

Procedure Title	Tangible Capital Assets		
Date of Issue	June 12, 2013	Related Policy	
Revision Dates		Related Forms	
Review Date	June 1, 2018	Originator	Administrative Council
References			
District School Board and School Authority Tangible Capital Assets: Provincial Accounting Policies and Implementation Guide; Ontario Ministry of Education-Capital Asset Implementation Website (http://tpfr.edu.gov.ca/CAImplementation.htm); AP 3501-D "Purchasing – Procurement Guidelines"; AP 3505-D "Purchasing – Requisitions"; AP 3513-D "Purchasing – Segregation of Duties & Approval Authority Schedule"; AP 3402-D "Purchasing – Furniture, Fixtures and Equipment – Disposal".			

Procedure:

1.0 RATIONALE

Bluewater District School Board is required to comply with the *District School Board and Authority Tangible Capital Assets: Provincial Accounting Policies and Implementation Guide*.

The purpose of this procedure is to provide information to assist administrators in identifying assets that qualify for capitalization. As with any purchase, board purchasing procedures and policies apply to the procurement of tangible capital assets.

2.0 DEFINITIONS

- 2.1 Tangible Capital Assets** are non-financial assets having physical substance that are held for use, have useful lives beyond five years, are used on a continuing basis and are not for sale in the ordinary course of operations.
Tangible Capital Assets include, but are not limited to, such items as land, buildings, equipment, furniture, computer hardware, computer software, and vehicles.
- 2.2 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, or betterment of the Tangible Capital Asset, including installing the asset at the location in the condition necessary for its intended use. The cost of a contributed Tangible Capital Asset is considered to be equal to its fair value at the date of contribution.
- 2.3 Fair Value** is the amount of the consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.
- 2.4 Net Book Value** of a Tangible Capital Asset is its cost, less both accumulated amortization and the amount of any write-downs.
- 2.5 Useful Life** is the estimate of the period over which a Tangible Capital Asset is expected to be used. The life of a Tangible Capital Asset may extend beyond the useful life of a 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.

2.6 Amortization is the process of allocating the cost of Tangible Capital Assets to expense for the periods in which they provide benefits.

3.0 ASSET CLASSES

The following chart provides examples of, but not limited to, asset classifications, the cost threshold, and estimated useful life. (Board should use discretion in placing an asset into a classification, especially for equipment useful lives)

ASSET CLASS	CAPITALIZATION THRESHOLD	ESTIMATED USEFUL LIFE
Buildings	\$10,000 or more	40 years
<ul style="list-style-type: none"> • Schools • Administration buildings 		
Portable Structures	\$10,000 or more	20 years
<ul style="list-style-type: none"> • Portables • Portapaks • Relocatable classroom modules 		
Other Buildings	\$10,000 or more	20 years
<ul style="list-style-type: none"> • Domes • Salt/Sand/Other Storage 		
Land	No threshold	Infinite life
<ul style="list-style-type: none"> • Vacant parcel(s) of land • Land situated under building structures • Land improvements with infinite lives <ul style="list-style-type: none"> • Ponds • Grading • Drainage • Trees 		
Land Improvements	\$10,000 or more	15 years
Improvement(s) to land assets with finite lives <ul style="list-style-type: none"> • Driveways • Walkways • Fences • Light Posts • Signs • Playground Equipment 		
First-Time Equipping	No threshold	10 years
<ul style="list-style-type: none"> • Includes most items of an enduring nature to furnish and equip new building assets or existing building assets where gross floor area has been added (e.g. an addition). First-time equipping should be capitalized irrespective of the \$5,000 threshold. 		
Furniture	Individual value of \$5,000 or more	10 years
<ul style="list-style-type: none"> • Bleachers • Drapes and blinds • Library Shelving 		
Equipment	Individual value of \$5,000 or more	5 years
<ul style="list-style-type: none"> • Gym Equipment • Photocopier (Cash Purchase) 		
Equipment	Individual value of \$5,000 or more	10 years
<ul style="list-style-type: none"> • Musical Instruments • Telephone System and Equipment • PA System and Equipment • Snow Blowers 		

ASSET CLASS	CAPITALIZATION THRESHOLD	ESTIMATED USEFUL LIFE
<ul style="list-style-type: none"> • Shop Equipment • Hoists 		
Equipment	Individual value of \$5,000 or more	15 years
<ul style="list-style-type: none"> • Forklift • Warehouse Platform Trucks • Tractors & attachments • Backhoe • Other heavy construction equipment 		
Leased Assets	Individual value of \$10,000 or more	Life of the lease
<ul style="list-style-type: none"> • Leased photocopiers (with intention to own) *Please contact Financial Analyst for clarification		
Computer Hardware	Individual value of \$5,000 or more	5 years
<ul style="list-style-type: none"> • Computer servers • Audio Visual Equipment • Smartboards 		
Computer Hardware	Bulk purchase of \$ 25,000 or more	5 years
<ul style="list-style-type: none"> • Monitors, CPUs, and peripherals only – does not apply to AV equipment or smartboards 		
Computer Software	Individual value of \$5,000 or more	5 years
<ul style="list-style-type: none"> • Student Information System Software • License for the use of software (If for more than one year) • Consulting costs for customization of a software application 		
Vehicles	Individual value of \$5,000 or more	5 years
<ul style="list-style-type: none"> • Cars • Trucks ¼ ton, ½ ton, ¾ ton • Vans • Minivans 		
Vehicles	Individual value of \$10,000 or more	10 years
<ul style="list-style-type: none"> • Trucks – 1 ton or greater • Cube vans 		

