


PROCEDURE: 200.13.01

SECTION: Finance	
TOPIC: Fixed Assets	
EFFECTIVE DATE: May 25, 1989	REPLACES:
LATEST APPROVAL DATE: June 21, 1990 October 21, 2014	
NEXT REVIEW: October 2017	ARCHIVED:
APPROVING AUTHORITY: <div style="text-align: center;">  </div> <div style="text-align: right; margin-top: 5px;">Original signed by President + CEO</div>	

INTENT:

The Board of Governors is accountable for the fiscal management of the College and has a fiduciary responsibility to ensure the appropriate expenditure of public funds. Fixed asset purchases can represent a significant commitment of time and resources. Asset acquisition, identification, safeguarding, valuation and disposal are necessary internal control processes to ensure the recognition, tracking and protection of College assets.

SCOPE:

Fixed assets are capital assets of a tangible nature that are intended to be used on a permanent basis for the normal conduct of operations. Fixed asset ownership rests with the College, whether purchased with operating, ancillary, capital, grant or other restricted funds, or on a capital lease. This Procedure applies to all staff, faculty, and students who purchase, dispose of or manage College fixed assets.

DEFINITIONS:

Capital Budget means an approved planning document that outlines expected fixed asset purchases by the College year over year.

Capital Lease means a lease arrangement that transfers the effective risk of ownership to the College as though the asset had been purchased and financed. Generally a capital lease has been entered into when the following conditions are met:

- a) the term of the lease equals 75% or more of the expected life of the asset, or
- b) the present value of the lease payments equals 90% or more of the fair value of the asset,
or
- c) there is an option to acquire the asset at the end of the lease for a price that makes it highly probable that the option will be exercised

Capitalize means deferring the cost of an asset so that the cost may be spread over more than one fiscal period.

Economic Life means the period of time during which an asset may be put towards operational use in the College. Economic life may be shorter than physical life because the asset may become obsolete before it is worn out. Assets will be considered to be at the end of their economic life when they are of no further use or potential use to the College and need to be replaced.

Fixed asset means an investment in or purchase of tangible capital assets including equipment, building, systems, or other item of physical plant whose value which will benefit the college over more than one fiscal period.

PRINCIPLES:

1. A basis for amortization (also called depreciation) must be selected that will allocate the cost of the fixed asset in a reasonable way over its estimated economic life. The College uses the straight-line method of amortization for fixed assets.
2. Items whose economic life is less than one year are expensed or considered supplies/retail inventory and are not classified as fixed assets.
3. Only College assets with a cost of \$1,000 or more shall be capitalized as fixed assets. Items purchased for amounts less than \$1,000 are expensed in the year of acquisition (not capitalized) but may be recorded in the asset listing for control purposes only.
4. Security of fixed assets is an integral part of risk management. Responsibility to ensure that fixed asset inventories are maintained and safeguarded from loss or theft lies with each department.
5. The appraised value of donated assets is capitalized and added to inventory and recorded as capital revenue - "Capital Donations". Works of art or other intangible assets that may be donated are not capitalized or recorded to revenues.
6. The Gallery maintains an inventory of the Permanent Art Collection. Estimated inventory cost as of the date of inclusion in inventory will be established by independent appraisal.

Under Public Sector Accounting Standards, works of art and collections cannot be recorded as assets in the financial statements. Acquisition costs and donations will be recorded directly to an expense account.

7. Fixed assets will be inventoried and reconciled to records no less than once every three years.
8. All departments are responsible for ensuring the maximum value is obtained upon disposal of a fixed asset. When assets have reached the end of their economic life they shall be disposed of in a manner that maximizes the benefit to the College and minimizes any costs of disposal.
9. Disposal of an asset to a College employee is permitted provided that the amortized value of the asset is less than \$300 or the amount paid by the employee is comparable to that which could be obtained through a sale to a third party.

