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|  <p>Rainy River District<br/>Social Services<br/>Administration Board</p> | <b>SECTION:</b> Finance                                     |
|  | <b>POLICY TITLE:</b> Accounting for Tangible Capital Assets |
| <b>ORIGINAL DATE:</b> November, 2009   | <b>POLICY AREA:</b> Operations.                             |
| <b>REVISION DATE:</b> January, 2016  | <b>POLICY NO:</b> F-4.0                                     |
| <b>NEXT REVIEW DATE:</b> September, 2020   | <b>APPROVED BY:</b> <i>Board Resolution #64/16</i>          |

## 1. Preamble

- 1.1.** The financial statements of the Rainy River District Social Services Administration Board (RRDSSAB) are prepared in accordance with accounting principles established by the *Public Sector Accounting Board* of the *Canadian Institute of Chartered Accountants*.
- 1.2.** *Public Sector Accounting Handbook Section 3150.02* states that “*Tangible capital assets are a significant economic resource managed by governments and a key component in the delivery of many government programs. Tangible capital assets include such diverse items as roads, buildings, vehicles, equipment, land, water and other utility systems, aircraft, computer hardware and software, dams, canals, and bridges.*”
- 1.3.** The title or ownership of tangible capital assets rests with the RRDSSAB. A department of the RRDSSAB has stewardship of a tangible capital asset, if the department provides for its operation and maintenance and controls the ability to change the asset’s future service potential.

## 2. Purpose

- 2.1.** The principal issues in accounting for tangible capital assets are the recognition of the assets, the determination of their carrying amounts and amortization charges, and the recognition of any related impairment losses.
- 2.2.** The policy provides measures to:
- 2.2.1. protect and control the use of all tangible capital assets;
  - 2.2.2. provide accountability over tangible capital assets; and
  - 2.2.3. gather and maintain information needed to prepare financial statements.

### 3. Definitions

**3.1.** The words and phrases listed below when used in this policy shall have the following meanings ascribed to them:

**"Amortization"** is the accounting process of allocating the cost less the residual value of a tangible capital asset to operating periods as an expense over its useful life in a rational and systematic manner appropriate to its nature and use.

**"Asset impairment"** occurs when conditions indicate that a tangible capital asset no longer contributes to an organization'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.

**"Betterment"** is a cost incurred to enhance the service potential of a tangible capital asset, such as:

- a) an increase in the previously assessed physical output or service capacity;
- b) a reduction in associated operating costs;
- c) an extension of the estimated useful life; or
- d) an improvement in the quality of output.

Betterments increase service potential but may or may not increase the remaining useful life of the tangible capital asset.

**"Capitalization threshold"** is the value above which assets are capitalized and reported in the financial statements.

**"Carrying amount"** is the amount at which a tangible capital asset is recognized after deducting any accumulated amortization and accumulated impairment losses.

**"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.

**"Component"** is 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 a different useful life than the asset as a whole.

**"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 acquisitions, 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 tangible 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 are not netted against the cost of the related tangible capital asset.

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

**"Estimated useful life"** is the estimate of the period over which a capital asset is expected to be used or the number of units of production that can be obtained from the asset. It is the period over which an asset will be amortized and is normally the shortest of the physical, technological, commercial or legal life.

**"Fair value"** is the amount of the consideration that is agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

**"Gain on disposal"** is the amount by which the net proceeds realized upon an asset's disposal exceeds the asset's net book value.

**"Group assets"** are assets that have an individual value below the capitalization threshold but have a material value as a group and are recorded as a single asset with one combined value. Each individual asset is recorded in the asset sub-ledger for monitoring and control of its use and maintenance. Examples include, but are not limited to, computer hardware, computer software, office furniture and fixtures, and office equipment.

**"Leased capital assets"** are non-financial assets leased by the organization for use in the delivery of goods and services. Substantially, all of the benefits and risks of ownership are transferred to the organization without requiring the transfer of legal ownership.

**"Loss on disposal"** is the amount by which the net book value of a capital asset exceeds the net proceeds realized upon the asset's disposal.

**"Market value"** is defined as the estimated amount for which a property is exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction wherein the parties had each acted knowledgeably, prudently and without compulsion.

