

# 14.1 Tangible Capital Assets

## Policy Statements

It is the policy of the Province of Nova Scotia to record, in the accounts of the Province, the tangible capital assets controlled by the Province.

It is the policy of the Province of Nova Scotia to record, in the accounts of the Province, the tangible capital assets under capital lease by the Province.

## Policy Objectives

This document outlines the accounting policy for tangible capital assets in the accounts of the Province of Nova Scotia. The objective of this policy is to ensure that tangible capital assets are recorded appropriately and accurately.

Tangible capital asset information assists management in fulfilling its responsibility to efficiently manage tangible capital assets.

This policy supports the following corporate objectives:

- consistency throughout government
- fiscal responsibility
- corporate flexibility
- accountability
- compliance with the Public Sector Accounting Board (PSAB)
- need to manage corporate infrastructure
- enhanced measurement of cost of service
- improved information to support long-term planning

## Application

This policy applies to the Province's departments and public service units contained in the General Revenue Fund.

All organizations deemed to be part of the government reporting entity are encouraged to adopt a tangible capital assets policy with appropriate asset classes and threshold amounts for each class and to apply it as soon as is practical.

It is recognized that many entities may already have an appropriate policy in place. As well, threshold amounts should be determined as appropriate for each entity.

All entities to which this policy is applicable are responsible for implementation and operation of an internal control system that ensures that tangible capital assets are accounted for in accordance with this policy.

## Policy Directives

### INCLUSIONS

The policy applies to the following tangible capital assets:

- land
- land improvements
- dykeland systems including aboiteaux and gates
- buildings including schools and portable classrooms
- leasehold improvements
- furniture, equipment and technology
- utilities
- wharves
- major equipment
- ferries and boats
- computer hardware
- computer software
- customized software
- motor vehicles
- owned ambulances
- buses
- paved roads and highways
- gravel roads
- bridges

Capital leases are recorded as separate tangible capital asset classes for each type of asset (e.g., buildings owned and buildings leased are two separate tangible capital asset classes).

### EXCLUSIONS

The following capital assets are excluded:

- intangibles
- land and other assets acquired by right
- works of art and historical treasures
- natural resources such as forests, water, and mineral resources

## Accounting

All assets that meet the definition as provided in Appendix 14-A, fall within the classification outlined in Appendix 14-B, and meet the threshold values in Appendix 14-C must be recorded in the accounts of the Province in accordance with this policy. Bundling or grouping of assets does not make a tangible capital asset—that is, each individual asset must meet the criteria for capitalization.

Tangible capital assets will be capitalized and reported in the financial statements of the Province of Nova Scotia. Assets and betterments will be recorded at gross cost.

Contributions will be recorded as revenue when the revenue is earned. The revenue is earned once the related eligible TCA acquisition has been recognized as per the terms and conditions of the related cost shared agreement.

Contributions of tangible capital assets received from unrelated parties will be capitalized at fair value if the fair value meets the capitalization threshold of the appropriate asset class. Fair value may be estimated using market or appraisal values. In unusual circumstances, where an estimate of fair value cannot be made, the tangible capital asset will be recorded at a nominal value of \$1. If the fair value of a contributed tangible capital asset does not meet the capitalization threshold, the contributed asset will be recorded at fair value as an operating expense, with an offsetting revenue.

A capital leased asset is valued at the net present value of future lease payments. It is recorded as an asset acquisition if the value meets the applicable asset class threshold. If the value does not meet the applicable asset class threshold, it is charged to expenses.

In assessing the threshold for roads, bridges, and highways projects (paved roads only), the total cost of a project would include the road/highway portions as well as any bridges (overpasses are common) along the way from the starting point to the ending point. If the total project cost exceeds the threshold, the project would be capitalized in separate components for the substructure, pavement, and bridges to allow for the different amortization rates.

Interest will not be capitalized as part of the asset cost under this policy.

Salaries will be capitalized as part of the asset cost only if those salaries relate directly to the project.