PROCEDURE:

Recording and Reporting

1. The Director, Financial Services is responsible for the completeness and accuracy of the recording of fixed assets including their transfer, acquisition, disposition and related depreciation. Accounts for fixed assets must include a separate asset account for each type of asset, and a corresponding series of amortization (or depreciation) accounts. Like assets are amortized using the same rates and will be grouped together in a single asset account to which new additions are made and from which disposals are removed.
2. The Finance Department shall determine the most appropriate economic life of each asset group.
3. Fixed Asset reports will generated annually by the Finance Department and will be reconciled and verified with a periodic physical count as determined with the Director, Facilities + Ancillary services. A listing of fixed assets will be generated quarterly by the Finance Department and reviewed in conjunction with the quarterly financial reporting.

Acquisition

4. The Director of Facility + Ancillary Services will be required to review and authorize all capital purchases included in the Capital Budget. Fixed asset purchases not included in the Capital Budget must be authorized for purchase by the Vice President, Finance & Corporate Services and will be subject to available funds.
5. It is important that College purchasing practices for fixed assets are followed pursuant to Purchasing Procedure 200.03.03 which outlines the acceptable procurement procedure

(written and competitive quotes or tender) for all goods depending on the anticipated value of the good purchased.

6. The acquisition cost of a fixed asset shall consist of :
 - a) Purchase price
 - b) Taxes including GST
 - c) Shipping and handling costs
 - d) Installation , retrofit of fit-up costs
 - e) Cost of major additions or improvement to the asset

7. Trade-in allowances are added to the net cost of new assets to determine their value at time of purchase .This allowance will be recorded as capital disposal revenue known as "Proceeds on Disposal of Assets."

Identification and Physical Safeguarding

8. The Director Facilities + Ancillary Services will ensure all capital assets are physically identified with a unique asset inventory tag. Disposals will be accounted for by the removal of inventory tags and submission of the Capital Asset Disposal Form to the Finance Department.

9. Employees are expected to take all reasonable actions to safeguard the College assets at all times. All employees are responsible for immediately reporting a missing fixed asset to their immediate supervisor.

10. No assets shall be removed from the college premises without the express permission of the responsible department manager.

11. When a fixed asset is relocated to a new department or location the Finance Operations department and the Director of Facilities + Ancillary Services must be notified via email or memo to update records.

12. Each department is responsible for counting its fixed assets and reconciling the count to fixed asset records with the guidance of the Finance department. The Director Facilities + Ancillary Services, in cooperation with department managers, will coordinate physical counts of fixed assets and forward the count information to Finance for reconciliation to the fixed asset inventory records. Discrepancies will be investigated and followed up by the Director and the respective departments and asset records will be updated based on the results of the physical count.

Disposals

13. Items which are lost or taken out of service through theft, damage, obsolescence shall be reported to the Director, Financial Operations for write-off or insurance claim as required.

14. Where there are significant disposal costs associated with end of life assets the costs shall be accrued for and treated as part of the cost of the asset.
15. In the case of computers or other information technology assets the Director, Computing and Technical Services shall delete all college information from hard drives or other storage device prior to decommissioning pursuant to College Procedure 200.22.01.
16. Inventory items sold or traded-in shall be disposed of in the following manner:
 - a) Department Managers or Chair(s), in consultation with the Director, Facilities & Ancillary Services, identifies items to be sold or traded-in.
 - b) Approval to dispose of capital items must be approved by the Vice President, Finance + Corporate Services in writing (see Capital Asset Disposal Form).
 - c) Capital assets to be offered for sale will be disposed of in the following manner:
 - (i) Department Manager or Chair(s), in consultation with the Director, Facilities + Ancillary Services shall establish an estimated salvage price for item(s) and advise the Vice President, Finance + Corporate Services.
 - (ii) Items which have a salvage value less than \$1,000 may be sold on the basis of a written offer. Items with a salvage value exceeding \$1,000 shall be tendered using the enclosed "Invitation to Bid", subject to the conditions of sale.
 - (iii) Depending upon the nature of items offered for sale, a reserve bid and/or a bid deposit may be required.
 - d) The Department Manager or Chair(s) will notify the Director Facilities + Ancillary Services before assets are removed from the College for removal of the inventory tag.

REFERENCE:

Board Policy #10- Financial Oversight
Purchasing Procedure 200.03.03
IT Backup Retention and Disposal procedure 200.22.01
ACAD Procurement Card Guidelines
Capital asset Disposal Form