**"Maintenance and repairs"** maintain the predetermined service potential of a tangible capital asset for a given useful life. Such expenditures are charged in the accounting period in which they are made.

**“Net book value”** of a tangible capital asset is its cost, less both accumulated amortization and the amount of any write-down.

**“Residual value”** is the estimated net realizable value of a tangible capital asset at the end of its useful life to an organization.

**“Service Potential”** is the output or service capacity of a tangible capital asset, and is normally determined by reference to attributes such as physical output capacity, quality of output, associated operating costs, and useful life.

**“Straight-line amortization”** allocates the cost less estimated residual value of a capital asset equally over each year of its estimated useful life.

**“Tangible Capital Asset”** means a non-financial asset having physical substance that:

- a) is held for use in the production or supply of goods or services, for rental to others, for administration purposes or for the development, construction, maintenance of other tangible capital assets;
- b) has a useful economic life extending beyond an accounting period;
- c) is to be used on a continuing basis; and
- d) is not for sale in the ordinary course of operations.

**“Useful life”** is the estimate of either the period over which a tangible capital asset is expected to be used by an organization, or the number of production or similar units that can be obtained from the tangible capital asset by an organization. The life of a tangible capital asset may extend beyond the useful life of a tangible capital asset to an organization. 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 an accumulation of capital costs for partially constructed or developed projects.

**“Write-down”** is a reduction in the cost of a tangible capital asset to reflect the decline in the asset’s value due to a permanent impairment.

## **4. Policy**

- 4.1.** The RRDSSAB ensures the accounting treatment of tangible capital assets is done so that users of the financial report can discern information about the investment in property, plant and equipment and the changes in investment.

**4.2.** For tangible capital assets under their stewardship, Program Managers are required to:

- 4.2.1. manage them to provide effective, efficient and economical program delivery;
- 4.2.2. establish and maintain systems to report information; and
- 4.2.3. establish and maintain adequate internal control systems to ensure the accuracy and reliability of information and reports.

**4.3.** The Director of Finance & Asset Management is responsible for:

- 4.3.1. determining the useful life of each category of assets;
- 4.3.2. calculating and applying amortization annually; and
- 4.3.3. recording and maintaining all tangible capital asset sub-ledgers and information including, but not limited to, acquisitions and disposals.

## **5. Procedure**

### **5.1. Tangible Capital Asset Categories**

- 5.1.1. The Director of Finance & Asset Management assigns tangible capital assets to a category outlined in *Schedule A* based on their nature, characteristics and useful life.

### **5.2. Excluded Assets**

- 5.2.1. The following assets are not capitalized and amortized:
- 5.2.2. land (or other assets) acquired by right, such as Crown, forests, water and mineral resources;
- 5.2.3. works of art and historical treasures; and
- 5.2.4. intangible assets such as patents, copyrights and trademarks.

### **5.3. Costs**

- 5.3.1. All tangible capital assets are recorded with a cost that includes the purchase price of the asset, installation costs, design and engineering fees, legal fees, survey costs, site preparation costs, freight charges, transportation, interest costs and duties.

- 5.3.2. Any constructed assets are recorded with a cost that includes direct construction or development costs such as materials, including inventories

held for consumption and use, and labour and overhead costs directly attributable to the construction or development activity. Capitalization of administrative costs is limited to salaries, benefits and travel for staff directly involved in the project delivery (e.g. project management or construction).

5.3.3. Studies and other initiatives that relate "directly" to the acquisition of a tangible capital asset will be capitalized. If the study/initiative does not relate "directly" to the acquisition of a tangible capital asset, then the expense will be recorded in the year(s) in which they occur.

5.3.4. Where several tangible capital assets are purchased together, the cost of each asset is determined by allocating the total price paid in proportion to each asset's relative fair value at the time of acquisition.

5.3.5. Interest expense related to financing costs incurred during the time a capital asset is under construction or development will be included in the cost of the capital asset, until the asset is put into service.

5.3.6. If the construction or development of a capital asset is not completed to a usable state, the costs that would be otherwise capitalized will be expensed or considered work in progress.

#### **5.4. Thresholds**

5.4.1. Tangible capital assets that meet the minimum capitalization threshold are recorded as a tangible capital asset on the statement of financial position.

5.4.2. Tangible capital assets not meeting the capitalization threshold will be expensed in the year in which they are purchased.

