

ALGONQUIN

POLICIES - BOARD OF GOVERNORS

TITLE: CAPITAL FIXED ASSET CAPITALIZATION		D5
Date of approval: 98-06-08	Minute Number: 98-44 (Replaces) 98-06	

BACKGROUND

The College is required to capitalize and amortize capital assets as recommended in the CICA Handbook for Not-For-Profit Organizations: Section 4400. It is the policy of the Board of Governors of Algonquin College that the College will maintain a detailed Capital Fixed Assets sub-ledger of individual items, which will be reconciled on a monthly basis to the control accounts in the general ledger.

DEFINITION OF CAPITAL FIXED ASSETS

A Capital Fixed Asset is defined as being an item owned by Algonquin College which fits the following criteria:

1. Land
2. Buildings and building additions/alterations
3. Parking lot improvements
4. Automobiles and Vehicles
5. Academic and administrative equipment with a cost greater than \$1,000.00 with an expected useful life greater than one year
6. Donated equipment or gifts with a value in excess of \$1,000.00 with an expected useful life greater than one year
7. Leasehold improvements
8. Capital Lease
9. Art

Detailed records of individual pieces of furniture will not be maintained, even for items in excess of \$1,000.00. The College will expense the cost of furniture purchases in year and the value will not be capitalized. Custodial responsibility for furniture will be covered through appropriate insurance coverage with agreement with the underwriting company to handle claims.

BETTERMENTS/REPAIRS AND MAINTENANCE

The definition of a betterment as identified in the CICA Handbook is the cost to enhance the service potential of a capital asset. Betterments will include renovations, major repairs and upgrades that will increase the service of a capital asset and extend the useful life.

Betterments will be treated as capital assets and will be capitalized and amortized, using the same amortization rates as the underlying asset over the remaining useful life of the original asset.

BUDGET HOLDERS

Each Budget Holder will be responsible for the care and maintenance of the fixed assets purchased by their department and will be required to count and attest to the existence of these assets on an annual basis.

It is the responsibility of the Budget Holders to ensure that all updates and corrections are reported to the Financial Services office.

Disposal of the College fixed assets may only be actioned by the Financial Services office in accordance with the Fixed Asset Disposal Policy.

CAPITALIZATION AND AMORTIZATION POLICY

The College will capitalize capital assets in accordance with CICA Handbook as defined in the definition of Capital Assets. The College will record Capital Assets at cost. This cost will include installation costs, design fees, legal fees, survey costs, site preparation costs, freight costs, taxes and duties. This information will be obtained from the various documents relating to capital assets acquisition.

Donations and gifts to the College will be recorded at fair market value as of the date of contribution. Fair market value will be determined using appraisals. In unusual circumstances where it is not possible to determine the fair value of contributed capital asset a nominal value should be used.

The amortization method and the estimate of the useful life of a capital asset will be reviewed on a regular basis by College management. Amortization will be recognized as an expense

in the College's statement of operations.

The College will calculate amortization on a capital asset by using the straight line method. This method will be used on all capital assets as defined in the Definition of Capital Fixed Assets.

Capital Fixed Assets are carried at cost and are amortized over their estimated useful lives as follows:

<u>CAPITAL ASSET</u>		<u>AMORTIZATION RATE</u>
Land		N/A
Buildings	Straight Line	4%
Building alterations/additions	Straight Line	4%
Site improvements	Straight Line	10%
Parking Lot Improvements	Straight Line	10%
Automobiles & Vehicles	Straight Line	20%
Academic and Administrative Equipment	Straight Line	20%
Donated Equipment or Gifts	Straight Line	20%
Leasehold Improvement	Straight Line	Term of Lease
Capital Lease	Straight Line	Term of Agreement
Art		N/A