

Policy Name: Amortization

Policy Number: F-15

Policy Monitor: Chief Financial Officer

Policy Approver: Senior Leadership Team

Approval Date: March 31, 2021

Purpose

This policy provides guidance on the appropriate financial and accounting treatment for amortization of the Corporation's assets.

Policy Statement

In accordance with the requirements of Section 51(3) of the *Public Utilities Act*, the Corporation amortizes its fixed capital assets using the amortization rates approved by the Northwest Territories Public Utilities Board.

Guidelines

1. Capital assets under construction are recorded as tangible capital assets in the capital assets sub-system and the general ledger when assets are substantially completed as defined in Policy F-5 section 2(b).
2. Substantially completed capital assets under construction are to be allocated, by the project manager for a given project to individual assets. This allocation will be done at least to the level of assets with differing useful lives (amortization groupings – FERC codes).
3. Capital assets that are substantially completed in the current fiscal year will be depreciated from the month that the asset is declared to be substantially complete (also known as the commissioning date).
4. Capital assets under construction that are not substantially completed in the current fiscal year will remain in capital work in progress and will not be recorded as tangible capital assets and will not be amortized.
5. With the exception of:
 - land,
 - the fixed assets described in Section 3 above,
 - inactive assets and
 - assets held for sale

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All capital assets recorded in the capital asset sub-system are amortized in the current fiscal year.

6. Tangible capital asset costs are amortized on a straight-line basis over the estimated useful lives as approved by the Public Utility Board.

7. Contributions in aid of construction

a. Regulated accounting treatment

Assets donated to the Corporation and contributions in aid of construction are recorded as capital assets at their estimated fair market value with an equal offsetting amount recorded as a deferred credit. These donated and contributed assets are amortized over their estimated useful lives on a straight-line basis. This amount is credited to depreciation resulting in no overall effect for the amortization on capital assets.

b. Public Sector Accounting Standards treatment

Assets donated to the Corporation are recorded at their fair value. Tangible capital asset contributions in aid of construction are recorded as revenues in the current year, received generally if control is obtained of the assets as required under PS3100 .

Roles and Responsibilities

- The **Fixed Asset Accountant** is responsible for reviewing and applying changes to approved amortization rates in the calculation of amortization expense.
- The **Manager, Financial Planning and Analysis** is responsible for conveying amortization rates to the Controller once approved by the Public Utilities Board.
- The **Controller** is responsible for implementing amortization rates as approved by the Public Utilities Board.

Definitions

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- **Tangible capital assets:** Non-financial assets with a useful life greater than one year.
- **Deferred credits:** The donation of assets and contributions to aid in the construction and acquisition of capital assets under rate regulated accounting.
- **Amortization:** The allocation of the cost of a capital asset, other than land, to the periods in which services have been received from those assets in order to properly match expenses with revenues. Also known as “Depreciation.”
- **Substantially completed:** Assets that are capable of use and declared useful even if some additional work is required or costs to be incurred. Defined in more detail under policy F-5 section 2(b).

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Policy History

Date	Revision #	Description of Change
March 31, 2021	5	Updated position from Manager, Budgeting & Regulatory Affairs to Manager, Financial Planning and Analysis to align with current org chart.
April 7, 2017	4	Updates for wording around PSAS language.
March 3, 2015	3	Updates identified during conversion to Public Sector Accounting Standards.
November, 2013	2	Reformatted to new policy template and general revisions for clarity.
March 26, 2005	1	
March 8, 1990	-	Original policy