5.4.3. Capitalization thresholds will be applied on an individual asset basis.

5.4.4. *Schedule B* outlines the capitalization thresholds for each tangible capital asset category.

#### **5.5. Estimated Useful Life**

5.5.1. An asset's useful life is estimated based on its expected future use, effects or technological obsolescence, expected wear and tear from use or the passage of time, the level of maintenance and experience with similar assets.

5.5.2. All tangible capital asset categories have predetermined estimated useful lives as outlined in *Schedule B*. The estimated useful lives are intended to, and must apply to assets in new condition.

5.5.3. When used assets are acquired, the estimated useful lives must be reduced based on the age and condition of the asset.

## **5.6. Amortization**

5.6.1. Amortization is calculated using the straight-line method based on the estimated useful life for each asset class and is calculated based on the full cost of the tangible capital asset. Where an asset's residual value is expected to be significant in comparison to the asset's costs (20% or more), the amount will be deducted from the cost when calculating amortization.

5.6.2. In the year of acquisition, construction or development and put into use, amortization is recorded from the date this event occurs in the fiscal year.

5.6.3. Amortization is recorded on a tangible capital asset, in the year of disposition, up to the date the disposal occurs.

5.6.4. No amortization is recorded on work in progress or tangible capital assets which have been removed from service but not yet disposed.

## **5.7. Disposals**

5.7.1. The disposal of all tangible capital assets must be in accordance with *Policy F-4.1: Acquisition, Security & Disposal of Tangible Capital Assets.*

5.7.2. When a tangible capital asset is disposed, the cost and the accumulated amortization are removed from the accounting records and any gain or loss is recorded.

5.7.3. Costs of disposal paid by the RRDSSAB are expensed.

5.7.4. A gain or loss on disposal is the difference between the net proceeds received and the net book value of the asset and is accounted for as a revenue or expense, respectively, in the period the disposal occurs.

## **5.8. Write-downs**

5.8.1. A tangible capital asset is 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. All documentation pertaining to the write-down is retained in accordance with *Policy F-4.13: Retention of Records.*

5.8.2. Any write-down of a tangible capital asset is accounted for as an expense

in the current period.

5.8.3. The annual amortization of an asset that has been written down is calculated using the net book value after the write-down and the remaining estimated useful life.

5.8.4. Regardless of any change in circumstances, a write-down cannot be reversed.

## **5.9. Betterments**

5.9.1. Betterments which meet the capitalization threshold of the applicable tangible capital asset category are capitalized.

5.9.2. Betterments which do not meet the capitalization threshold of the applicable tangible capital asset category are expensed in the year in which they occur.

5.9.3. All repairs and maintenance costs necessary to maintain the expected service potential of a tangible capital asset including but not limited to, repairs to restore assets damaged by fire, flood, accidents or similar events, to the condition just prior to the event and routine painting, cleaning and replacement of minor parts are expensed in the year in which they occur.

5.9.4. Where a betterment enhances the service potential of a capital asset without increasing its estimated useful life, the amortization period remains the same.

5.9.5. Where a betterment increases the estimated useful life of a capital asset, its useful life is changed.

5.9.6. Where a betterment involves the replacement of an identifiable component of a tangible capital asset, the original cost of that component and the related accumulated amortization is removed from the accounting records.

## **5.10. Capital Contribution**

5.10.1. When the RRDSSAB receives funds from a third party, such as a provincial or federal government, to assist with the construction or purchase of a capital asset, the full cost of the asset is recorded and the funds received are recognized as revenue.

## **5.11. Donated Assets**

- 5.11.1. If a tangible capital asset is donated to the RRDSSAB, the cost is recorded as the fair value of the asset at the date of contribution. Fair value of a donated capital asset is estimated using market or appraised value.

## **5.12. Capital Leases**

- 5.12.1. Capital leases are recorded as if the lessee had acquired the asset and assumed the liability. A capital lease may exist if:

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

- 5.12.2. If one or more of the following criteria exists, the lease is accounted for as a capital lease:

- 5.12.2.1. there is reasonable assurance that the RRDSSAB will obtain ownership at the end of the lease. (Transfer of ownership occurs at the end of the lease or the lease has a bargain purchase option.);
- 5.12.2.2. the RRDSSAB will receive substantially all the economic benefits of the assets. (The lease term is 75% or more of the economic life of the asset.); and/or
- 5.12.2.3. the lessor is assured of recovering the investment in the asset and earning a return. (The present value of the minimum lease payment is 90% or more of the fair value of the asset.)