A down payment/deposit on a capital asset will be recorded as an Advance. When the related asset is available for use, the down payment/deposit will be capitalized at that time.

Amortization of tangible capital assets, with the exception of capital leases and leasehold improvements, will be on the declining balance basis at the rates that reflect estimated useful life, as provided in Appendix 14-C.

Amortization of capital leases and leasehold improvements will be straight line over the remaining term of the lease.

It is assumed that the province will hold a tangible capital asset for an extended period of time, and as a result, the residual/salvage value will be immaterial. Amortization will continue to occur and be charged to the department's budget appropriation until the net book value is nil or the tangible capital asset has been disposed of and removed from the accounts of the province.

The net book value of a tangible capital asset is to be written down when conditions indicate that the tangible capital asset no longer contributes to the government's ability to provide services or the future economic benefits are less than the net book value. Write-downs are not to be reversed. The amount of the write-down represents a charge against the department's budget appropriation. On an annual basis, assets that are 95% amortized and have a net book value of less than \$1,000 will be written down to \$1 at fiscal year-end.

Assets will be retired from the accounts of the province when the asset is sold, destroyed, abandoned, or otherwise disposed of. The gain or loss on disposal will be calculated with reference to the net proceeds received and the net book value of the tangible capital asset. The gain or loss from the sale of the asset is recorded centrally rather than by the department. For disposals that are part of an exchange transaction, refer to Chapter 14.2 on Non-Monetary Transactions and Chapter 14.3 on Non-Monetary Related Party Transactions in Corporate Administrative Policy Manual #200.

## **Policy Guidelines**

The following guidelines are intended to facilitate decision making and assist departments in applying this policy. The capital asset module is not designed to be a substitute for inventory management.

Capital investment decisions will have a significant impact on future operations as a result of amortization charges. Departments should recognize the impact that such investment will have on annual departmental costs. Departments should avoid excessive amortization charges, which may impair the department's operational flexibility.

This policy recognizes that amortization charges represent a non-discretionary cost once a capital investment decision is made. As well, amortization charges extend to future years. Capital investment decisions should be supported by a commitment to fund future amortization charges as well as related repairs and maintenance costs.

Professional judgment is based on an individual's past experiences and training. In the presence of uncertainty, the application of judgment is inevitable. Professional judgment must be used in determining which costs are capitalized.

Departments are to consider the spirit and intent of the policy objectives in situations where professional judgment is required.

Departments are to apply the policy consistently across the department and from year to year.

Departments must have control over those tangible capital assets for which they are held accountable.

Budgeting for tangible capital asset acquisitions should reflect the multi-year nature of capital investment decisions. Departments may prepare capital investment plans based on either a project basis or a program basis, as appropriate.

Where departments provide capital grants to other entities and organizations, the provincial contribution is not considered to be a capital asset of the province. Where capital grants are provided, the appropriation for the contribution is to be supported by a capital plan for the entity even though the contribution is considered to be an operating expense of the contributor.

While this policy sets out the accounting policy for tangible capital assets, it should not be construed by management to be all that is required for appropriate control of tangible capital assets.

An environmental remediation project can include components of both site restoration and betterment. The portion related to restoration of a site to its original state should be expensed as incurred. The portion related to the betterment, as defined in Appendix 14-A, should be capitalized, added to the cost of the asset (as a sub-asset) and amortized accordingly.

