



Tangible Capital Asset Policy

Approved: 12-xxx
Reviewed: _____

REFERENCES

Public Sector Accounting Standards (PSAB)
Ontario Ministry of Education- Capital Asset Implementation Website
(<http://tpfr.edu.gov.on.ca/CAImplementation.htm>)
School Board & School Authority Tangible Capital Assets Provincial Accounting Policies & Implementation Guide

RELATED FORMS/PROCEDURES/DOCUMENTS

BP: 5-2 Finance and Budget Control (AP: 5-2)
BP: 5-3 Disposal of Obsolete or Surplus Material (AP: 5-3)

POLICY STATEMENT

It is the policy of the Bruce Grey Catholic District School Board (BGCDSB) to ensure management and control of all tangible capital assets as recorded in the financial records of the BGCDSB and as set out by the Public Sector Accounting Board (PSAB) PS 3150. PS 3150 requires the Board to report tangible capital assets in their financial statements for the fiscal year commencing September 1, 2009.

SCOPE

This policy applies to all tangible capital asset projects and all expense projects (as specified below) of the Bruce Grey Catholic District School Board.

RESPONSIBILITIES

The Financial Analyst is responsible for ensuring that the following policies are adhered to and are known throughout the Bruce Grey Catholic District School Board.

DEFINITIONS (as taken from the School Board & School Authority Tangible Capital Assets Provincial Accounting Policies and Implementation Guide)

Tangible Capital Assets (TCA) – are non-financial assets having physical substance that:

- Are held for use in the production or supply of goods and services, for rental to others, for administrative purposes or for the development, construction, maintenance, or repair of other tangible capital assets;
- Have useful economic lives extending beyond an accounting period;
- Are to be used on a continuing basis; and
- Are not for sale in the ordinary course of operations
- Include such items as land, buildings, equipment, furniture, computer hardware/software, vehicles, etc.

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 and 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.

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

Net Book Value – of a tangible capital asset is its cost, less both accumulated amortization and the amount of any write-downs.

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.

TCPS – Total Capital Planning Solutions (aka ReCapp which is the custodial / maintenance inventory systems)

Useful life – is the estimate of either the period over which a tangible capital asset is expected to be used by a government, or the number of production or similar units that can be obtained from the tangible capital asset by a government. The life of a tangible capital asset may be extended beyond the useful life of the tangible capital asset. 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.

POLICIES

1. Capital vs. Expense

Guidelines for determining capital vs. expense are the following:

- 1.1 An expenditure is considered **capital**, if the estimated total cost of a project exceeds \$5,000 and it meets the following criteria:
 - The economic life of the asset is projected to be greater than 1 year, and
 - The asset is new, or is an addition or significant modification to an existing asset adding economic life to the asset, or
 - The cost incurred is a betterment that has enhanced the service potential.
- 1.2 An upgrade can be capitalized when it involves the removal of a major component and the substitution of a different component having significantly improved performance capabilities beyond the property's original design standard.
- 1.3 Carrying costs such as interest costs directly attributable to the acquisition, construction, or development activity of a tangible capital asset that is acquired, constructed or developed over time will be capitalized with the project.
- 1.4 The exception to this policy is data processing equipment, such as computers, notebooks, multimedia projectors, servers, etc. that will be considered capital if the total cost of the work station **exceeds \$500**. Computer equipment will be pooled under one Asset Number corresponding to the specific fiscal year.

1.5 Expenditures that are not considered capital as per the above definition are considered an **expense** representing the normal operating costs of the organization. Thus, any expenditure that has one or more of the following attributes will be charged to an appropriate operating expense account:

- Its economic life is projected to be less than 1 year.
- It involves repairing/refurbishing existing equipment without adding to its economic life, irrespective of the costs of repairs or refurbishing. For example, the following are expenses for the year in which they are incurred:
 - Minor roof repairs;
 - Minor floor repairs;
 - Repainting of rooms, offices, etc.
- It costs \$5,000 or less even if it has economic life of two or more years or it adds to the economic life of the asset.

2. Project Approval

2.1 A project must be created for every capital expenditure greater than \$5,000 and for every expense expenditure greater than \$2,000 (corresponding with TCPS reporting requirements).

The exceptions to this rule are:

- Legal and consulting fees and other discretionary expenditures (e.g. celebrations)
- Training courses (separate approval process)
- Other balance sheet items such as a prepaid (eg. annual software maintenance contracts)
- Recurring annual expenses (may include software maintenance contracts, routine/regular equipment PM's, etc)
- Each responsibility, at their discretion, may require an expense project for these exceptions if deemed necessary.