- 5.12.3. If the above does not apply and the lessor does not transfer substantially all the benefits and risks of ownership to the lessee, the arrangement is considered an operating lease and the lease payment is expensed and no liability is recorded.

- 5.12.4. If the arrangement is a capital lease, the RRDSSAB applies the capitalization thresholds of the appropriate tangible capital asset category.

- 5.12.5. If the capitalization thresholds are not met, an expense and a liability are recorded for the present value of the minimum lease payments.

5.12.6. If the capitalization thresholds are met, a tangible capital asset and a liability is recorded for the present value of the minimum lease payments and the leased asset is amortized over the lesser of the lease term or estimated useful life for similar tangible capital assets as outlined in *Schedule B*.

5.12.7. Executory and maintenance costs are excluded, when calculating minimum lease payments. The discount rate is the lesser of the RRDSSAB's incremental borrowing rate or the interest rate implicit in the lease, if determinable.

### **5.13. Work In Progress**

5.13.1. Where the construction or development of a capital asset occurs over several years, capital costs are accumulated until the asset is ready for use. These costs are identified as work in progress for any interim and year-end reporting.

5.13.2. Amortization is not recorded on work in progress.

5.13.3. A work in progress account is established to allow work in progress capital costs to be tracked separately from assets subject to amortization. The work in progress account must also include down payments and deposits that are applied to the cost of the tangible capital asset.

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|  | <p><b>ACCOUNTING FOR TANGIBLE CAPITAL ASSETS</b></p> <p><b>SCHEDULE A</b></p> |
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**Tangible Capital Asset Primary Classifications**

Each tangible capital asset will be classified by a primary category, which describes the objective use of the asset. The following primary asset classifications will be used:

**Land**

Land is real property in the form of a plot, lot or area and includes all expenditures made to acquire land and ready it for use where the improvements are considered permanent in nature. Expenditures may include purchase price, closing costs, grading, filling, draining, clearing, removal of old buildings (net of salvage), assumptions of liens or mortgages, and any additional land improvements that have an infinite life. The costs associated with improvements to land are added to the cost of the land, if those improvements can be considered permanent (such as re-grading or filling of the land), excluding land held for resale.

**Land improvements**

Land improvements consist of betterments, site preparation and site improvements (other than buildings) that ready land for its intended use, which generally decay or break down over time. Land improvements that are removable and can degrade or deplete over the course of time through use or due to the elements are capitalized separately and their value amortized over the useful life of the improvement.

General capital land improvement examples include, but are not limited to, construction of driveways, parking lots, retaining walls, drop-off locations, sidewalks, fencing, patios and water fountains.

**Buildings**

General capital buildings include all structures that provide shelter from the elements which function independent of an infrastructure network (including capital betterments to capital buildings). Examples include, but are not limited to, EMS stations, office buildings, public housing buildings and sheds.

**Machinery and equipment**

An apparatus, tool, device, implement or instrument that likely uses energy (human, electrical, hydraulic fuel, or thermal) to facilitate a process, function or completion of a task is considered machinery and equipment. In addition, machinery and equipment includes furniture, fixtures and computer hardware/software. Machinery and equipment may be installed within a building or vehicle, but are generally capable of being moved and reinstalled at a different location.

**Vehicles**

Vehicles are a means of transportation, usually having wheels, for transporting persons or things designed to be towed behind such an apparatus.

**Capital work in progress**

Capital work in progress relates to the cost of tangible capital assets under construction, constructed or in an uncompleted process of acquisition by the RRDSSAB, and that are not yet in service.