## Accountability

### **DEPARTMENTS AND THE SENIOR FINANCIAL EXECUTIVES SERVING DEPARTMENTS**

Departments and the senior financial executives serving departments are responsible for

- managing capital investment budgets
- accounting for tangible capital assets, in accordance with this policy, for all tangible capital assets they own or lease
- maintaining current and accurate tangible capital asset information
- recognizing the impact of capital investment decisions on current and future operating budgets (i.e., amortization charges) and managing all expenditures accordingly
- analysing lease vs. buy options for asset acquisitions
- recording capital leases appropriately
- ensuring that proper control of tangible capital assets is maintained

### **DEPARTMENT OF FINANCE AND TREASURY BOARD**

The Government Accounting Division is responsible for

- providing information as inputs to forecasts and budgets for tangible capital assets
- coordinating the month-end close process for the asset management module including the posting of amortization
- reporting tangible capital assets in the financial statements of the province
- monitoring the application of this policy
- updating this policy, periodically, with consultation from departments

The Liability Management and Treasury Services Division is responsible for

- updating the province's debt management plan as a result of differences in the timing of capital investment decisions from that originally planned
- determining the most appropriate means of long-term financing for TCA spending

The Treasury Board Office is responsible for

- assembling and reviewing information for forecasts and budgets for tangible capital assets
- facilitating the approval of capital investment budgets giving due regard to provincial cash flow and debt management
- recognizing the impact of current and future amortization charges on the operating budget of the department and giving this due consideration when facilitating the approval of capital investment budgets

## DEPARTMENT OF INTERNAL SERVICES

The Department of Internal Services is responsible for

- conducting the month-end close process for the asset management module including the posting of amortization

## Monitoring

The Financial Advisory Services groups are responsible for implementing, and complying with, this policy. Government Accounting is responsible for monitoring the application, performance, and effectiveness of this policy.

## References

*Finance Act, Section 16*

*Public Highways Act*

Public Sector Accounting Standards

PS 1000 Financial Statement Concepts

PS 3150 Tangible Capital Assets

PS 3210 Assets

PSG-2 Leased Tangible Capital Assets

## Appendices

Appendix 14-A Definitions

Appendix 14-B Tangible Capital Asset Classes

Appendix 14-C Thresholds and Amortization Rates Classes for Tangible Capital Assets

**Note:** Appendices 14-A, 14-B and 14-C are an integral part of this policy.

## Transitional Provisions

The original policy was implemented effective April 1, 1999 on a retroactive basis. Tangible capital assets owned at that time were recorded at net book value. Where net book value was not easily determinable, reasonable estimates were required.

This policy was updated for changes made related to gross cost, effective April 1, 2006 and applied on a retroactive basis to April 1, 2004.

This policy has been updated for changes to contributed assets, effective April 1, 2017 and applied on a retroactive basis to April 1, 2002.

A series of guidelines supplement the directives included in this policy.

**Enquiries**

Government Accounting  
Department of Finance and Treasury Board  
(902) 424-7771

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|----------------|----------------------------------|------------------------|-----------------------|
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## APPENDIX 14-A

# DEFINITIONS

### ACCUMULATED AMORTIZATION

Accumulated amortization represents the total consumed or used portion of the tangible capital asset. It is the sum of all amortization charges made for a tangible capital asset.

### AMORTIZATION

Amortization is the process of allocating the cost of a tangible capital asset over its estimated useful life to match costs with the revenues or public services that it helps provide. The method of amortization used best matches the costs to the associated revenues or services for each tangible capital asset or group of tangible capital assets.

Amortization of tangible capital assets does not commence until they are available for use.

### ASSETS

Assets, in general, must have three characteristics:

- They embody a future benefit that involves a capacity singly or in combination with other assets to provide services.
- The government can control access to the benefits.
- The transaction or event giving rise to the entity's right to or control of the benefit has already occurred.

### BETTERMENT

The cost incurred to enhance the service potential of a tangible capital asset is a betterment. Service potential is enhanced if one of the following occurs:

- There is an increase in the previously assessed physical output or service capacity.
- Associated operating costs are lowered.
- The original useful life is extended.
- The quality of output is improved.

Betterments and replacements include additions to a tangible capital asset or a substitution of a component part of a tangible capital asset. The distinguishing feature between a betterment and a replacement is that a betterment is the substitution of a better component for the one currently used. A replacement, on the other hand, is the substitution of a similar component.

