

(3) All withdrawals from the tangible capital asset reserve fund must be approved via a Band Council Resolution at a duly convened Council meeting and in accordance with the annual budget and approved annual capital plan.

(4) Council must ensure, with advice from the Finance and Audit Committee, that the tangible capital asset reserve fund maintains a minimum balance of the total book value of Nipissing First Nation's tangible capital assets.

(5) Contributions are to be budgeted and made to the tangible capital asset reserve fund on an annual basis based on the above minimum balance requirement and those amounts required in the annual budget and annual capital plan.

Disposal of Tangible Capital Assets

(1) Department managers will identify to the Chief Executive Officer the asset to be disposed of, and the method of disposal, as part of the annual budget and capital plan. It is recognized however that unforeseen asset disposals will occasionally be necessary.

(2) The fair market value must be determined for all disposals as a prior condition of approval. The Chief Executive Officer shall have the authority to determine the fair market value for all disposals. The Chief Executive Officer will consult with external specialists in establishing the fair market value, where appropriate.

(3) All disposals of Nipissing First Nation's tangible capital assets with a fair market value in excess of $10,000 must be approved via a Band Council Resolution at a duly convened Council meeting prior to disposal of said assets, on the recommendation of the Chief Executive Officer and the Finance and Audit Committee.

(4) All proceeds from the sale or disposal of Nipissing First Nation's tangible capital assets are to be deposited in the Tangible Capital Asset Reserve Fund.

(5) The difference between the net proceeds on disposal of a tangible capital asset and the net book value of the asset should be accounted for as a revenue or expense in the statement of operations.

(6) Any item determined to be of no value or unsafe must be disposed of as waste in an appropriate manner that meets all regulatory or statutory requirements.

(7) Members of Nipissing First Nation shall have an equal opportunity to purchase surplus assets through a competitive disposal process.

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

Appendix “N” – Tangible Capital Asset Categories & Thresholds

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, etc.	$20,000	X	20 – 50
Machinery and Equipment	Light	Ride on mowers, boats, ATV’s, snowmobiles and generators.	$5,000		6 – 10
	Heavy	Loaders/backhoes, tractors, graders, etc.	$10,000		8 – 15
Furniture and Equipment	Furniture	Desks, chairs, furniture and appliances.	$2,500	X	5 – 20
	Equipment	Photocopiers, telephone systems, etc.	$2,500	X	3 – 10
Computer Equipment	Hardware	Desktops, laptops, servers, scanners, printers, hard drives, modems, tape drives and plotters.	$2,500	X	3 – 7
	Software	Off the shelf software and related upgrades, software licenses after removing any maintenance or similar charges	$2,500	X	1 - 10

Vehicles	Light	Cars, ½ tonne trucks, and vans.	$10,000		3 – 10
	Heavy	1 tonne trucks, garbage packer, dump truck, plow truck, fire truck	$20,000		8 – 15
	Trailers	Utility trailers	$2,500	X	3 – 10
Roads	Surface	Asphalt , surface treated, gravel	$10,000		10 – 25
	Subsurface	Subsurface of road	$25,000		25 – 75
Bridges	Superstructure	Bridge	$10,000		30 – 80
	Decks	Bridge	$10,000		15 – 30
Culverts	Culverts	Concrete culverts	$10,000		50 – 80
Streetlights and Signs	Streetlights and Signs	Streetlights, road signs.	$2,500	X	8 – 20
Water and Wastewater Systems	Structures	Plant, intakes, filtration, reservoir, buildings, dam, Bio Solids, Outfall, etc.	$25,000		40 – 50
	Infrastructure	Water/Wastewater mains, hydrants, valves, meters, service lats, pump stations, manholes, sewer lats, lagoons, etc.	$25,000		20 – 50
	Equipment	Electrical, mechanical, instrumentation, etc.	$10,000		10 – 20

Appendix “O” – Tangible Capital Assets Presentation and Disclosure Requirements

The following requirements relate to the preparation of Nipissing First Nation’s annual financial statements in accordance with GAAP and are based on PS 3150, Tangible capital assets. Readers are advised to consult with the current version of this accounting standard for the most recent accounting and disclosure requirements.

The financial statements should disclose, for each major category of tangible capital assets and in total:

- cost at the beginning and end of the period;
- additions in the period;
- disposals in the period;
- the amount of any write-downs in the period;
- the amount of amortization of the costs of tangible capital assets for the period;
- accumulated amortization at the beginning and end of the period; and
- net carrying amount at the beginning and end of the period.

Major categories of tangible capital assets would be determined by type of asset, such as land, buildings, equipment, roads, water and other utility systems, and bridges.

Financial statements should also disclose the following information about tangible capital assets:

- the amortization method used, including the amortization period or rate for each major category of tangible capital asset;
- the net book value of tangible capital assets not being amortized because they are under construction or development or have been removed from service;
- the nature and amount of contributed tangible capital assets received in the period and recognized in the financial statements;
- the nature and use of tangible capital assets recognized at nominal value;
- the nature of the works of art and historical treasures held by the government; and the amount of interest capitalized in the period.