3. Leases

3.1 The Superintendent of Business must sign all capital and operating leases engaged by the Board.

4. Capital Budgets

4.1 Annually, a capital and depreciation budget must be prepared and approved by the Board.

4.2 The Project Managers, according to their changing needs, can reallocate the budgeted amounts of capital expenditure as needed. The overall total of the plan is not to exceed the original budget amount approved, unless by proper authorization by the Board.

4.3 The annual capital budget provides for a Small Projects Fund (SPF) for the BGCDSB. The SPF is an allowance of funds to accommodate any purchases that are not itemized in the capital plan but are needed to meet organizational objectives.

5. Expense Project Budget

5.1 A detailed expense project budget is prepared and approved by the Board as part of the annual business planning process.

6. Amortization

6.1 Straight-line amortization is used for all asset classes within the BGCDSB and will start at the point the asset is ready and/or in use. That is, amortization will be applied to the nearest full month rather than using the ½ year rule.

6.2 **Straight Line Amortization is calculated as:** [Cost of TCA] - [Estimated Residual Value] / [Estimated Useful Life]

6.3 The estimated useful life rates used for different types of assets include, but are not limited to the following:

<u>Asset Class</u>	<u>Amortization Method</u>	<u>Estimated Useful Life</u>
Building	Straight Line	Existing at March 31, 2005 – remaining service life (as per Book Value Calculator (BVC)) April 1, 2005 onward – 20 years
Portable Structures	Straight Line	Existing at March 31, 2005 – remaining service life (as per BVC) April 1, 2005 onward (as per BVC)
Other Buildings	Straight Line	20 years
Land & Land Improvements with Infinite Lives	N/A	Infinite
Land Improvements with Finite Lives	Straight Line	15 years
First-time Equipping	Straight Line	10 years
Equipment – 5yrs	Straight Line	5 years
Equipment – 10 yrs	Straight Line	10 years
Equipment – 15 yrs	Straight Line	15 years
Furniture	Straight Line	10 years
Computer Hardware & Software	Straight Line	5 years
Vehicles – <1ton	Straight Line	5 years
Vehicles - >1ton	Straight Line	10 years
Assets Permanently Removed from Service	N/A	N/A

6.4 Estimating useful lives of TCA assets is a matter of judgment based on experience and should be applied on a consistent basis. Factors to consider in estimating the useful life include:

- Expected future usage
- Effects of technological obsolescence
- Expected wear and tear from use or the passage of time
- The maintenance program
- Studies of similar items retired, and
- The condition of existing comparable items.

7. Tangible Capital Asset Management & Internal Controls (Physical Verification)

- 7.1 All purchases of tangible capital assets must be handled through the purchasing department. That is, a purchase order must be generated for every TCA purchase, acquiring the appropriate level of monetary authorization and are subjected to standard routines for receiving, inspection and payment.
- 7.2 Tangible capital assets must be properly recorded in the board's accounting records over a fiscal calendar year. This means the tangible capital asset accounts (including amounts carried forward from prior years) are fairly stated and represent the tangible capital assets owned by the board and used on a regular basis. The Financial Analyst will maintain a tangible capital and expense project register and the records (invoice copies, purchase order copies, project record forms, etc.) of all tangible capital assets and expense projects.
- 7.3 Estimates 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.
- 7.4 On an on-going basis, the financial analyst will review the remaining estimated useful lives of buildings:
 - On a regular basis, and
 - When a significant event occurs
- 7.5 The accounting records should closely reflect the physical count of the tangible capital assets (for those assets tracked individually). At least once every five years, all tangible capital assets must be physically verified against the up-to-date listing of tangible capital assets.

8. Disposals/Transfers/Not in Service

- 8.1 Any assets that are to be disposed of, taken out of operation, transferred to another facility or put back into operation needs to be documented on the prescribed forms and approved by the Superintendent of Business prior to the event occurring. (Refer to BP: 5-3 and AP: 5-3)
- 8.2 Any material losses relating to tangible capital assets will be properly recorded in the board's accounting records. Where the loss is material and involves tangible capital assets using the "pooled" approach, adjustments to the gross book value and accumulated amortization of the pool may be required in order to ensure the records of the board are not materially misstated.