If they meet the threshold, Betterments are recorded as tangible capital assets (set up as a sub-number of the related asset) and amortized accordingly. Replacements are treated as ordinary operating expenditures.

### **COST**

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 capital assets including installing it at the location and in the condition necessary for its intended use. Capital Revenues are not netted against the cost of the related tangible capital asset. Salaries are capitalized as part of the asset cost only if those salaries relate directly to the project.

### **DECLINING BALANCE METHOD**

The declining balance method is an approach of amortizing a tangible capital asset where amortization is considered as a function of usage instead of a function of time. The periodic charge is a constant percentage of the unamortized cost so that the depreciated cost approaches zero by the retirement date. This method reflects a higher amortization charge in the early years of use, since the amortization is calculated by applying the identified rate to the annually declining net book value.

### **DISPOSALS**

Disposals result when the ownership of a tangible capital asset is relinquished. Disposals reduce the cost of tangible capital assets and accumulated amortization to zero.

### **FINANCE LEASES**

IPSAS (International Public Sector Accounting Standards ) 13 Leases defines a finance lease as a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred.

PSAS Guideline PSG-2 Leased Tangible Capital Assets states that from the point of view of government, the benefits and risks of ownership would be transferred to the government when, at the inception of the lease, one or more of the following conditions are present:

- a) There is reasonable assurance that the government will obtain ownership of the leased property by the end of the lease term. Reasonable assurance that the government will obtain ownership of the leased property would be present when the terms of the lease would result in ownership being transferred to the government by the end of the lease term or when the lease provides for a bargain purchase option.

- b) The lease term is of such a duration that the government will receive substantially all of the economic benefits expected to be derived from the use of the leased property over its life span. Although the lease term may not be equal to the economic life of the leased property in terms of years, the government would normally be expected to receive substantially all of the economic benefits related to the leased property if the lease term is equal to a major portion (usually 75 percent or more) of the economic life of the leased property. This is due to the fact that new equipment, reflecting later technology and in prime condition, may be assumed to be more efficient than old equipment which has been subject to obsolescence and wear.
- c) The lessor would be assured of recovering the investment in the leased property and of earning a return on the investment as a result of the lease agreement. This condition would exist if the present value, at the beginning of the lease term, of the minimum lease payments, excluding any portion thereof relating to executory costs, is equal to substantially all (usually 90 percent or more) of the fair value of the leased property, at the inception of the lease.

In addition to the standard “math tests,” PSAB Guideline PSG-2 Leased Tangible Capital Assets focuses on further assessment of whether “substantially all of the benefits and risks incident to ownership are, in substance, transferred to the government without necessarily transferring legal ownership.” Government tends to consume most of the useful life of a specialty asset such as a jail, school or hospital in providing essential services. These specialty assets have few alternative uses so are not available to fulfill other services.

#### **NET BOOK VALUE**

The net book value represents the difference between the cost of a tangible capital asset and both its accumulated amortization and the amount of any write-downs. The net book value is, therefore, the unconsumed cost of a tangible capital asset attributable to its remaining service life.

#### **REPAIRS AND MAINTENANCE**

The cost incurred in the maintenance of the service potential of a tangible capital asset is a repair, not a betterment.

Ordinary repairs are expenditures made to maintain assets in operating condition. They are charged to an expense account in the period in which they are incurred on the basis that their entire use/benefit is consumed in the current accounting period.

Replacement of minor parts, lubricating and adjusting of equipment, repainting, and cleaning are examples of the type of maintenance charges that occur regularly and are treated as ordinary operating expenses.

#### **STRAIGHT LINE METHOD**

The straight line method is an approach of amortizing a tangible capital asset where amortization is considered as a function of time instead of a function of usage. The major assumptions are that the asset's economic usefulness is the same each year and the repair and maintenance expense is essentially the same each period. Therefore, the periodic charge is the same in each year of the useful life of the asset.