## Tangible Asset Categories

The following table lists the tangible capital asset categories and examples of assets and costs included in each category:

| <b>Tangible Capital Asset Category</b>   | <b>Examples of Tangible Capital Assets</b>   | <b>Examples of TCA Costs</b>   |
|--|--|--|
| Land   | <ul style="list-style-type: none"> <li>▪ land acquired for building sites, etc</li> </ul>  | <ul style="list-style-type: none"> <li>▪ purchase price</li> <li>▪ professional fees for title searches, architect, legal, engineering, appraisals, environmental surveys</li> <li>▪ improvement and development costs such as land excavation, filling, grading, drainage, demolition of existing buildings (less salvage)</li> </ul>   |
| Land improvements  | <ul style="list-style-type: none"> <li>▪ parking lot, landscaping, fences, retaining walls, etc</li> </ul>   | <ul style="list-style-type: none"> <li>▪ original purchase price or completed project costs including costs of material and labour or costs of a contractor</li> </ul>   |
| Building – residential<br><br>Building – commercial<br><br>Building – portable /short term | <ul style="list-style-type: none"> <li>▪ public housing rental buildings</li> <li>▪ office buildings, land ambulance bases</li> <li>▪ operational storage facilities, sheds, small buildings, and pump houses</li> </ul> | <ul style="list-style-type: none"> <li>▪ original purchase price or completed project costs including basic cost of material and labour or cost of a contractor</li> <li>▪ costs to remodel, recondition or alter a purchased building to make it ready to use for the acquired purpose</li> <li>▪ preparation of plans, blueprints, and specifications</li> <li>▪ costs of building permits, studies, test (pre-acquisition costs)</li> <li>▪ professional fees for title searches, architect, legal, engineering, appraisals, environmental surveys</li> <li>▪ operating costs such as temporary buildings used during construction</li> </ul> |

| <b>Tangible Capital Asset Category</b> | <b>Examples of Tangible Capital Assets</b>   | <b>Examples of TCA Costs</b>  |
|--|--|---|
| Building improvements                  | <ul style="list-style-type: none"> <li>▪ major repairs that increase the value or useful life of the building such as structural changes, installation or upgrade of heating and cooling systems, plumbing, electrical, telephone systems</li> </ul> | <ul style="list-style-type: none"> <li>▪ complete project costs including basic costs of material and labour or costs of a contractor</li> <li>▪ preparation of plans, blueprints, and specifications</li> <li>▪ cost of building permits, studies, test</li> <li>▪ professional fees for architect, legal, engineering, appraisals, environmental surveys</li> <li>▪ operating costs such as temporary buildings used during construction</li> </ul> |
| Leasehold and occupancy improvements   | <ul style="list-style-type: none"> <li>▪ improvements that increase the functionality of leased or similar accommodations (refer to the assets listed under the "building improvements" category)</li> </ul>   | <ul style="list-style-type: none"> <li>▪ costs similar to those listed under the "building improvements" category</li> </ul>  |
| Operating equipment                    | <ul style="list-style-type: none"> <li>▪ equipment specific to service delivery</li> <li>▪ examples include refrigerators, stoves, washers, dryers, lawn tractors, defibrillators, etc.</li> </ul>   | <ul style="list-style-type: none"> <li>▪ original contract price or invoice price</li> <li>▪ freight charges</li> <li>▪ sales taxes on acquisition</li> <li>▪ installation charges</li> <li>▪ charges for testing and preparation</li> <li>▪ costs of reconditioning used items when purchased</li> <li>▪ parts and labour associated with the construction of equipment</li> </ul>   |
| Computer software                      | <ul style="list-style-type: none"> <li>▪ off the shelf software and related upgrades, software licenses after removing any maintenance or similar charges</li> </ul>   | <ul style="list-style-type: none"> <li>▪ purchase price of off the shelf software and related upgrades</li> <li>▪ sales taxes on acquisition</li> <li>▪ installation charges</li> </ul>   |
| Computer hardware                      | <ul style="list-style-type: none"> <li>▪ servers, voice logging equipment, scanners, hard drives, modes, tape drives, etc</li> </ul>   | <ul style="list-style-type: none"> <li>▪ purchase price</li> <li>▪ installation charges</li> <li>▪ freight and transit charges</li> <li>▪ sales taxes on acquisition</li> </ul>   |