4.0 PROCEDURE

4.1 Principals, supervisors, managers

- a) create a purchase requisition for each purchase that qualifies as a Tangible Capital Asset, including those funded from alternative sources such as School Generated Funds, School Council funds or parent/community donations;
- b) charge the purchase requisition to the correct general ledger account (see Appendix A – capital asset Test) to enable proper addition and tracking of the asset; and
- c) contact Supervisor of Purchasing when an asset is declared surplus, removed from service, there is a reduction in service life, or if disposition of an asset is being planned

4.2 Purchasing Department

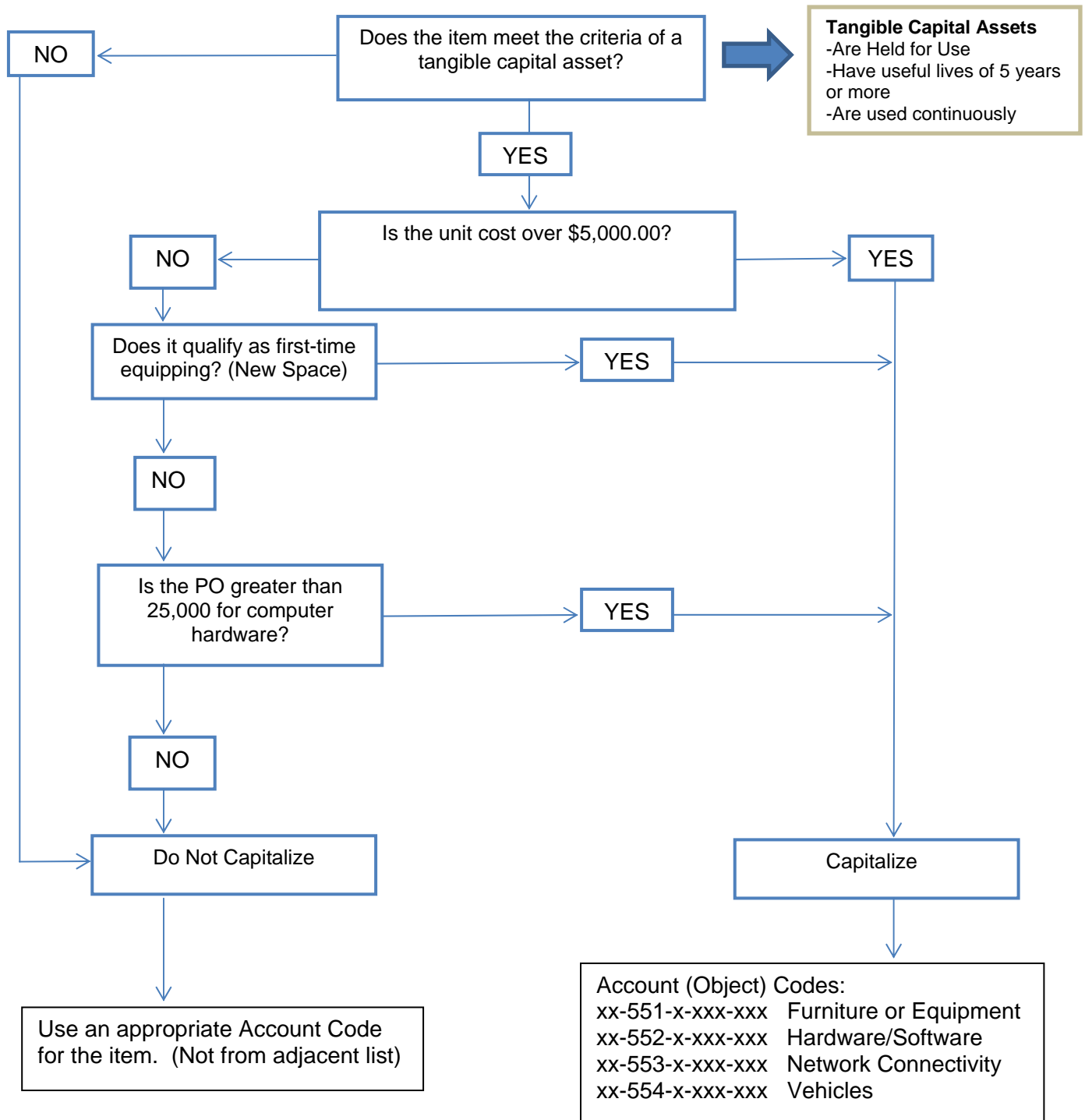
- a) review purchase requisitions to ensure that those that meet the criteria for capitalization are charged to the appropriate account code
- b) forward notifications of dispositions of assets to Financial Analyst for proper accounting treatment

4.3 Financial Analyst

- a) ensure that purchases meeting the criteria for capitalization are added to the Tangible Capital Assets inventory for tracking and reporting purposes;
- b) ensure that assets being disposed of are removed from the Tangible Capital Assets inventory;
- c) ensure that amortization is appropriately calculated; and
- d) ensure that compliance is met in financial reporting of Tangible Capital Assets information.

APPENDIX A

1. Tangible Capital Asset Test for Furniture, Equipment, Hardware, Software and Vehicles



APPENDIX B

2. Tangible Capital Asset Test for Betterments to Buildings

