POLICY

Aurora College will capitalize all tangible capital assets with a useful life longer than one year and a landed cost of $20,000 or more.

PRINCIPLES

1. Aurora College requires tangible capital assets such as heavy equipment, vehicles, computer software, and computer hardware for program and service delivery and for the administration of college business.

2. Generally Accepted Accounting Principles stipulate that fixed assets with a useful life of over one year must be capitalized and amortized over the useful life of the asset.

3. Generally Accepted Accounting Principles stipulate that capital funding for assets that are capitalized must also be deferred and taken into income at the same rate as the amortization of the capital asset.

SCOPE

This policy applies only to tangible capital assets with both a landed cost of $20,000 or more and a useful life longer than one year. This policy does not apply to assets that cost less than $20,000, nor does it apply to assets with both a landed cost of more than $20,000 and a useful life of less than one year.

DEFINITIONS

Tangible Capital Assets (TCAs), as defined in the *Public Sector Accounting Board Handbook*, section PS3150, are non-financial assets, including computer software, 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.

1.0 GENERAL

1.1 This policy should be read in conjunction with the:

- *Public Sector Accounting Board Handbook*, section PS3150
- *CICA Handbook – Accounting*, sections 3060 and 3065

1.2 Assets that fall outside the scope of this policy will be expensed to an operations budget in the year of purchase.

1.3 All new capital purchases will be tendered by the Manager, Purchasing and Contracts.

2.0 CAPITALIZATION

2.1 The $20,000 threshold value is applied on a per item basis. For example, a piece of furniture that costs $20,000 or more is capitalized. Ten pieces of furniture acquired as one purchase costing $20,000 are not capitalized because each piece of furniture costs less than $20,000.

2.2 The cost of an asset is the gross amount of consideration given up to acquire, construct, develop, or better an asset. The cost includes acquisition, construction, delivery, storage, set up, and value of trade-ins.

2.3 The useful life of the asset will be determined to set up the amortization rate. An asset's useful life is the time duration over which the College expects a benefit to be derived.

2.4 Amortization will be calculated and recorded on a monthly basis using the straight-line method. Amortization will be started in the month in which the asset is brought into service.

2.5 Grants for the acquisition of capital assets will be included in income at the same rate as the capital asset costs. If the asset is under $20,000 it is expensed. The grant will also be taken completely into income that year. If the asset is capitalized the grant will be deferred and taken into income over the same period as the amortization of the capital asset.

2.6 The College will determine if additions or modifications to assets constitute a betterment or a repair.

2.7 Betterments extend the useful life of the asset and will be capitalized.

2.8 Maintenance and expenses for repairs that do not extend the economic life of the asset or enhance the service potential of the asset are not betterments. Such costs will be charged to operations and maintenance in the same accounting period in which they are incurred.

3.0 DISPOSAL OF ASSETS

3.1 In the year of disposition, any unamortized capital cost will be written off. The remaining deferred revenue will be taken into income that year.

3.2 The difference between the net proceeds on disposal of a tangible capital asset and its net book value will be recorded as a revenue or expense in the statement of operations.

3.3 Write-downs or write-offs of assets may also occur because of a change in use of the asset, obsolescence, or cessation of a program. The College will reduce the carrying value of any tangible capital asset where there has been a partial impairment or total loss of the asset.

3.4 Write-downs cannot be reversed.

3.5 A write-down will be recorded as an expense in the statement of operations.

SUPPORTING PROCEDURES, FORMS, AND RULES
The Director of Finance/CFO (or designee) is responsible for managing the supporting procedures, forms, and rules for this policy.

RELATED POLICIES
There are no related policies.

RELATED AURORA COLLEGE BYLAWS
There are no related Aurora College bylaws.

FACT SHEET

DATES:

2006-05-24	New policy issued. Board of Governors Motion BG#347-2006 Implemented July 1, 2006
2016-10-26	Policy revised. Policy and Programs Committee Motion PPC#08-2016. Board of Governors Motion BG#40-2016. Implemented December 1, 2016
2018-07-24	Housekeeping changes – added statement of responsibility for procedures.