#### **TANGIBLE CAPITAL ASSET**

A tangible capital asset is a non-financial asset that is purchased, constructed or developed and

- is held for use in the production or supply of goods and services, for rental to others, for administrative purposes, or for development, construction, maintenance, or repair of other capital assets
- requires operating and maintenance expenditures and may need to be replaced in the future
- has a useful life extending beyond an accounting period and is intended to be used on a continuing basis
- is not intended for sale in the ordinary course of operations

#### **THRESHOLD AMOUNT**

Generally, the threshold amount for each category represents the minimum cost an individual asset must have before it is to be treated as a tangible capital asset and added to the proper asset class balance. The threshold amount is to be used as a guide in addition to professional judgment.

**APPENDIX 14-B****TANGIBLE CAPITAL ASSET CLASSES**

Information respecting tangible capital assets is grouped by tangible capital asset classes. For each category, an amortization rate and a capitalization threshold have been determined. See Appendix 14-C for a summary of this information.

The following describes the types of tangible capital assets included in each category.

**LAND**

Land includes land purchased for parks and recreation, building sites, and other program use. It does not include land acquired by right of the province. It also does not include land held for resale.

**LAND IMPROVEMENTS**

Only those land improvements not associated with a building on-site are to be set up in this asset class. An example would be a parking lot on vacant land. Any other land improvements are set up as a sub-asset of the related building.

**DYKELAND SYSTEMS**

Dykeland systems protect primarily marshland, as well as residential and commercial property, roads, railroads, and utility lines. Dykeland systems consist of up to three components – dykeland formations, dykeland aboiteaux, and dykeland gates. Dykes are constructed by digging marsh material and arranging it into ridges rising above ground level for grass planting. The grass aids in binding the soil and prevents erosion during tidal storm surges. A dykeland aboiteau is a culvert or pipe dug into the ground beneath a dyke, with a gate on the mainstream end. The dykeland gate has a flap that opens and closes during the change in tides. Each of these components has a separate asset class to allow for different amortization rates as these components have different useful lives.

Since dykeland project work can take several forms, there is a separate threshold for each class, as well as a combined project threshold.

**BUILDINGS**

In addition to basic buildings, complex structures such as fish hatcheries, greenhouses, and forest lookout towers are included. Any betterments to buildings are also included. Items to furnish the buildings, such as chairs, desks, filing cabinets, photocopiers, etc., are not considered part of the building costs and are not

capitalized, unless it is determined that these costs meet the criteria of the Furniture, Equipment and Technology category. In this case, the costs will be capitalized in the FE&T category.

### **SCHOOLS**

Provincially owned schools are capitalized under this class. Any betterments to schools are also included. Items to furnish the school, such as chairs, desks, photocopiers, etc., are not considered part of the building costs and are not to be capitalized, unless it is determined that these costs meet the criteria of the Furniture, Equipment and Technology category. In this case, the costs are capitalized in the FE&T category.

### **PORTABLE CLASSROOMS**

Portable classrooms are modular buildings or trailers that are placed on a school site to provide additional classroom space.

### **LEASEHOLD IMPROVEMENTS**

Leasehold improvements are additions, improvements, or alterations made by the lessee to leased property that cannot be removed upon termination of the lease because they are attached to, or form, part of the leased premises.

### **FINANCE LEASES**

A finance lease is valued as the net present value of the stream of future lease payments. Separate classes for finance leases are established as needed.

### **FURNITURE, EQUIPMENT AND TECHNOLOGY (FE&T)**

Furniture, equipment and technology may be capitalized in the following situations:

- construction of a new building
- construction of a new building which is a replacement for a currently existing building
- construction of a building addition which includes new FE&T
- major renovation of a building in which new FE&T is included to replace the existing items
- construction of certain major complex network systems

The furniture, equipment and technology to be capitalized should meet all of the following criteria:

- total costs exceed threshold of \$250,000
- will not be consumed in the normal course of operations in the short term
- intended to have a useful life over one year
- appropriate security and inventory procedures are in place to protect assets.

