

Capital Asset Management Policy

Date Approved: January 6, 2021

Effective Date: January 6, 2021

Date Reviewed: N/A

Replaces: N/A

Purpose

The purpose of this Capital Asset Management Policy (the “Policy”) is to ensure that Cambrian College (the “College”) Capital Assets are properly recorded in the appropriate ledgers.

Definitions

Accumulated Amortization: the cumulative amount of all amortization expense.

Amortization Expense: an expense that is allocated to an Asset based on the Useful Life of a Capital Asset.

Asset: Any item that is purchased, donated or constructed by the College that has an estimated Useful Life expectancy of more than one (1) year.

Capital Asset: includes individual College Assets with a pre-tax cost of \$5,000.00 or greater, funded from any source, including land, site improvements, buildings, building renovations, furniture and equipment, vehicles, and major equipment.

Cost: the total costs of acquiring a Capital Asset. This amount will include shipping, installation, duty and net of HST rebate.

Fair Market Value (FMV): the amount for which something can be sold on the open market.

Useful Life: the estimate of the period over which a Capital Asset is expected to be used by the college.

Application/ Scope

This Policy applies to all College employees who are responsible for acquiring assets on behalf of the College. It also applies to employees who are responsible for the recording of an asset, calculating and recording of the annual Amortization Expense and revenue, and recording the disposal of all Capital Assets in the fixed assets ledger and general ledger.

Policy Statements

The College is required by law to follow the Public Sector Accounting Standards (the “PSAS”) when preparing financial statements for the College. This Policy describes the standard principles for recording new and existing Capital Assets, changes in Capital Assets and Accumulated Amortization.

1. The College ensures that all Capital Asset acquisitions are planned for, acquired and financed in an appropriate and timely manner and in accordance with the College’s Procurement Policy and related procedures.
2. The College ensures that all Capital Assets are recorded appropriately and accurately at cost.
3. The College provides for the amortization of Capital Assets according to Generally Accepted Accounting Principles (the “GAAP”) and PSAS.

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4. Capital Assets are amortized on a straight-line basis using the following rates based on the class of Capital Asset:

Asset	Class Rate
Land	N/A
Construction in Progress	N/A
Building	40 years
Building Renovations	40 years
Site Improvements	10 years
Major Equipment	10 years
Furniture and Equipment	5 years

During the first year of purchase, Capital Assets are amortized only for the months in use for that year.

5. The College ensures the accurate and timely recording of Capital Assets in accordance with the College's Record Retention Policy. The recording of assets is completed as follows –
- Land** –Defined as the solid part of the earth's surface whether improved or unimproved. This should include all land purchased, leased, donated or otherwise acquired by the College. The land should be recorded at Cost. Donated land should be recorded as FMV.
 - Site Improvements** –Defined as excavation, fill and grading. This would include roads and major road improvements to parking lot and construction of retaining walls.
 - Buildings** – Defined as roofed structures used for the permanent or temporary shelter of persons, animals, plants or equipment. The value of the building would be the Cost of acquiring the building or Cost of construction. When buildings are constructed, all direct Costs should be included in the value of the building. Direct Costs include labor, material, professional fees, insurance, interest and other costs incurred during the period of construction to get the building ready for its intended use.
 - Building Improvements** – Defined as improvements made to the existing buildings. Any renovation or alteration to an existing building that adds useful space to the structure or extends the facility's Useful Life will be considered a Capital Asset. Improvements that do not add useful space to the structure or extend the facility's Useful Life will be considered repairs and maintenance.
 - Construction in Progress (CIP)** – The cost of the building under construction or other capital projects as at year end, will be capitalized under CIP until such time as the asset is substantially completed and reclassified to Building. All capitalized asset under CIP will not be amortized until the Capital Asset is transferred to Building with the full costing.
 - Furniture and Equipment** – Defined as items that can be moved from its location and is not changed materially or expended in use. These assets would have a pre-tax cost of \$5,000.00 or more, new or used and a Useful Life of five years or less. Examples of

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these types of equipment would be office equipment, medical equipment, building and ground equipment, vehicles, trades equipment and lab and research equipment.

- g. **Major Equipment** – Defined as equipment purchased with a Useful Life over 10 years, new or used and a pre-tax cost of over \$25,000.00.
- h. **Procedures** – Refer to the Financial Reporting and Safekeeping of Capital Assets Procedures.

Responsibilities and Accountability

Senior Team

- Ensure College compliancy with this Policy and with all applicable laws governing this Policy.
- Prioritizes all requests for new Capital Assets.

Vice President Finance and Administration has the responsibility for

- Ensuring the accessibility and communication of this policy and any associated procedures.

Budget Managers have the responsibility for

- Ensuring compliance to this Policy and related procedure when approving purchase of Capital Assets.

Director Financial Services has the responsibility for

- Administrating and maintain fixed assets in accordance to GAAP and PSAS.
- Reviewing and posting amortization expenses and revenues
- Completing, on a timely basis, reconciliation of the fiscal year additions to the general ledger.
- Managing accurate and complete accounting records and maintain records in accordance with the Record Retention Policy.
- Managing asset disposal.
- Advising on the appropriateness of a Capital Asset for generally accepted accounting purposes.
- Ensuring the appropriate approvals have been obtained.
- Educating College staff on all other matters related to this policy and related procedures.

Related Procedures/Forms

Asset Disposal Requisition Form

Bill of Sale and Release of Liability Forms

Disposal of Surplus Assets Procedures

Financial Reporting and Safekeeping of Capital Assets Procedures

Procurement Procedures (Requisition Entry)

Request for Budget Adjustment

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Related Policies / Directives / Legislation

Conflict of Interest Policy

Signing Authorities Policy

Record Retention Policy

Procurement Policy

Public Sector Accounting Board

Ontario Financial Administration Act, Section 28