

TYPE:	Administrative
TITLE:	Capital Asset Management
NO.:	ADMIN-232
RESPONSIBILITY:	Chief Administrative Officer and Chief Financial Officer
APPROVED BY:	Durham College Leadership Team
EFFECTIVE DATE:	November 2020
REVISED DATE(S):	
REVIEW DATE:	November 2022

1. Introduction

- 1.1. All capital assets purchased with College operating capital or restricted funds are the property of Durham College. The College has a significant investment in its capital assets and as such must ensure that all capital assets are accounted for in accordance with Generally Accepted Accounting Principles (GAAP).
- 1.2. Costs that keep equipment operating for normal use and that may be reoccurring and regular in nature are repairs and maintenance and should be expensed as operating rather than capitalized. Such costs include the replacement of any existing parts and repairs that do not extend the useful life of the existing asset.
- 1.3. Assets held for resale are not capital assets.

2. Purpose

The purpose of this policy and procedure is to define a capital asset and the management thereof, including the proper recognition and measurement within the accounts of the College. This policy and procedure applies to all assets purchased from operating capital or restricted funds.

3. Definitions

Refer to [Durham College's Standard Definitions](#).

4. Policy statements

- 4.1. Durham College shall ensure that all capital asset acquisitions are planned for, acquired and financed in an appropriate and timely manner and in accordance with the College's current Procurement policy and procedure.
- 4.2. Durham College shall ensure that all capital assets are recorded appropriately and accurately at cost.
- 4.3. Durham College shall provide for the amortization of capital assets according to GAAP.

4.4. Capital assets are amortized on a straight-line basis over their average useful lives, which have been estimated to be as follows:

Buildings	40 years
Major equipment	10 years
Equipment and furniture	5 years
Computer equipment	3 years

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

4.5. Durham College shall ensure that all tangible capital asset disposals or write-downs are recorded in a timely manner.

5. Procedure

5.1. Recording assets

5.1.1. A capital asset will be recorded in the College financial system as of the date it meets the definition of a capital asset. Capital assets that are equal to or greater than \$5,000 are recorded at cost. The capitalized cost includes the purchase price and all other acquisition costs such as installation, freight, transportation, taxes, duties and other direct costs of getting the asset into the condition necessary for its intended use.

5.1.2. Donations that qualify as capital assets include equipment and artwork. For a donated capital asset, cost is considered to be the fair value at the date of donation. If the capital asset's fair value cannot be determined, the capital asset shall be evaluated at a nominal amount. Any donated assets must be communicated to the Finance department upon receipt.

5.1.3. Capital assets must be booked to Fund 14 under the College's Chart of Accounts and the project's Organization code when purchased.

5.1.4. The asset must be recorded against one the following capital expense accounts:

Buildings

74000 Buildings

Renovations/improvements

74100 Renovations/improvements

74105 Major renovations

Furniture/Equipment

- 74200 Furniture & Fixtures
- 74205 Instructional equipment
- 74210 General equipment

Computer equipment

- 74300 Computer equipment
- 74305 IT-Software
- 74310 IT-Servers and equipment
- 74315 IT – Consulting/Contracting

Major equipment

- 74400 Major equipment
- 74405 Vehicles

Construction in process

- 74500 Construction in process
- 74501 Renovations/Improvements – CIP
- 74202 Contracted Services - CIP
- 74505 Architect fees
- 74510 Consulting fees
- 74515 Construction permits

Land and land improvements

- 74600 Land and land improvements

- 5.1.5. These accounts should not be used by any other fund except Fund 14.
- 5.1.6. Capital assets shall be tracked by physical location through the Banner Fixed Asset module maintained by the Finance department. All capital asset purchases should therefore note the location code for where the asset will be located. Please refer to the full Chart of Accounts for a list of these codes. When capital assets are moved to another location, the responsible department will notify the Finance department of the new location using the 'Capital Asset Maintenance Form'.
- 5.1.7. The following additional information will be captured in the Banner Fixed Asset module by the Finance department: asset tag, description, make, model and/or serial number where included on the invoice or packing slip.

- 5.1.8. As a general principle, moveable equipment items will be identified as separate and distinct units and will remain so throughout their useful lives. A separate asset tag shall be assigned and permanently affixed to each item at the time of receiving. All moveable assets shall be verified and inventoried on a three-year cycle as per the Durham College Moveable Asset policy.
- 5.1.9. Assets that have an individual unit value less than the capitalization threshold on their own but have a material value as a group can be 'bundled' as a single asset with one combined value in the asset accounting records. When processing purchases with several components (e.g. computer bundles), the whole unit will be captured as one asset in the Banner system.
- 5.1.10. Operating costs that are a result of direct construction or development costs (such as materials and labour), and overhead costs directly attributable to the construction or development activity (such as costs of leased space used solely for the construction or development activity or project management expenses) can be capitalized.

5.2. Amortization

- 5.2.1. The cost, less any residual value, of a capital asset with a limited life should be amortized over its useful life in a rational and systematic manner appropriate to its nature and use. Amortization will be recognized as an expense in the College's financial statements. Land has an unlimited useful life and should not be amortized. An asset's useful life is based on the planned use of that asset and experience with other similar assets.
- 5.2.2. Capital assets that are constructed are booked under the 'construction-in-progress' account as work progresses and amortization commences when work is substantially performed and the building or other constructed asset is ready for occupancy or use.

5.3. Asset disposal

When capital assets are taken out of service, damaged, destroyed, replaced due to obsolescence, sold or otherwise written off, the responsible department will notify the Finance department of the related asset and its disposal using the Capital Asset Maintenance Form. If an asset is sold, the contract must be forwarded to Purchasing for review and approval. Any gain or loss on the disposal will be recorded as a revenue or expense, respectively, in the period of disposal.

5.4. Disclosure

The value of total capital assets, the method and rates of amortization, shall be disclosed in the notes to the College financial statements.

6. Roles and responsibilities

- 6.1. It is the responsibility of the Chief Administrative Officer to ensure this policy and procedure is fully implemented.
- 6.2. The Finance department is responsible for the administration of this policy and procedure, advising on the appropriateness of a capital asset for generally accepted accounting purposes, educating College staff on all other matters related to this policy and procedure, and ensuring the accounting records are accurate and complete.
- 6.3. It is the responsibility of all other departments to ensure that all capital assets assigned to their custody are maintained and safeguarded in accordance with College policies and procedures, and that the Finance department is notified of any changes in the asset's location and/or if the asset is disposed.

7. Accessibility for Ontarians with Disabilities Act considerations

Accessibility for Ontarians with Disabilities Act (AODA) standards have been considered in the development of this policy and procedure and it adheres to the principles outlined in the College's commitment to accessibility as demonstrated by the Accessibility Plan (ADMIN-203).

8. Non-compliance implications

Failure to ensure all capital assets are accounted for in accordance with GAAP and this policy and procedure could result in financial loss to the College.

9. Communications plan

- A message will be posted on ICE alerting employees when new or revised policies and procedures are added to ICE.
- A message will be posted on MyCampus alerting students when new or revised policies and procedures are added.

10. Related forms, legislation or external resources

None.