In the case of a complex network system, FE&T must be an integral part of the functionality of the complex network system. A complex network system consists of an assembly of inter-dependent assets which perform a coordinated function. Recording the component parts into various classes would be difficult and not very meaningful. The useful life is very long as compared to regular assets. Examples include waste treatment facilities, water utilities, and radio networks.

In the case of a building project, FE&T are reasonable items required to furnish and equip a building. FE&T are not to be removed from the facility for an extended length of time.

FE&T are recorded as lump sum assets (e.g., Building ABC FE&T).

#### **UTILITIES**

All items, except land and building, associated with a water utility such as piping (transmission lines), steel storage tanks, dams, wells, water meters, hydrants, and pumps are included in the Utilities category. The land and building associated with a water utility are set up in the respective Land and Building category.

#### **WHARVES**

A wharf includes all direct costs of construction including labour, materials, land, survey costs, and project-specific design costs.

#### **MAJOR EQUIPMENT**

The equipment category includes all major equipment with a value of \$50,000 or more. Examples include back-hoes, front-end loaders, trucks, tractors, forklifts, welding machines, utility trailers, diesel/electric generators, and Bailey Bridges.

#### **FERRIES AND BOATS**

Ferries and boats include all passenger and vehicle ferries as well as boats.

#### **COMPUTER HARDWARE**

Computer hardware consists of all equipment that can be considered a component of, is typically attached to, or communicates with an information system. The term encompasses processing units, memory apparatus, input and output devices, storage devices and connectivity equipment.

A computer hardware system or subsystem, or computer component with single-unit costs of \$25,000 or more, should be capitalized.

A computer is an aggregation of potentially interchangeable, reusable, and independently operable components, thus the determination of whether its costs meets the capitalization threshold can be problematic. The unitary approach should be used. If a computer, through an assemblage of separate components, is intended to be used as a unit, it should, for capitalization purposes, be treated as a single asset.

The unitary approach should be extended to computers, file servers, and similar devices. It should not be extended to peripheral devices (workstations and printers) attached to local or wide area networks since each workstation or printer, though attached to and communicating with the network can, and is intended to be, operated independently.

#### **COMPUTER SOFTWARE**

The computer software category includes off-the-shelf software and any related upgrades and licences for this software.

#### **CUSTOMIZED SOFTWARE**

Customized software includes customized software systems that were developed “in house” or with the assistance of private-sector partners. Customized software systems are usually designed for a unique specific purpose.

Costs incurred to design, develop, and implement a computer system include direct costs. Direct costs include external costs (i.e., hiring an external consultant) and internal government costs (i.e., salary and ancillary costs related to the development of a system).

#### **MOTOR VEHICLES**

Vehicles that are used primarily for transportation purposes are included here. This includes passenger vehicles, such as automobiles, trucks, and vans. It also includes snowmobiles, boats, and motorcycles.

#### **OWNED AMBULANCES**

Provincially-owned ambulances are capitalized under this asset category.

#### **BUSES**

Provincially-owned school buses are capitalized under this asset category.

#### **ROADS, BRIDGES, AND HIGHWAYS**

Roads and highways includes all direct costs of construction including labour, materials, survey costs, project-specific design costs (e.g., route location, pavement, interchanges, environmental assessment and design, inspection costs, tendering costs, and tender construction costs).

Network design costs are excluded. Network design costs consist of the costs involved in planning and designing the overall highway system in Nova Scotia and are not considered to be tangible capital assets. Once the proposed highway has been determined, the costs involved in developing that highway are capitalized under this policy.

Paved roads and highways are divided into three components to allow for different amortization rates as certain components of a highway have differing useful lives. New construction will include two components—substructure and paving. The third component is repaving, which is tracked separately in its own class.