| <b>Tangible Capital Asset Category</b> | <b>Examples of Tangible Capital Assets</b>  | <b>Examples of TCA Costs</b>   |
|--|---|--|
| System development                     | <ul style="list-style-type: none"> <li>▪ consultant fees, web site development and custom developed software</li> </ul>   | <ul style="list-style-type: none"> <li>▪ external direct costs of materials and services such as consultant fees</li> <li>▪ web site development costs</li> <li>▪ costs to acquire software and any custom development</li> <li>▪ salary and related benefits of employees directly associated with the application development stage</li> <li>▪ costs of upgrades that improve the functionality of the system</li> </ul> |
| Office furniture and equipment         | <ul style="list-style-type: none"> <li>▪ desks, tables, chairs, filing cabinets, fax machines, photocopiers, video-conferencing stations, projectors, digital cameras, etc.</li> </ul>                    | <ul style="list-style-type: none"> <li>▪ original contract price or invoice price</li> <li>▪ freight and installation charges</li> <li>▪ sales taxes on acquisition</li> <li>▪ costs of reconditioning used items when purchased</li> <li>▪ parts and labour associated with the construction of furniture</li> </ul>  |
| Vehicles                               | <ul style="list-style-type: none"> <li>▪ used primarily for transportation purposes such as automobiles, trucks under one tonne, vans, boats, all terrain vehicles, snowmobiles and ambulances</li> </ul> | <ul style="list-style-type: none"> <li>▪ original contract price or invoice price</li> <li>▪ freight charges</li> <li>▪ sales taxes on acquisition</li> <li>▪ costs of reconditioning used items when purchased</li> </ul>   |

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|  | <p><b>ACCOUNTING FOR TANGIBLE CAPITAL ASSETS</b></p> <p><b>SCHEDULE B</b></p> |
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**Tangible Capital Asset Capitalization Thresholds, Estimated Useful Lives and Amortization**

The table below outlines the capitalization threshold and estimated useful life applications to each tangible capital asset category. A threshold of ALL means that all capital asset purchases, regardless of cost, are recorded. Items purchased that do not meet the capitalization threshold, that are similar in nature to previous capital items purchased or where they are deemed to be capital in nature based on the estimated useful life of the item, may be set up as a Tangible Capital Asset at the discretion of the Director of Finance & Asset Management in consultation with the Chief Administrative Officer.

| <b>Tangible Capital Asset Class and Category</b> | <b>Capitalization Threshold</b> | <b>Amortization Estimated Useful Life</b> |
|--|---------------------------------|---|
| <b>Land</b>                                      |                                 |   |
| Land   | ALL                             | Indefinite/No Amortization                |
| <b>Land Improvements</b>                         |                                 |   |
| Parking lot                                      | \$5,000                         | 15 Years                                  |
| Landscaping                                      | \$5,000                         | 25 Years                                  |
| Fences   | \$5,000                         | 10 Years                                  |
| Retaining walls                                  | \$5,000                         | 20 Years                                  |
| All other land improvements                      | \$5,000                         | 15 Years                                  |
| <b>Buildings</b>                                 |                                 |   |
| Building – Residential                           | \$10,000/unit                   | 50 Years                                  |
| Building – Commercial                            | \$25,000                        | 60 Years                                  |
| Building – Portable/short-term                   | \$5,000                         | 20 Years                                  |
| Building improvements – Residential              | \$3,000/unit                    | 20 Years                                  |
| Building improvements – Commercial               | \$10,000                        | 20 Years                                  |
| Leasehold improvements                           | \$10,000                        | 20 Years                                  |
| <b>Machinery and Equipment</b>                   |                                 |   |
| Operating equipment – Housing                    | \$5,000                         | 10 Years                                  |

| <b>Tangible Capital Asset Class and Category</b> | <b>Capitalization Threshold</b> | <b>Amortization Estimated Useful Life</b> |
|--|---------------------------------|---|
| Operating equipment – Ambulance                  | \$5,000                         | 5 Years                                   |
| Operating equipment – Defibrillators             | \$5,000                         | 6 Years                                   |
| Computer software                                | \$5,000                         | 5 Years                                   |
| Computer hardware                                | \$3,000                         | 5 Years                                   |
| System development                               | \$10,000                        | 5 Years                                   |
| Office furniture and equipment                   | \$5,000                         | 10 Years                                  |
| <b>Vehicles</b>                                  |                                 |   |
| Vehicles - Ambulance                             | \$5,000                         | 5 Years                                   |
| Vehicles - Office                                | \$5,000                         | 10 Years                                  |
| Vehicles - Utility                               | \$5,000                         | 10 Years                                  |