Gravel roads costs are tracked separately in their own asset class. A gravel road reconstruction includes bush cutting the roadside, ditching the road, replacing culverts, digging out and repairing soft areas, graveling the road with type “2” gravel and type “1” gravel, compacting the gravels, shaping the driving surface and applying a dust suppressant. Subsequent costs for applications of gravel are excluded.

Bridges are structures of three or more metres in length that span and give passage over a waterway, deep valley, depression, or some other obstacle such as another transportation route. Some special bridges are defined according to function. An overpass allows one transportation route to cross over another without traffic interference between the two routes. A viaduct carries a railroad or highway over a land obstruction. Bridges include all direct costs of construction including labour, materials, survey costs, project-specific design costs (e.g., location, approaches, environmental assessment and design, inspection costs, tendering costs, and tender construction costs).

In certain instances, bridges are required to be replaced as stand-alone projects. In these situations, the Bridges (complete bridge replacement) category is used.

#### **ASSETS UNDER CONSTRUCTION**

Some assets go through a period of construction before they are ready to be put into use. Costs related to assets under construction are accumulated in the asset under construction class and transferred to a regular asset class when the asset is ready for use. Assets under construction are not amortized. Separate asset under construction classes will be established as needed to correspond to the related asset class.

**APPENDIX 14-C**

**Tangible Capital Assets**  
**Accounting Policy - Thresholds and Amortization Rates**  
**Classes**

| Class  | Cost Thresholds*                 | Amortization Rate** |
|--|----------------------------------|---------------------|
| Land   | 0                                | n/a                 |
| Land Improvements (not associated with a building on-site) | 250,000                          | 5%                  |
| Dykeland Systems   | Combinet threshold of<br>200,000 |                     |
| - formation  |                                  | 5%                  |
| - aboiteau   |                                  | 10%                 |
| - gate   |                                  | 10%                 |
| Dykeland Formation (stand-alone project)                   | 100,000                          | 5%                  |
| Dykeland Gate (new or replacement)                         | 50,000                           | 10%                 |
| Dykeland Aboiteau (new or replacement)                     | 50,000                           | 10%                 |
| Buildings (Initial Purchase)                               | 250,000                          | 5%                  |
| Building Betterments (Renovations)                         | 150,000                          | 5%                  |
| Schools (Initial Purchases)                                | 250,000                          | 5%                  |
| School Betterments (Renovations)                           | 150,000                          | 5%                  |
| Portable Classrooms  | 50,000                           | 30%                 |
| Leasehold Improvements                                     | 250,000                          | Lease Term (SL)     |
| Finance Leases (various classes)                           | as per related class             | Lease Term (SL)     |
| Furniture, Equipment & Technology                          | 250,000                          | 30%                 |
| Utilities  | 250,000                          | 15%                 |
| Wharves  | 250,000                          | 5%                  |
| Major Equipment  | 50,000                           | 20%                 |
| Ferries and Boats  | 250,000                          | 15%                 |
| Computer Hardware  | 25,000                           | 50%                 |
| Computer Software  | 250,000                          | 50%                 |
| Customized Software  | 250,000                          | 25%                 |
| Motor Vehicles   | 15,000                           | 35%                 |
| Owned Ambulances   | 15,000                           | 35%                 |
| Buses  | 15,000                           | 20%                 |
| Roads, Bridges, and Highways                               | combined threshold of<br>500,000 |                     |
| - substructure   |                                  | 5%                  |
| - pavement   |                                  | 15%                 |
| - bridges  |                                  | 5%                  |
| Bridges (complete bridge replacement)                      | 250,000                          | 5%                  |
| Roads and Highways   |                                  |                     |
| - Re-paving  | 500,000                          | 15%                 |
| - Gravel Roads   | 100,000                          | 15%                 |
| Assets under Construction (various classes)                | as per related class             | n/a                 |

\* The cost thresholds apply to the initial acquisition or construction costs, that is, the gross cost of the asset, as well as to contributed TCA.

\*\* In the year of acquisition, amortization will be prorated from the month of purchase or the month in which the constructed asset is available for use.